CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

Montréal, 15 to 20 September 2008

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OWNERSHIP, ORGANIZATION AND REGULATORY PRACTICES OF AIRPORTS AND AIR NAVIGATION SERVICES PROVIDERS

(Presented by the Secretariat)

SUMMARY

This paper summarizes the results of the recent ICAO survey on ownership, organization and regulatory practices of airports and air navigation services providers (ANSPs) in 2007 and planned changes thereof.

INFORMATION PAPER

1. INTRODUCTION

1.1 This paper summarizes the data received from ICAO Contracting States regarding the status of ownership, organization and regulatory practices of airports and air navigation services providers (ANSPs) in 2007 and planned changes. The survey covered 101 reporting States, their ANSPs and nearly 600 airports. The full report can be downloaded from http://www.icao.int/icao/en/atb/epm/Databases.htm.

1.2 The previous report[1], undertaken in connection with the *Conference on the Economics of Airports and Air Navigation Services* (ANSConf 2000) presented results by States, while this report measures both the number of States and/or the number of airports, as appropriate. This approach has been adopted because the ownership structures are no longer homogeneous within a State and several organizational forms can co-exist.

[1] See *Highlights in the Economic Development of Airports and Air Navigation Services* (ICAO Circ 286).

2. OWNERSHIP AND ORGANIZATION OF AIRPORTS AND AIR NAVIGATION SERVICES PROVIDERS

2.1 The continued establishment of autonomous entities for both airports and ANSPs and the involvement of private interests in airport operations strengthened the trend towards commercialization and mostly partial privatization. Common goals are good corporate governance, managerial efficiency, cost-effectiveness, service quality and financial viability. In 2007, autonomous entities represented 40 per cent of all sampled airports and 44 per cent of all sampled ANSPs (see Figures 1 and 2 below).

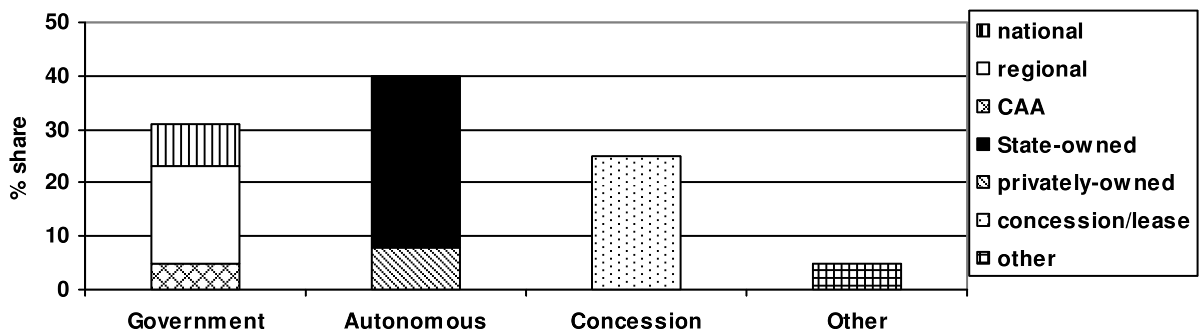

Figure 1. Ownership and/or operation of international airports
(2007)

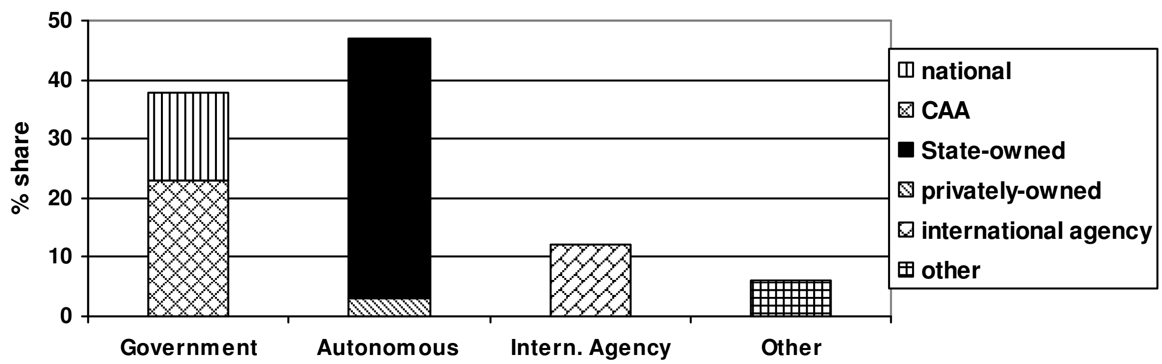

Figure 2. Ownership and/or operation of air navigation services
(2007)

2.2 As for the composition of capital, the survey reveals that 73 per cent of the sampled international airports were, fully or partially, State-owned. Blending corporate objectives of financial viability with profitability and accountability to shareholders seems to work well for State-owned airports. A ratio of 4 to 1 applies for national to regional/municipal governments as shareholders. Full or partial private ownership was reported for 24 per cent of the sub-sample of airports for which capital composition was indicated. Private participation in the provision of air navigation services remains rare to date.

2.3 An examination of major airport services that were owned and/or operated by private corporations reveals that airport operators opted more and more for outsourcing. The private sector was to a large extent involved in providing ground handling (84 per cent), cargo and passenger terminal services (74 per cent and 67 per cent, respectively), as well as airport security (65 per cent).

2.4 The survey found that approach and aerodrome control services were provided in 80 per cent of the States by the same entity that provides air traffic services (ATS) en route, while in the remaining 20 per cent of the States the services were provided by the airport operator. In most States, the ATS providers were also responsible for aeronautical communication services (COM) and aeronautical information services (AIS) (89 per cent), and to a large degree for meteorological services for air navigation (MET) (42 per cent) and search and rescue services (SAR) (44 per cent).

2.5 The survey also established to what extent performance measurement and benchmarking were in effect. Almost all of the international airports, reporting on performance indicators, measured (or plan to measure) service quality, safety, productivity and cost effectiveness (listed in decreasing order). Other areas where performance indicators had been established included security, environment, air traffic volume, pricing and risk assessment. Almost all of the ANSPs under review measured (or plan to measure) performance of safety, closely followed by service quality, productivity and cost-effectiveness (listed in decreasing order).

3. REGULATORY PRACTICES

3.1 Along with the trend towards commercialization and privatization comes the need to separate the provision of airport and air navigation services from regulatory functions. Out of 84 reporting States, the airports in 72 States and the ANSPs in 64 States were separated from the regulator, with more States planning to separate these functions.

3.2 Economic oversight is a State responsibility with various public policy objectives including the prevention of the risk that a service provider could abuse its dominant position. Out of 84 reporting States, 47 confirmed that they exercise economic oversight for airports and 42 for ANSPs; more States are planning to do so.

3.3 The survey also inquired about the involvement of service providers and regulators in setting charges. Almost half of the reporting States indicated that service providers set the charges upon prior approval by regulators as required by the respective Governments. A few service providers set the charges according to price setting regulations in force. A variety of determinants and approaches were applied in setting air traffic charges. Transparent accounting systems were reportedly used as a determinant by one third of the airports and ANSPs, while the principle of cost-based charges ranked first in approaches in over half of the 84 reporting States.

3.4 The survey examined also the extent to which airports and ANSPs in the 85 reporting States conducted consultations with users on charges and infrastructure development. The results show that consultations were held, either on a mandatory or voluntary basis, on charges in about four out of five States but less with respect to infrastructure development.

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