

## **IBAC Technical Report Summary**

**Subject:** Airport Economics & User Charges Policies

**Meeting:** Air Navigation Services Economics Panel (ANSEP/4)

**IBAC File:** ICAO Panel Report

**Reported by:** Peter R. Ingleton

**Summary:** ANSEP/4 was held in Montreal, 6-10 January 2003.

IBAC participated for the first time in this Panel as an Observer. See Terms of Reference attached.

It is noted that the Panel is charged with updating the ICAO Manual on Air Navigation Services Economics.

The Panel decided that it would **not** pursue further the issue of cost recovery through user charges of SAR facilities and services provided by other than permanent, civil establishments and to recommend that its terms of reference be abridged accordingly.

Proposed restructuring of Chapter 1 of the Manual omitted, at its first draft, several important elements related to general aviation and, hence business aviation (Ref existing para 1.16 g) h) and i) ). IBAC obtained reassurance that these texts would be re-introduced in the restructuring of Chapter 5.

It was necessary to remind the Panel on several occasions that airlines are not the sole users of Air Navigation Services and the sole payers of user charges.

Whilst the Panel addressed a wide range of subjects, one relatively contemporary and very significant issue, as recently embodied in ICAO Policy, is that related to taking account of "economic principles" in establishing charges. The possible advent of economic pricing with a view to influencing user behaviour and that of ANS Providers would constitute a profound change from traditional practice. The UK nominated Panel Member, the leading proponent of economic pricing, referred exclusively to influencing the behaviour of airlines. IBAC pointed out that there would inevitably be a serious, negative impact on non-airline users of ANS, whose behaviour was not necessarily intended to influence.

### **Implication for Business Aviation:**

No immediate impact on business aviation. To safeguard genav/bizav interests, text at Chapter 1 para 1.16 g) h) and i) must be re-instated in restructured Chapter 5.

Economic pricing doctrines if applied by ANS providers could pose a significant long term threat to business aviation. Proponents of such pricing need to be engaged in vigorous debate and pressed to assess impact on all users.

Note: Due to the method of revenue generation in the U.S.A., it is the view of the author that economic pricing is not feasible.

### **Decisions Required:**

POC to discuss economic pricing and commence development of refutation for use in lobbying proponents.

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## TERMS OF REFERENCE

The ICAO Air Transport Committee has established the following terms of reference for the Panel:

The Panel is to:

- 1) assist the Secretariat in the revision and expansion of the guidance material in the *Manual on Air Navigation Services Economics* (Doc 9161/3) with particular reference to:
  - 1) guidance compatible to that being developed for the *Airport Economics Manual* (Doc 9562) on an independent mechanism for economic regulation of airports and air navigation services, best commercial practices, application of internationally accepted accounting standards and transparency in the application of economic pricing;
  - 2) guidance on cost allocation by stage in flight path;
  - 3) guidance on recovery of unpaid charges;
  - 4) other guidance relevant to sound financial management of air navigation services, including other guidance emanating from recommendations and comments of the 2000 Conference on the Economics of Airports and Air Navigation Services as approved by Council and not covered under a) and b) above; and
  - 5) the need for the Manual to reflect the policy guidance contained in the *ICAO Policies on Charges for Airports and Air Navigation Services* (Doc 9082/6);
- 2) assist the Secretariat in undertaking a study on the allocation of GNSS costs; and
- 3) undertake a study on cost recovery for search and rescue services as well as on the establishment and funding of regional or sub-regional search and rescue mechanisms.