



Aviation: Eurocontrol air navigation charges

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[Eurocontrol](#) is the European Organisation for the Safety of Air Navigation. It is a civil and military organisation with 38 Member States. Its primary objective is the development of a pan-European Air Traffic Management (ATM) system.

In 2004 Eurocontrol published proposals for a single air navigation services charge. The general idea was that the en-route charge would be set according to the cost of providing air navigation services in different 'charging volumes of airspace' within Member States' airspace, with a separate charge applying to air navigation services made available at aerodromes. Following consultation, a regulation was adopted in December 2006 and fully brought into force from 1 January 2010.

Information on other aviation issues can be found on the [Aviation Topical Page](#) of the Parliament website.

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1 What is Eurocontrol?

Although EU Member States hold sole responsibility for the design and management of their airspace, these activities are co-ordinated for most states under a co-operative agreement within Eurocontrol. Furthermore, since 2004, air traffic management has been brought under the EU common transport policy. The European Commission is leading on the Single European Sky initiative, which aims to create a harmonised European air traffic management system by 2020.

[Eurocontrol](#) is the European Organisation for the Safety of Air Navigation. It is a civil and military organisation with 38 Member States. Its primary objective is the development of a pan-European Air Traffic Management (ATM) system. Eurocontrol develops, coordinates and plans for implementation of short-, medium- and long-term pan-European air traffic management strategies and their “associated action plans in a collective effort involving national authorities, air navigation service providers, civil and military airspace users, airports, industry, professional organisations and relevant European institutions”.¹

The aim behind the creation of Eurocontrol was to have an organisation that would be entirely responsible for upper airspace in Europe. The [International Civil Aviation Organisation \(ICAO\)](#) advocated the complete integration of air traffic services, and plans were made for three international Air Traffic Control centres to be set up, to operate in the upper airspace. The [Eurocontrol International Convention relating to Cooperation for the Safety of Air Navigation](#) (the Eurocontrol Convention) was signed on 13 December 1960 and came into force on 1 March 1963.² It was subsequently amended in 1970, 1978, 1981 and 1997.

2 Charges for air navigation services

In 1969, the Eurocontrol Member States adopted the basic principles for a harmonised regional en-route charges system, involving a single charge per flight, which came into operation on 1 November 1971. The [Eurocontrol Central Route Charges Office \(CRCO\)](#) was set up to operate this system on behalf of the States.

Under the Eurocontrol Convention the Member States considered that the operation of a common route charges system, with due regard to the guidelines recommended by ICAO, in particular concerning equity and transparency, “contributes to the funding of the uniform European air traffic management system and facilitates consultation with users”.

Accordingly, the Member States agreed to implement a common policy for the establishment and calculation of charges levied on aircraft operators of en-route air navigation facilities and services (route charges). This common policy builds on the provisions of the [Multilateral Agreement relating to Route Charges](#), which has been in force since 1986. The Eurocontrol Route Charges System is open to all European States wishing to participate and in particular those States which are members of the [European Civil Aviation Conference \(ECAC\)](#).

¹ explained in more detail on the [Eurocontrol website](#)

² the countries who originally signed the Convention in 1960 were Belgium, France, the Federal Republic of Germany, Luxembourg, the Netherlands and the United Kingdom

3 A common charging scheme, 2004-

3.1 Initial draft proposals

In order to best understand the charging proposals, it is important first to understand the aims and functions of the Single European Sky (SES) initiative. This was explained succinctly by the Transport Select Committee in its July 2009 report on airspace:

Airspace over Europe is highly fragmented, having developed largely around state geographic borders and boundaries. International flights currently have to pass through national air traffic zones or "blocks", before being handed over from one national authority to another. For example, passenger aircraft travelling between Brussels and Rome must pass through nine different air traffic control zones. This system leads to bottlenecks and delays, forcing aircraft to consume more fuel and jeopardising safety. As a consequence, flights in Europe are on average 49 kilometres longer than needed. The European Commission estimates that the fragmentation of Europe's airspace costs €1 billion each year and that shorter, direct routes could save five million tonnes of CO₂ annually.

Important developments are taking place at the European level to create a more rational organisation of European airspace and additional capacity, whilst maintaining high safety standards. The European Commission's Single European Sky (SES) initiative, adopted in 2004, brought air traffic management (ATM) under the EU common transport policy, which sets common rules applicable to international transport originating in, destined for, or travelling within, the territory of Member States. SES aims to create, by 2020, an ATM system designed, managed and regulated in a harmonised way. The new European ATM system is intended to sustain European aviation from an ATM viewpoint for the subsequent 30 to 40 years. A second package, the Single European Sky II (SES II), was published by the European Commission in June 2008, which placed greater emphasis on the potential environmental benefits to be gained through modernising the European ATM system. The package was adopted by the European Parliament in March 2009. SESAR (Single European ATM Research) is the industry-led research and technology programme accompanying the SES legislation.³

One of the central elements of SES is the reform of the rules for charging for air traffic services. The pre-existing system of charging guaranteed air navigation service providers (ANSPs) full recovery of the costs they incur in providing en-route air traffic services. The system did not really reflect the differing complexities of providing air navigation services, meaning that the amount of income received through charges was not closely linked to the cost of providing the particular service.

The new SES charging system as originally drafted sought to bring aerodrome ANSPs within the remit of a charging regulation. The UK [Civil Aviation Authority \(CAA\)](#) believed that this extension into a hitherto unregulated area would create new burdens and increase costs for no clear gain. The proposals contained in Eurocontrol's draft regulation were summarised by the CAA as follows:

Eurocontrol's draft charging regulation envisages a 'gate-to-gate' approach, allowing for the recovery by ANSPs of the full costs of providing air navigation services to users for all phases of operation (en-route, approach and aerodrome).

³ Transport Committee, *The use of airspace* (fifth report of session 2008-09), HC 163, 10 July 2009, paras 73-74; full details of the SES initiative can be found on the [European Commission website](#)

The general idea is that the en-route charge will be set according to the cost of providing air navigation services in different 'charging volumes of airspace' within Member States' airspace, with a separate charge applying to air navigation services made available at aerodromes. ANSPs will be required, for each charging volume of airspace and for air navigation services provided at aerodromes, to identify and separate out the annual full costs for the provision of each of these services and to allocate the costs of service provision between Instrument Flight Rule (IFR) and Visual flight Rule (VFR) traffic. Member States and ANSPs will be required to consult with airspace users before any changes to the levels of air navigation charges are made.

Eurocontrol's draft also envisages the scheme offering greater incentives on airspace users and ANSPs to optimise the provision of air navigation services; whilst considering the need for large-scale investment in collective air navigation infrastructure improvements.

The draft regulation does move toward greater cost reflectivity in the charging formula in the sense that it seeks to recognise the differing costs of providing air navigation services in different 'volumes of airspace'. The regulation also extends to include all aerodrome ANSPs with 10,000 or more IFR arriving and departing flights bringing in a large number of smaller UK aerodromes.⁴

The CAA also suggested eight general principles against which any proposals for a reformed charging system should be judged:

A key element of any reform should be the recognition of the importance of charging companies a price that relates to the costs they impose. As part of that, and in particular for congested airspace, the charging system should recognise that there are higher costs of providing terminal approach services compared to en-route services.

This suggests:

- Charging formula should follow principle of cost-reflectivity
- Separation of en-route charge from terminal charge

Another key point is to move away from the full cost recovery system used in the rest of Europe, towards an incentive based system which would give clearer signals to airlines and ANSPs in terms of making best use of scarce resources and incentivising appropriate investment. Some greater risk sharing between ANSPs and airlines, where risk is firstly minimised through better linking of charges to actual costs and secondly allocated more appropriately between airlines and ANSPs would seem to create a more robust structure:

- A progressive move towards incentive based regulation to reward efficiency
- Risk minimisation, with the remaining risk shared between ANSPs and airlines (rather than risk lying wholly with one of these)

A further key characteristic for a charging structure is transparency, so that airlines are able to understand the way in which their charges have been calculated by ANSPs, and that ANSPs themselves should be adhering to a common set of 'rules' in setting charges:

- A harmonised, and transparent approach to charging according to a common set of published guidelines

⁴ CAA, *Single European Sky CAA discussion series No. 6*, August 2004, pp4-5

Within this harmonised approach, there may also be benefits in moving the charging formula away from a completely uniform structure to allow more flexible approaches to pricing, under common guidelines, which would allow ANSPs to adopt price differentiation strategies such as peak/off peak charges (i.e. which could shift those flights with a higher passenger elasticity of demand to less congested airspace). The resulting change in behaviour could in principle increase the demand for flights in off-peak periods, thus encouraging a more efficient utilisation of airspace:

- Enable more flexibility within the charging scheme (subject to common guidelines) to allow for, e.g. differing peak/off-peak charges

The UK aerodrome control ATM sector operates in a broadly contestable environment. Consequently any change to the rules that brings aerodrome ATM within the charging regime should avoid having an adverse effect on this market and should not introduce over-burdensome regulation:

- Charging rules should not threaten contestable markets, hamper the development of competition, or impose disproportionate regulatory costs

In considering how best to achieve reform it will be important to use transitional measures to avoid cliff-edge effects on particular airlines, and to recognise that change cannot be achieved in a single step, which implies prioritising those areas that can bring most benefit:

- Aim for progressive transition towards cost-reflective charging and prioritise areas where most benefits can be gained

These principles flow from a detailed analysis of the current charging structure and are consistent with ICAO guidance on principles for charging for ATM⁴. This states that economic pricing is an effective tool to encourage the efficient use and least cost provision of air navigation resources, allow for a better match between supply and demand in the context of current capacity and provide incentives for long-term expansion of capacity where needed.⁵

The CAA's analysis of the draft proposals suggested that there were long-term benefits for the industry as a whole in charging reform. A more cost-reflective system would incentivise capacity enhancement, improve cost focus, create a more robust financing structure for ANSPs and encourage the best use of existing infrastructure. Aligning costs and revenues would also both encourage a more commercial approach from European ANSPs and pave the way for effective incentive-based economic regulation to be introduced in the future. The CAA also believed that the risks of not making an immediate change should also be considered.

On aerodrome ATC services the CAA stated that:

The provision of air navigation services at UK aerodromes is currently a broadly contestable market. This means that in the majority of aerodromes in the UK, the aerodrome operators appoint the air navigation service provider (ANSP) for visual control/final approach services.⁶

At the time of the proposal, all but the six BAA⁷ airports' aerodromes paid ANSPs directly for these services. Airlines were not charged directly for these services but instead remunerated

⁵ *ibid.*, pp5-6

⁶ *ibid.*, p7

⁷ London Heathrow, Gatwick and Stansted, Edinburgh, Glasgow and Southampton – Gatwick was sold in 2009

the aerodrome through the general landing fees. Under this method, aerodromes therefore had a direct interest in the cost efficiency of their service provider. The UK system has little state involvement in setting aerodrome ANS charges. At the aerodromes where airlines are not charged directly by the ANSP, the State does not have to be involved in the setting of charges or of enforcing payment. The CAA commented:

The draft regulation prepared by Eurocontrol envisages a gate-to-gate approach to charging, covering ANS provision *at all stages of operations* with a derogation for those aerodromes with 10,000 or less arriving and departing IFR flights (around 30 aerodromes in the UK). This means that all aerodromes above this threshold will be covered by the charging regulation and will be subject to the same accounting and information disclosure requirements regardless of size.

The draft charging regulation as currently worded would represent a step backwards for the UK's broadly commercial and contestable system. If the charging regime continues to apply to include all aerodromes above the 10,000 threshold, the UK could lose the existing commercial/market discipline within the system, as aerodromes will no longer be directly affected by the costs of the ANSP services for visual control/final approach. Instead charges will be set through a centralised process overseen by Member States and will be paid directly by airlines.⁸

3.2 Draft Regulation for consultation

In April 2004 Eurocontrol published a [draft Regulation](#) for consultation along with a report on its implementation and an impact assessment. The UK Government responded to the consultation on the draft Regulation in September 2004, the covering letter that accompanied the response gave an overview of the UK position:

The UK welcomes the opportunity to comment on the draft charging regulation. We recognise the overall importance of charging reform in achieving the other aims of the Single European Sky, such as developing functional airspace blocks. It is therefore crucial that this regulation does not stand in the way of these aims.

In general the UK is disappointed with the second draft of the charging regulation. In essence we have four main concerns with the draft text as it stands regarding proportionality, contestability, incentives and cost-reflectivity.

In terms of proportionality of regulation, the UK has serious concerns over the extension of what are essentially 'en-route' principles into the aerodrome market; a market which is effectively contestable in the UK. The UK has 143 licensed aerodromes, over 40 of which would be caught by the provisions of this charging regulation. In the case of small aerodrome ANSPs, the requirements in the Charging and the Common Requirements regulations are simply not appropriate and will lead to an increase in regulatory burden and hence costs to users for no real gain.

Moreover, we believe it is wrong to impose an overly prescriptive charging system which fails to recognise the different aerodrome ANSP models in the various Member States.

Applying the charging regime to all aerodrome ANSPs and reintroducing the State into the price setting process at aerodromes would mean that the UK would lose the existing commercial/market discipline. This will impact on the contestable nature of the UK aerodrome market as aerodromes will no longer be directly affected by the costs of

⁸ *ibid.*, p7

the ANSP services for visual control/final approach. Instead charges will be set through a centralised process and will be paid directly by airlines to ANSPs.

By bringing aerodromes under the regulatory eye of the State, and by encouraging full-cost recovery in what is currently a contestable market, the regulation mitigates the incentives, currently in place on aerodrome ANSPs in the UK to achieve cost reductions. Surely this is not intended?

The Single European Sky Regulations make it clear that one of the underlying principles for a new charging scheme is that air navigation service costs should be recovered according to the 'user pays' principle. We can support this principle. But we would argue that simply enshrining the current en-route charging formula into the regulation and introducing a weight-based charge for aerodromes does not fulfil the principles of cost-reflectivity or user pays. Indeed the use of weight in the charging formula encourages cross-subsidy from small airspace users to large users which is not reflected in the actual costs of air navigation service provision. Whilst we recognise that a replacement for weight in the charging formula is unlikely to be agreed in the short-term, the UK would prefer not to see the current system enshrined in the regulation.⁹

Following the responses by Member States a [second draft of the Regulation](#) was published in October 2004, along with a report on the first round of consultation. This indicated that over three quarters of respondents did not think that the initial draft regulation was acceptable but that it might be acceptable with amendments. Section 5.2 of the report set out in detail comments made by respondents on specific parts of the draft regulation and the corresponding changes made by Eurocontrol that fed into the second draft.¹⁰

3.3 Final Regulation

In December 2006 the European Commission adopted [Regulation 1794/2006/EC](#) on a common charging scheme for air navigation services, this followed agreement by Member States in the Single Sky Committee in September 2006. The new charging system regulates which costs are eligible and how users will be charged for air navigation services. The Regulation came into force in part on 1 January 2007 except for those Articles relating to en route charges which came into force from 1 January 2008 and those relating to terminal charges which came into effect on 1 January 2010.

The Commission's view was that the new, harmonised system would contribute to achieving greater transparency and encourage the safe and effective provision of air navigation services:

The Regulation concerns the financing of air navigation service provision (the guidance from an air traffic controller to a pilot to guarantee a safe and efficient flight). Yearly turnover of the air navigation service industry amounts to about €7 billion: for every euro spent on an airline ticket today, some 6 % is devoted to air navigation services.

The provision of air navigation services is in principle not subject to normal market forces of supply and demand. Indeed, airplanes tend to follow fixed routes and cannot choose which Member States' airspaces to cross. That is why air navigation is a service of public interest where costs and charges must be regulated.

⁹ DfT, [Letter to Jean-Luc Garnier, Head of Regulatory Unit, Eurocontrol](#), 14 September 2004; the [full response](#) is available on the DfT website

¹⁰ Eurocontrol, [Development of Implementing Rules on a Common Charging Scheme for Air Navigation Services: Final Report](#), 29 October 2004; [related documents](#) also available on the Eurocontrol website

The regulation is based on the Eurocontrol multilateral agreement. Beyond enhancing enforcement of this international system, the regulation brings clear additional benefits: it is part of the single European sky legislation and will contribute to its implementation leading to more cost-efficiency. The definition of charging zones paves the way to a more integrated management of the airspace in regional airspace blocks. The regulation also promotes transparency of accounts and reinforces consultation mechanisms of airspace users.

As the Community rule is fully consistent with the current system, the impact in the short-term is expected to be fairly limited. The inclusion of terminal charges in the scheme may lead to a limited increase of costs for airline companies mostly relying on short-haul routes. This is in line with the basic 'user pays' principle. Indeed, aviation is the only transport mode where infrastructure is exclusively financed through user charges.¹¹

3.4 Implementing the Regulation in the UK

In November 2006 the Department for Transport published a letter detailing its intentions as regards the implementation of the terminal charging aspects of the Regulation. This stated that the new Regulation would not change the basis on which the existing en-route charges were calculated and collected and that the en-route charging zone would remain as defined under the Eurocontrol route charges system. It confirmed the DfT's intention to consult on the establishment of charging zones and, in respect of terminal charges, to defer the setting of unit rates, where applicable, until 1 January 2010. Furthermore, it stated that the DfT intended to exempt from the Regulation air navigation services provided at airports with less than 50,000 commercial movements per year and to further examine whether those airports with more than 50,000 but less than 150,000 movements per year should be exempted from the requirement to calculate terminal charges and set terminal unit rates in accordance with the Regulation.¹²

The DfT published a consultation on terminal charges in July 2008, following a contestability assessment by the CAA.¹³ The consultation sought views on the CAA's findings that the provision of air navigation services (ANS) at UK airports met the contestability criteria set out in the Regulation. This was important because the Regulation allowed Member States to apply reduced regulatory requirements to ANS provision at airports with between 50,000 and 149,999 commercial air transport movements (CATMs) per annum if Member States could demonstrate that ANS was provided in a contestable market. It also summarised the main options for the establishment of terminal charging zones in respect of which ANS costs at airports must be reported under the Regulation.¹⁴

The Government's decision and summary of responses to the consultation was published in December 2008. The DfT's conclusions were as follows:

Based on the responses received, the government has decided:

¹¹ EC press notice, "[Single European Sky: Commission harmonises air navigation service charges](#)", 6 December 2006

¹² DfT, [Letter to European ATM Policy Committee](#), 8 November 2006

¹³ broadly, this means how competitive the ANS market at airports is, i.e. ANS providers being able to offer and withdraw services and airport operators being able to choose an ANS provider in a competitive free market; the CAA's assessment is available as [Annex 1 to the 2008 consultation](#)

¹⁴ DfT, [Applying European Commission Regulation \(EC\) no 1794/2006: a common charging scheme for air navigation services](#), 21 July 2008

A) The treatment of ANS provision at airports with between 50,000 and 149,999 commercial air transport movements (CATMs) p.a. in the light of the CAA's assessment of contestability

- To accept the CAA's assessment that ANS providers at UK airports with between 50,000 and 149,999 CATMs p.a. operate in a contestable market (see its report "Assessment of Contestability under Annex I of the Regulation") and apply the reduced regulatory requirements permitted in Article 1 (6) and Annex III of the Regulation in respect of ANS provision at those airports.
- To review after five years whether it is necessary to commission the CAA to carry out a re-assessment under Annex I of the Regulation.

B) The establishment of charging zones for reporting Terminal ANS costs

- To establish two Charging Zones for reporting Terminal ANS costs in the UK, as per Option 2 in the Consultation Paper. Zone A will include airports with between 50,000 and 149,999 CATMs p.a. and Zone B airports with 150,000 CATMs p.a. and over.
- For 2009 reporting, required to be submitted to the Commission by 1 December 2008, these Zones will cover the following airports:

Zone A (Annex III data): Aberdeen; Belfast International; Birmingham; Bristol; Edinburgh; Glasgow; London City; London Luton; Newcastle; and Nottingham East Midlands.

Zone B (Annex II data and from 2010, Annex VI data): Gatwick; Heathrow; Manchester; and Stansted

This option enables the Government to impose the lowest permitted regulatory burden on ANS providers at airports with between 50,000 and 149,999 CATMs p.a. It will provide Users with ANS cost information with which to monitor the evolution of ANS costs over time at UK airports with 50,000 or more CATMs p.a. It will also enable Users to compare the % change over time in the UK with that in other European countries. This Option also takes into account the significant concerns expressed by some respondents about the provision of commercially sensitive information in a contestable market. Nevertheless, we recognise that complying with the Regulation may require the disclosure of more information than ANSPs or self-supply airports consider appropriate in a contestable market.

C) Miscellaneous matters such as incentives schemes, exemptions and consultation with users

- That matters such as incentive schemes and exemptions from ANS charges at airports are matters for individual airports and their customers. Therefore, the Government will not impose any incentive schemes or exempt categories of flight in respect of airport ANS charges.
- That local consultation, as agreed between the airport, ANSP and Users, is the most appropriate approach to consultation on the costs of ANS at airports, rather than a central DfT hosted event for each charging zone as we currently

hold for en route charges. Similarly, the frequency of consultation is also best agreed at local level between the airport, ANSP and Users.¹⁵

¹⁵ DfT, *Applying EC Regulation (EC) No 1794/2006: Government Decision and Summary of Responses*, 16 December 2008