



**PRINCIPLES FOR ESTABLISHING THE COST-BASE FOR
EN ROUTE CHARGES AND THE CALCULATION OF
THE UNIT RATES**

EUROPEAN ORGANISATION FOR THE SAFETY OF AIR NAVIGATION

E U R O C O N T R O L

**PRINCIPLES FOR ESTABLISHING THE COST-BASE FOR
EN ROUTE CHARGES AND THE CALCULATION OF
THE UNIT RATES**

[Text approved by the enlarged Commission on 1 October 2013
and entered into force on 1 November 2013
Annexes I and V updated in April 2015]

Printed in 2015

(This document supersedes Doc. No. 13.60.01 of November 2013)

TABLE OF CONTENTS

	<u>Page</u>
1. GENERAL PROVISIONS	1
1.1. Common policy	1
1.2. Charging zones	1
1.3. Options for the calculation of the unit rate	1
1.3.1. Full cost recovery method	2
1.3.2. Determined cost method	2
1.4. Transparency of costs and the charging mechanism	2
1.5. Consultation with airspace users' representatives	3
2. ACCOUNTING PRINCIPLES AND COSTS	4
2.1. General accounting principles	4
2.2. General provisions on costs	4
2.3. Costs: Detail by nature	5
2.3.1. Staff costs	5
2.3.2. Other operating costs	5
2.3.3. Depreciation	6
2.3.4. Cost of capital	7
2.3.5. Exceptional items	7
2.3.6. Restructuring costs	8
2.4. Costs: Detail by services	8
2.4.1. Air Traffic Management (ATM) costs	8
2.4.2. Communication costs	8
2.4.3. Navigation costs	8
2.4.4. Surveillance costs	8
2.4.5. Search and Rescue (SAR) costs	8
2.4.6. Aeronautical Information costs	9
2.4.7. Meteorological (MET) costs	9
2.4.8. Supervision costs	9
2.4.9. Other State costs	9
2.5. Cost allocation	10
3. CALCULATION OF THE UNIT RATE	11
3.1. General provisions	11
3.1.1. Service unit forecasts	11
3.1.2. Incentive schemes	12
3.2. Full cost recovery method	12
3.2.1. Calculation of en route unit rates	12
3.2.2. Adjustment mechanism	12
3.2.3. Amendment of unit rate	12

3.3.	Determined cost method	12
3.3.1.	Calculation of en route unit rates	12
3.3.2.	Consultation	13
3.3.3.	Traffic risk-sharing	14
3.3.4.	Cost-sharing	15
3.4.	Incentive schemes	16
3.4.1.	Incentive schemes for air navigation service providers	16
3.4.2.	Incentive schemes for airspace users (modulation of en route charges)	17
3.5.	Calculation of the regional administrative unit rate	18
3.6.	Exempted flights	18
3.7.	CNS, MET and Aeronautical Information services subject to market conditions	18
3.8.	High inflation	20
3.9.	Calculation of the unit rate in euro value	20
4.	COMPLIANCE MONITORING	20
4.1.	Appeal	20
4.2.	Review of charges	21
5.	ENFORCEMENT MEASURES	21
6.	ENTRY INTO FORCE	21
<u>ANNEXES</u>		
Annex I:	List of en route charging zones and the applicable method chosen for the calculation of the respective unit rates	23
Annex II:	Specimen Reporting Tables – Full cost recovery method	25
Annex III:	Specimen Reporting Tables – Determined cost method	31
Annex IV:	GNSS costs	41
Annex V:	List of airspace users’ organisations	43
Annex VI:	Glossary of terms	45
Annex VII:	Specific transparency requirements for en route services provided under market conditions	49

1. GENERAL PROVISIONS

1.1. Common policy

The Contracting States to the Multilateral Agreement relating to Route Charges have agreed to adopt a common policy in respect of the calculation of the charges and of their cost-base.

The Contracting States have therefore adopted the following “Principles for establishing the cost-base for en route charges and the calculation of the unit rates” (hereinafter “the Principles”).

The Principles are based on those described in the “ICAO’s Policies on Charges for Airports and Air Navigation Services” as contained in ICAO Document 9082 and in the “Manual on Air Navigation Services Economics” as contained in ICAO Document 9161, current versions, subject to any modification made in order to take account of other methods specific to the EUROCONTROL route charges system.

Contracting States shall ensure that the amounts collected on their behalf are used to finance the en route costs determined in accordance with these Principles.

1.2. Charging zones

1.2.1. Contracting States shall establish en route charging zones in the airspace falling under their responsibility where en route services are provided to airspace users.

1.2.2. The charging zones shall be defined in a manner consistent with air traffic control (ATC) operations and services, after consultation with the airspace users’ representatives.

1.2.3. A charging zone shall extend from the ground up to, and including, upper airspace. Contracting States may establish a specific zone in complex terminal areas within a charging zone.

1.2.4. Where charging zones extend across the airspace of more than one Contracting State, the Contracting States concerned shall ensure consistency and uniformity in the application of these Principles to the airspace concerned and shall notify EUROCONTROL thereof.

1.2.5. Cost-bases and unit rates shall be calculated for each charging zone.

1.3. Options for the calculation of the unit rate

There are two possible methods for the calculation of unit rates: one based on full cost recovery (hereinafter the “full cost recovery method”) and the other based on determined cost recovery (hereinafter the “determined costs method”).

Contracting States shall establish their cost-base in order to account for the costs of the en-route air navigation systems under their jurisdiction in accordance with one of the two methods described below.

The charging zones and the method chosen by each Contracting State are listed at Annex I.

1.3.1. Full cost recovery method

Route charges shall be calculated for the year "n" based on the estimated costs and traffic for that year. An adjustment mechanism shall be applied to ensure that only the actual costs of the service are eventually recovered. This mechanism is described in Paragraph 3.2.2.

Contracting States opting for the full cost recovery method shall establish appropriate forecast operating accounts for the purpose of calculating the unit rate for year "n", whereby the costs for year "n" shall be determined on the basis of actual costs in the last complete financial year (year "n - 2") updated according to available information, particularly budget forecasts relating to years "n - 1" and "n". Adequate steps must be taken to ensure that there is no double counting.

1.3.2. Determined cost method

The cost to be shared among airspace users shall be the determined cost of providing air navigation services. Determined costs shall be the costs determined by the Contracting States at the level of the charging zone.

Without prejudice to a revision of targets or the implementation of an alert mechanism, the determined costs shall be fixed prior to the beginning of each reference period as part of the performance plan for each calendar year during the reference period and in both real and nominal terms.

The reference period shall cover a minimum of three years and a maximum of five years.

1.4. Transparency of costs and the charging mechanism

1.4.1. Without prejudice to Paragraph 1.4.2 and/or Paragraph 3.7, Contracting States shall establish their cost-base in their national currency.

1.4.2. Where a common charging zone with a single unit rate has been established, the Contracting States concerned shall ensure conversion of national costs into euro or the national currency of one of the States concerned so as to ensure a transparent calculation of the single unit rate. Those Contracting States shall notify as appropriate EUROCONTROL of the applicable currency.

1.4.3. Contracting States shall report data to the EUROCONTROL Central Route Charges Office (CRCO) in accordance with the specimen tables in Annexes II and III. Preliminary data shall be reported not later than 1 June of each year. Final data shall be reported not later than 1 November of each year.

1.4.4. Contracting States shall ensure that unit rates are set for each charging zone on an annual basis.

1.4.5. For Contracting States applying the full cost recovery method, costs shall cover the period up to "n + 4".

1.4.6. For Contracting States applying the determined costs method, data shall cover the current reference period.

1.4.6.1. Without prejudice to Paragraph 1.4.6.2, unit rates shall not be modified in the course of a year.

Unit rates shall be set in accordance with the following process:

- (a) For each year of the reference period, unit rates for year “n” shall be calculated by 1 November of year “n - 1” on the basis of the determined unit costs contained in the performance plan and the adjustments set out in Paragraph 3.3.1.
- (b) Unit rates for year “n” shall be submitted by the Contracting State to EUROCONTROL by 1 June of year “n - 1” following the requirements of Paragraph 3.3.2.
- (c) Contracting States shall inform EUROCONTROL of the unit rates for each charging zone at the latest by 1 November of year “n - 1”.

1.4.6.2. Where performance plans are:

- either adopted after 1 November of the year preceding the year in which the reference period begins;
- or revised following a revision of targets or the implementation of an alert mechanism resulting from circumstances that were unforeseeable at the beginning of the period and insurmountable and outside of the control of the Contracting State;

unit rates shall be recalculated where necessary on the basis of the final adopted plan or the applicable corrective measures.

To this effect, Contracting States shall calculate and apply their unit rate in accordance with the adopted performance plan as early as possible in the course of the first year of the reference period or the first year of the application of the revised performance plans and targets. The difference in revenue due to the temporary application of the initial unit rate shall be carried over in the calculation of the unit rate of the following year. For the first year of the reference period or the first year of the application of the revised performance plans and targets, the traffic risk-sharing mechanism provided for in Paragraph 3.3.3 shall be applied on the basis of the determined costs and service units contained in the final adopted performance plan and of the actual service units for the year.

1.5. Consultation with airspace users’ representatives

1.5.1. Contracting States shall ensure that airspace users’ representatives are consulted on the charging policy on a regular basis. To this end, they shall provide them with the necessary information on their charging mechanism as set out in Annexes II or III, and shall organise an effective and transparent consultation hearing to present this information, in the presence of the air navigation service providers involved.

The relevant documentation, excluding any information of a confidential nature, shall be put at the disposal of airspace users’ representatives, and EUROCONTROL at the latest three weeks before the consultation hearing.

1.5.2. Contracting States and/or air navigation service providers shall organise an exchange of information on cost-bases, planned investments and expected traffic with airspace users’ representatives if the latter so request. Subsequently, they shall make their respective costs established in accordance with the Principles available in a transparent manner to airspace users’ representatives and EUROCONTROL.

The information of a non-confidential nature referred to above shall be based on the reporting tables and detailed rules set out in Annexes II or III (Reporting Tables 1 and 2 plus additional information).

- 1.5.3. Airspace users' representatives (organisations listed at Annex V) shall be consulted by the enlarged Committee for Route Charges, on preliminary and final estimated cost-base figures for year "n", and on any changes to the Principles.
- 1.5.4. The provisions of the Paragraphs above shall also apply to any revision of the unit rate during the course of the year. The Contracting States concerned shall ensure that airspace users' representatives are consulted in the enlarged Committee on the revised estimated cost-base and unit rate figures.

2. ACCOUNTING PRINCIPLES AND COSTS

2.1. General accounting principles

- 2.1.1. The Contracting States shall ensure that air navigation service providers, whatever their system of ownership or legal form, draw up, submit to audit and publish their financial accounts. These accounts shall comply with the International Accounting Standards / International Financial Reporting Standards (IAS/IFRS). Where, owing to the legal status of the service provider, full compliance with the International Accounting Standards is not possible, the Contracting State shall ensure that the provider achieves such compliance to the maximum possible extent.
- 2.1.2. In all cases, the Contracting States shall ensure that air navigation service providers publish an annual report and regularly undergo an independent audit.
- 2.1.3. The Contracting States shall ensure that, when providing a bundle of services, air navigation service providers identify in their internal accounting, the relevant costs and income for en route services, broken down in accordance with the Principles and, where appropriate, shall keep consolidated accounts for other, non air navigation services, as they would be required to do if the services in question were provided by separate undertakings.
- 2.1.4. The Contracting States shall designate the competent authorities that shall have a right of access to the accounts of service providers that provide en route services in the airspace under their responsibility.
- 2.1.5. The accounting period shall be from 1 January to 31 December.

2.2. General provisions on costs

- 2.2.1. En route charges shall reflect the costs incurred either directly or indirectly in the provision of en route services, including the EUROCONTROL costs. The costs of en route services shall be financed by means of en route charges imposed on the users of en route services, and/or other revenues if appropriate without prejudice to the financing of exemptions of certain users of en route services through other sources of financing.

Revenues derived through en route charges set in accordance with the Principles shall not be used to finance commercial activities of air navigation service providers.

- 2.2.2. Account shall be taken of the whole of the en route air navigation facilities and services for which each Contracting State is responsible by virtue of the ICAO Regional Air Navigation Agreements and the associated Regional Air Navigation Plan on the basis of which national plans are established. This means that only facilities and services provided for civil and military traffic operating in accordance with ICAO rules and regulations (General Air Traffic: GAT) can be included. The Contracting States shall apply the Principles to all their providers of air navigation facilities and services whose costs are included in their cost-bases.

- 2.2.3. These providers shall establish the costs incurred in the provision of en route services in relation to the facilities and services provided for and implemented under the relevant ICAO Regional Air Navigation Plan in the en route charging zones under their responsibility. Costs shall include administrative overheads, training, studies, tests and trials as well as research and development allocated to these services.
- 2.2.4. Contracting States may establish the following costs when they are incurred in relation with the provision of en route services:
- (a) the costs incurred by the relevant national authorities,
 - (b) the costs incurred by qualified entities, i.e. those acting on behalf of these national authorities,
 - (c) the costs stemming from international agreements.
- 2.2.5. Without prejudice to other sources of funding, part of the revenues resulting from en route charges may be used to provide fund common projects for network-related functions that are of particular importance for improving the overall performance of air traffic management and en route services in accordance with applicable law. In such cases, Contracting States shall put in place comprehensive and transparent accounting practices to ensure that users of en route services are not charged twice.
- 2.2.6. The costs of eligible services, facilities and activities shall be calculated in such a manner as to be consistent with the accounts referred to in Paragraph 2.1 above for the period from 1 January to 31 December. However, the non-recurring effects resulting from the implementation of IAS/IFRS may be spread over a period not exceeding 15 years.
- 2.2.7. Any adjustment beyond the provisions of the IAS/IFRS shall be specified in the additional information to be provided in accordance with Annex II or III.
- 2.2.8. Costs related to the provision of en route services shall include non-recoverable taxes and shall be calculated net of ancillary revenues.
- In this case, details and figures shall be provided in the additional information.
- 2.2.9. These costs shall be broken down into staff costs, other operating costs, depreciation costs, cost of capital and exceptional items including non recoverable taxes and custom duties paid, and all other related costs.

2.3. Costs: Detail by nature

2.3.1. Staff costs

Staff costs shall include gross remuneration, overtime payments, and employers' contributions to social security schemes as well as pension costs and other benefits. Pension costs may be calculated using prudent assumptions based on the governance of the scheme or on national law, as appropriate. Where appropriate, those assumptions shall be detailed in the additional information.

2.3.2. Other operating costs

Other operating costs shall include costs incurred for the purchase of goods and services used to provide en route services, in particular outsourced services, external staff, material, energy, utilities, rental of buildings, equipment and facilities, maintenance, insurance costs and travel expenses. Where an air traffic service provider purchases other en route services, the service provider shall include the actual expenditure for those services in its other operating costs.

Operating costs comprise:

- a. rental costs for land transmission lines;
- b. rental costs of land, buildings and other facilities including taxes and other charges, where applicable;
- c. costs of utilities including water, heating and all energy supplies;
- d. rental costs for communication lines;
- e. repairs and maintenance costs, excluding internal staff costs, but including non capitalised equipment, e.g. spare parts or other small expensed items;
- f. operating costs of other operational and technical support facilities, including administrative support, legal, consultancy and audit;
- g. costs of application software unless considered as an investment.

2.3.3 Depreciation

- 2.3.3.1. Fixed assets (tangible and intangible assets) shall comprise equipment and buildings, including related works services, land, basic software and, where appropriate, application software, including taxes and/or customs duty paid, where applicable.

Depreciation costs shall relate to the total fixed assets in operation for en route services purposes. Fixed assets shall be depreciated, in accordance with their expected operating life, using the straight-line method applied to the costs of the assets being depreciated.

Historic or current cost accounting may be applied for the calculation of the depreciation. The methodology shall not be altered during the duration of the depreciation and shall be consistent with the cost of capital applied (nominal cost of capital for historic cost accounting and real cost of capital for current cost accounting). Where current cost accounting is applied, the equivalent historic cost accounting figures shall also be provided to allow for comparison and assessment.

- 2.3.3.2. In order to be taken into account in a given year, facilities and services shall either be in operation, or be expected to be put into operation by the end of that year. Facilities put into operation during that year shall only be taken into account on a pro-rata basis.

Any temporary shut-down of a facility (i.e. failure or maintenance) shall not be taken into account.

- 2.3.3.3. The percentages to be applied in calculating the depreciation of fixed assets shall be determined in accordance with the expected operating life and the pertinent IAS/IFRS standards.

- 2.3.3.4. When it becomes apparent that the operating life of an asset being depreciated will be shorter than was anticipated when the original depreciation schedule was drawn up, one of the following two methods shall be adopted:

- the net book value of the asset may be written off over the remaining years of the revised operating life;
- the precise amount of the residual value less any proceeds from its disposal may be added in full, in the financial year in which it occurs, to the depreciation charged in that year.

- 2.3.3.5. Equipment or buildings still in service beyond the above-mentioned depreciation periods are regarded as fully depreciated and no depreciation or cost of capital shall be included in respect of them. If essential changes are made to equipment or buildings already amortised or in course of depreciation, the amount of the capital expenditure relating to these changes shall be depreciated in accordance with the same rules.
- 2.3.3.6. No depreciation shall be calculated for land.
- 2.3.3.7. Proceeds from the disposal of assets shall be credited against the cost-base. In exceptional circumstances this could be spread over a number of years, after prior consultation with the airspace users' representatives.
- 2.3.3.8. Contracting States experiencing high rates of inflation may need to use alternative approaches to calculating depreciation, as further detailed in Paragraph 3.8 below.

2.3.4 Cost of capital

2.3.4.1. Cost of capital shall be equal to the product of:

- (a) the sum of the average net book value of fixed assets and possible adjustments to total assets determined by the Contracting States and used by the air navigation service provider in operation or under construction and of the average value of the net current assets, excluding interest-bearing accounts, that are required for the provision of en route services; and
- (b) the weighted average of the interest rate on debts and of the return on equity. For air navigation service providers without any equity capital, the weighted average shall be calculated on the basis of a return applied to the difference between the total of the assets referred to in point (a) and the debts.

2.3.4.2. When the assets do not belong to the air navigation service provider, but are included in the calculation of the cost of capital, Contracting States shall ensure that the costs of these assets are not recovered twice.

2.3.4.3. For the purposes of 2.3.4.1 above, the factors to which weight is to be given shall be based on the proportion of financing through either debt or equity. The interest rate on debts shall be equal to the weighted average interest rate on debts of the air navigation service provider. The return on equity shall be based on the actual financial risk incurred by the air navigation service provider.

For Contracting States applying the full cost recovery method, the cost of capital applied to equity to be used is a matter for the Contracting State (or other economic regulator) to approve, taking into account the low financial risk of providing en route services. In both cases the government bond rate, or alternatively rates payable in financial markets by enterprises of comparable low financial risk, may be taken as a guide.

For Contracting States applying the determined cost method, the return on equity shall be that provided in the performance plan for the reporting period and shall be based on the actual financial risk incurred by the air navigation service provider as assessed prior to the reference period.

2.3.5. Exceptional items

Exceptional items shall consist of non-recurring costs relating to the provision of en route services during the same year.

2.3.6. Restructuring costs

For Contracting States applying the determined cost method, the calculation of actual costs may include the recovery of restructuring costs of air navigation service providers incurred in reference periods precedent to the reference period(s) of recovery and subject to a business case demonstrating a net benefit to users over time in accordance with applicable law.

Restructuring costs are significant one-time costs incurred by air navigation service providers in the process of restructuring by way of introducing new technologies and procedures and associate business models to stimulate integrated service provision where the Contracting State wishes to recover the costs in one or more reference periods. They may include costs incurred in compensating employees, closing air traffic control centres, shifting activities to new locations and, writing off assets and/or acquiring strategic participations in other air navigation service providers.

2.4. Costs: Detail by services

2.4.1. Air Traffic Management (ATM) costs

ATM is divided into Air Traffic Services (ATS), Air Traffic Flow Management (ATFM) and Airspace Management (ASM), where ATS is the primary component of ATM.

ATS costs are defined as the costs of Air Traffic Services provided for en route aircraft.

2.4.2. Communication costs

Communication costs are costs in respect of aeronautical fixed and mobile services to enable ground-to-ground, air-to-ground and air-to-air communications for ATC purposes.

2.4.3. Navigation costs

Navigation costs are costs in respect of facilities and services that provide aircraft with positioning and timing information and shall include Global Navigation Satellite Systems (GNSS, cf. Annex IV) as soon as applicable.

2.4.4. Surveillance costs

Surveillance costs are costs in respect of facilities and services used to determine the respective positions of aircraft to allow safe separation.

2.4.5. Search and Rescue (SAR) costs

Costs included in this category are those for search and rescue services provided to civil aviation by any permanent establishment of facilities and personnel maintained for the purposes of providing such services.

Search and rescue services facilities comprise rescue coordination centres (RCCs), rescue sub-centres (RSCs) if any, long, medium and short-range aircraft (including helicopters and ultra-long range or extra-long range aircraft), rescue boats and vessels, mountain rescue units and any other units, forces or facilities which are designated primarily or exclusively, or which are available to perform aeronautical search and rescue functions when required.

2.4.6. Aeronautical Information costs

Aeronautical Information costs are costs in respect of services established within the defined area of coverage responsible for the provision of aeronautical information and data necessary for the safety, regularity, and efficiency of air navigation.

2.4.7. Meteorological (MET) costs

2.4.7.1. Contracting States shall reinforce the co-ordination between the National Authorities concerned (Civil Aviation Authority and MET Authority - when different) and the service providers concerned (aeronautical MET service provider and Air Navigation Service Provider - when different) in order to ensure that MET costs charged to users of en route services are justified and properly established.

2.4.7.2. Contracting States shall ensure that their aeronautical MET service provider draws a comprehensive inventory of the MET facilities and services (direct and core) and of the aeronautical MET products and functions exclusively needed to meet aeronautical requirements. Furthermore this inventory shall be supplemented by the relevant references in ICAO Manual on Air Navigation Services Economics (especially Annex 3, current version), Procedures for Air Navigation Services and European Air Navigation Plan as well as by the references of national regulations concerned.

2.4.7.3. Information shall be disclosed to users of en route services at the product/function level. Contracting States shall introduce transparent cost-accounting systems as soon as practicable. When implemented, Contracting States shall ensure that detailed documentation on these cost-accounting systems (starting with the inventory) can be made available to users of en route services relevant representatives.

2.4.8. Supervision costs

Supervision costs shall comprise the costs incurred by Contracting States to supervise the provision of air navigation services, in particular with regard to the safe and efficient operation of air navigation service providers.

2.4.9. Other State costs

2.4.9.1. Definition

Other State costs shall comprise the costs incurred by Contracting States in relation with the provision of en route services as referred to in Paragraph 2.2.4 other than the "Supervision costs" above. The other State costs shall include:

- the EUROCONTROL costs, except the costs related to the Maastricht Control Centre, and;
- if applicable, the costs stemming from other international agreements.

2.4.9.2. EUROCONTROL costs

EUROCONTROL costs shall be established in accordance with the Principles and on the basis of the Agency's Annual Accounts submitted for the Permanent Commission's approval.

The various categories of EUROCONTROL costs shall be apportioned among the Contracting States as follows:

- a. staff and other operating costs in respect of Part I of the Agency Budget shall be apportioned among the Contracting States in accordance with the method used for calculating their contributions to the Agency Budget (Article 19 of the Statute of the Agency refers);
- b. staff and other operating costs in respect of Maastricht Control Centre shall be allocated to the airspaces in which the facilities provide services in accordance with sharing keys as agreed upon by the Contracting States involved;
- c. EUROCONTROL depreciation and cost of capital shall be apportioned among the Contracting States:
 - either by the method used for calculating their contributions to the Agency Budget, e.g. in the case of capital costs in respect of Part I;
 - or according to the regionalisation rule (i.e. costs shall be attributed to the airspace for which the facilities have provided services) in respect of depreciation of facilities providing route services (e.g. Maastricht Control Centre).

Interest earned by the Agency on its own accounts shall be deducted from EUROCONTROL costs before apportionment of such costs among the Contracting States.

The costs related to the Maastricht Control Centre shall be reported separately.

2.5. Cost allocation

- 2.5.1. The costs of eligible services, facilities and activities within the meaning of Paragraph 2.2 shall be allocated in a transparent way to the en route charging zones in respect of which they are actually incurred.
- 2.5.2. Where costs are incurred across different en route charging zones, they shall be allocated in a proportional way on the basis of a transparent methodology.
- 2.5.3. The cost of en route services shall relate to the costs referred to above to the exclusion of the costs relating to the terminal services, defined as follows:
 - (a) aerodrome control services, aerodrome flight information services including air traffic advisory services, and alerting services;
 - (b) air traffic services related to the approach and departure of aircraft within a certain distance of an airport on the basis of operational requirements;
 - (c) an appropriate allocation of all other air navigation services components, reflecting a proportionate distribution between en route and terminal services.

For the purposes of point (b) and (c) above, Contracting States shall define the criteria used to allocate costs between terminal and en route services for each airport and inform EUROCONTROL thereof.

For States applying the determined cost method, this shall be done before the start of each reference period.

- 2.5.4. Where the utilisation of ATS facilities between en route services on the one hand and terminal services on the other cannot be allocated on a statistical basis, the said facilities shall be classified as follows:
 - facilities provided mainly for en route services (allocation of 75% of the corresponding costs to route services);

- facilities provided virtually to the same extent for en route and terminal services (allocation of 50% of the corresponding costs to route services);
- facilities provided mainly for terminal services (allocation of 25% of the corresponding costs to route services).

Where the utilisation of an ATS facility (e.g. between civil and military purposes) cannot be determined directly, civil airspace users shall only be charged those costs properly allocable to them.

2.5.5. With regard to point-to-point communications where the costs cannot be allocated exactly, 100% of costs shall be charged to route services or telecommunications centres where the link is between two route service centres, but only 50% where the link is between an area control centre and an aerodrome or an approach control centre.

2.5.6. Where SAR costs are part of the cost-base, the following provisions shall apply:

- only the aeronautical facilities and services included in the ICAO Regional Air Navigation Plan shall be accounted for;
- cost allocation attributable to civil aviation and non-civil aviation users (military, agriculture, land and maritime transport, tourism, etc.) shall precede any cost recovery from civil aviation;
- the allocation of costs shall be determined in such a way as to ensure that no airspace users are burdened with costs not properly allocable to them;
- these operations shall be performed with the precision and transparency required and airspace users shall be provided with relevant information, in particular with regard to the costs of the facilities and services provided.

2.5.7. Aeronautical Information costs shall either be charged to en route services or apportioned between en route services and other services.

2.5.8. If exemptions are granted to VFR flights in accordance with Paragraph 3.6, the air navigation service provider shall identify the costs of en route services provided to VFR flights and separate these from the costs provided to IFR flights. These costs may be established through a marginal cost methodology taking into account the benefits to IFR flights stemming from the services granted to VFR flights.

2.5.9. The costs incurred for exempted flights shall be composed of:

- (a) the costs of exempted VFR flights as identified in Paragraph 2.5.8 above and;
- (b) the costs of exempted IFR flights which shall be calculated as the product of the costs incurred for IFR flights and the ratio of the number of exempted service units to the total number of service units, with the total number of service units consisting of the service units in respect of IFR flights, as well as the service units in respect of VFR flights, where these are not exempted. The costs incurred for IFR flights shall be equal to the total costs less the costs of VFR flights.

3. CALCULATION OF THE UNIT RATE

3.1. General provisions

3.1.1 Service units forecasts

Contracting States shall establish forecasts of service units.

3.1.2. Incentive schemes

Contracting States may establish or approve incentive schemes consisting of financial advantages or disadvantages applied on a non-discriminatory and transparent basis to support improvements in the provision of en route services resulting in a different calculation of charges as set out below. These incentives may apply to air navigation service providers and/or airspace users.

3.2. Full cost recovery method

3.2.1. Calculation of en route unit rates

Contracting States applying the full cost recovery method shall calculate their en route unit rate either:

- by dividing the forecast total number of service units for the relevant year into the forecast cost-base for the same year, or
- by dividing the forecast number of chargeable service units for the relevant year into the forecast cost-base reduced to take account of exempted flights.

In both cases, the cost-base shall be reduced by the costs of exempted VFR flights and by other revenues for the calculation of the unit rate.

Any under-recovery of costs resulting from flights exempted from the payment of en route charges shall not be recovered from other airspace users.

The unit rate shall be calculated in accordance with Annex II.

3.2.2. Adjustment mechanism

In accordance with Paragraph 1.3.1, under-recovery or over-recovery as a result of the difference between income/revenue and costs shall be carried over and included in the cost-base of year "n" or to a period of up to six years (for years "n - 1" up to "n + 4") and included in the corresponding cost-bases. An appropriate cost of capital shall be applied to the amounts carried forward. Amounts carried forward to a given year shall be converted into euros at the rate of exchange applied to the other costs for that year. Contracting States wishing to avail of the flexibility to carry forward under/over recoveries for a longer period than "n" shall inform the enlarged Committee in writing and with the appropriate justifications.

3.2.3. Amendment of unit rate

In case of unexpected major changes of traffic or costs, unit rates may be amended during the course of the year.

3.3. Determined cost method

3.3.1. Calculation of en route unit rates

3.3.1.1 Contracting States applying the determined cost method in accordance with Paragraph 1.3.2 shall calculate their en route unit rate before the beginning of each year of the reference period.

3.3.1.2. It shall be calculated by dividing the forecast number of total en route service units for the relevant year as defined in the performance plan into the algebraic sum of the following elements:

- i) the determined costs, expressed in nominal terms, of the relevant year as defined in the performance plan,
- ii) the adjustment of the difference between forecasted and actual inflation as referred to in Paragraph 3.3.1.3,
- iii) the recovery of restructuring costs, as referred to in Paragraph 2.3.6,
- iv. the carry-overs resulting from the implementation of the traffic risk-sharing mechanism referred to in Paragraph 3.3.3,
- v) the carry-overs from the previous reference period resulting from the implementation of the cost sharing mechanism referred to in Paragraph 3.3.4,
- vi) bonuses and penalties resulting from the financial incentives schemes referred to in Paragraph 3.4.1,
- vii) the over- or under-recoveries that may result from the modulation of en route charges in application of Paragraph 3.4.2,
- viii) the over- or under-recoveries resulting from traffic variations,
- ix) for the first two reference periods, the over- or under-recoveries incurred by Contracting States before the application of the determined cost method,
- x) a deduction of other revenues, if appropriate.

3.3.1.3. For Contracting States applying the determined costs method, for each year in the reference period, the difference between the determined costs expressed in nominal terms prior to the reference period and the determined costs adjusted on the basis of the difference between the actual inflation (Eurostat Harmonised Index of Consumer Price) as published in April of year “n + 1” and the inflation assumption as specified in the performance plan for the year preceding the reference period and for each year of the reference period, shall be carried over in year “n + 2” for the calculation of the unit rate.

3.3.2. Consultation

3.3.2.1. Contracting States applying the determined costs method shall, in a coordinated manner, at the latest seven months before the start of each reference period, invite the airspace users’ representatives to a consultation on determined costs, planned investments, service unit forecasts, charging policy and resulting unit rates. They shall be assisted by the air navigation service providers. The Contracting States concerned shall, in a transparent manner, establish their costs in accordance with Paragraph 2.2 and make their unit rates available to airspace users’ representatives and EUROCONTROL.

During the reference period, the Contracting States concerned shall, on an annual basis and in a coordinated manner, invite the airspace users’ representatives on any deviation from the forecast, especially with regard to:

- (a) actual traffic and costs compared to forecast traffic and determined costs;
- (b) the implementation of the traffic risk-sharing mechanism set out in Paragraph 3.3.3;
- (c) the implementation of the cost-sharing mechanism set out in Paragraph 3.3.4;
- (d) the incentive schemes set out in Paragraph 3.4.1;
- (e) the modulation of charges set out in Paragraph 3.4.2.

The consultation shall be organised in accordance with the provisions of Paragraph 1.5 above. Airspace users’ representatives shall retain the right to request that more consultations be held. User consultation shall also be organised systematically following the activation of an alert mechanism generating a revision of the unit rate.

3.3.2.2. The information referred to in Paragraph 3.3.2.1 shall be based on the reporting tables and detailed rules in Annex III hereto. Where it is established in accordance with Paragraph 3.7 that CNS, MET and Aeronautical Information services are subject to market conditions, the information referred to in Paragraph 3.3.2.1 shall be based on the reporting tables and detailed rules set out in Annex VII. The relevant documentation shall be made available to the airspace users' representatives and to EUROCONTROL three weeks before the consultation meeting. For the annual consultation referred to in the second indent of Paragraph 3.3.2.1, the relevant documentation shall be made available to the airspace users' representatives and to EUROCONTROL each year, no later than 1 June.

3.3.2.3. In order to allow reporting on the achievement of performance, Contracting States shall make available to EUROCONTROL, by 1 June of each year, their actual costs incurred during the previous year and the difference between the actual costs and the determined costs contained in the performance plan by making use of the reporting tables and detailed rules set out in Annex III. Those Contracting States that have decided that CNS, MET and Aeronautical Information services are subject to market conditions in accordance with Paragraph 3.7 shall provide this information by making use of the reporting tables and detailed rules set out in Annex VII.

3.3.3. Traffic risk-sharing

3.3.3.1. This Paragraph lays down the traffic risk-sharing mechanism.

3.3.3.2. The following costs shall not be submitted to traffic risk-sharing and shall result in an increase or reduction of the determined costs in (a) subsequent year(s) irrespective of traffic evolution:

- (a) the determined costs established in accordance with Paragraph 2.2.4 with the exception of agreements relating to cross border air traffic service provision;
- (b) the determined costs of meteorological service providers;
- (c) the adjustment due to differences between forecasted and actual inflation as referred to in Paragraph 3.3.1,
- (d) the recovery of restructuring costs, as referred to in Paragraph 2.3.6,
- (e) the carry-over resulting from the implementation of the traffic risk-sharing mechanism,
- (f) the carry-overs authorised from the previous reference period resulting from the implementation of the cost-sharing mechanism referred to in Paragraph 3.3.4;
- (g) bonuses and penalties resulting from financial incentive schemes referred to in Paragraph 3.4.1;
- (h) the over- or under-recoveries that may result from the modulation of en route charges in application of Paragraph 3.4.2;
- (i) the over- or under-recoveries resulting from traffic variations;
- (j) for the second reference period, the over- or under-recoveries incurred by Contracting States before the application of the determined cost method in respect to en route services.

In addition, Contracting States may exempt from traffic risk-sharing the determined costs of providers of air navigation services which have received permission to provide air navigation services without certification in cases where the provider of such services offers them primarily to aircraft movements other than general air traffic.

3.3.3.3. Where, over a given year “n”, the actual number of service units does not exceed or fall below the forecast established in the performance plan for that year “n” by more than 2 %, the additional or lost revenue of the air navigation service provider in respect of determined costs shall not be carried over.

3.3.3.4. Where, over a given year “n”, the actual number of service units exceeds the forecast established in the performance plan for that year “n” by more than 2 %, a minimum of 70% of the additional revenue obtained by the air navigation service provider(s) concerned in excess of 2% of the difference between the actual service units and the forecast in respect of determined costs established in the performance plan, shall result in a corresponding reduction of the determined costs of year “n + 2”.

Where, over a given year “n”, the actual number of service units falls below the forecast established in the performance plan for that year “n” by more than 2%, a maximum of 70% of the revenue loss incurred by the air navigation service provider(s) concerned in excess of 2% of the difference between the actual service units and the forecast in respect of determined costs established in the performance plan shall result in a corresponding increase of the determined costs starting not earlier than year “n + 2”.

3.3.3.5. Where, over a given year “n”, the actual number of service units is lower than 90 % of the forecast established in the performance plan for that year “n”, the full amount of the revenue loss incurred by the air navigation service provider(s) concerned in excess of the 10 % of the difference between the actual service units and the forecast in respect of determined costs established in the performance plan shall result in a corresponding increase of the determined costs starting not earlier than year “n + 2”.

Where, over a given year “n”, the actual number of service units exceed 110% of the forecast established in the performance plan for that year “n”, the full amount of the additional revenue obtained by the air navigation service provider(s) concerned in excess of the 10% of the difference between the actual service units and the forecast in respect of determined costs established in the performance plan shall result in a corresponding reduction of the determined costs of year “n + 2”.

3.3.4. Cost-sharing

3.3.4.1. The following principles apply to cost-sharing:

- a) where, over the whole reference period, actual costs fall below the determined costs established at the beginning of the reference period, the resulting difference shall be retained by the air navigation service provider, Contracting State or qualified entity concerned;
- b) where, over the whole reference period, actual costs exceed the determined costs established at the beginning of the reference period, the resulting difference shall be borne by the air navigation service provider, Contracting State or qualified entity concerned.

3.3.4.2. Costs exempt from the application of Paragraph 3.3.4.1:

- (a) The cost-sharing arrangements in Paragraph 3.3.4.1 shall not apply to the difference between determined costs and actual costs with regard to cost items for which the air navigation service provider, Contracting State or qualified entities concerned have taken reasonable and identifiable steps to manage but which may be deemed to be outside their control as a result of:
 - (i) unforeseen changes in national pensions law, pension accounting law or pension costs resulting from unforeseen financial market conditions;

- (ii) significant changes in interest rates on loans, which finance costs arising from the provision of air navigation services;
 - (iii) unforeseen new cost items not covered in the performance plan, but required by law;
 - (iv) unforeseen changes in national taxation law;
 - (v) unforeseen changes in costs or revenues stemming from international agreements.
- (b) Without prejudice to Paragraph 1.3.2, second indent, each cost item included under Paragraph 3.3.4.2(a) shall be determined by the Contracting State and the performance plan shall specify for each cost item in relation to the previous reference period:
- (i) a full description of the cost item;
 - (ii) the cost attributed to this item in the performance plan;
 - (iii) the justification why the cost item is considered to be eligible within the scope of Paragraph 3.3.4.2(a) rather than Paragraph 3.3.4.1(a) and (b);
 - (iv) the underlying external events or circumstances outside the control of the Contracting State, air navigation service provider or qualified entity concerned that triggered a variation between actual and determined costs related to this cost item;
 - (v) actions taken to manage the cost risk associated with this item.
- (c) The differences between the actual costs and the determined costs in respect to these items shall be identified and explained in accordance with Annex III (Reporting Table 3).
- (d) Where, over the whole reference period, as a result of deducting costs from the scope of Paragraph 3.3.4.2(a), actual costs are lower than the determined costs established at the beginning of the reference period, the resulting difference shall be returned to airspace users through a carry over to the following reference period(s).
- (e) Where, over the whole reference period, as a result of including costs within the scope of Paragraph 3.3.4.2(a), actual costs exceed the determined costs established at the beginning of the reference period, the resulting difference shall be passed on to airspace users through a carry over to the following reference period(s).
- (f) The Contracting State concerned shall establish each year that the variation of actual costs against determined costs is actually the result of relevant events or circumstances set out in Paragraph 3.3.4.2 (a) and in line with the provision of Paragraph 3.3.4.2 (b). It shall further verify that the variation in costs to be passed on to users is specifically identified and categorised. It shall inform airspace users of en route services about the outcome of its assessment on an annual basis.
- (g) The amounts carried over shall be specified by factors and described in the additional information to be provided in accordance with Annex III (Reporting Table 2).

3.4. Incentive schemes

3.4.1 Incentive schemes for air navigation service providers

The following shall apply to Contracting States applying the determined cost method and adopting financial incentives for the achievement of performance targets by their air navigation service providers in accordance with applicable law.

These incentives shall consist in bonuses for exceeding and penalties for under-achieving target levels of performance and are to be added to or deducted from the adopted determined costs according to the level of performance achieved.

Such financial incentive schemes shall conform to the following principles:

- (a) the unit rate of year “n + 2” shall be adjusted to provide for a bonus for exceeding or penalty for under-achievement according to the actual performance level of the air navigation service provider in year “n” against the relevant target;
- (b) the applicable level of bonuses and penalties shall be commensurate with the targets to be reached and the performance achieved. There shall be no bonuses for performance that is at or below that expected in performance targets;
- (c) The applicable level of bonuses and penalties shall be equal;
- (d) the maximum amount of aggregate bonuses and the maximum amount of aggregate penalties shall not exceed 1% of the revenue from air navigation services in year “n”;
- (e) the performance variation levels and the applicable level of bonuses and penalties shall be determined following the consultation referred to in Paragraph 3.3.2 and shall be set by the performance plan;
- (f) for the key performance area of capacity, the target levels of performance may be adjusted to cover only delay causes related to ATC capacity, ATC routing, ATC staffing, ATC equipment, airspace management and special event with the codes C, R, S, T, M and P of the ATFCM user manual.

Contracting States shall monitor the proper implementation of these incentive schemes by air navigation service providers.

3.4.2. Incentive schemes for airspace users (modulation of en route charges)

Contracting States, following the offer to consult provided for in Paragraph 3.3.2 may, on a non-discriminatory and transparent basis, modulate en route charges incurred by airspace users to reflect their efforts made in particular to:

- (a) optimize the use of en route services;
- (b) reduce the environmental impact of flying;
- (c) reduce the overall costs of en route services and increase their efficiency, in particular by decreasing or modulating charges according to airborne equipment that increases capacity or offsetting the inconvenience of choosing less congested routings.

The modulation of charges shall not result in any overall change in revenue for the air navigation service provider. For Contracting States applying the determined cost method, over- or under recoveries shall be passed on to the following reference period.

En route charges may also be modulated, on a non-discriminatory and transparent basis, to accelerate the deployment of new technologies. The modulation may in particular aim at giving incentives to equip aircraft with systems included in the common projects referred to in Paragraph 2.2.5.

The modulation of air navigation charges means a variation of the en route charge calculated on the basis of the provisions of Paragraph 3.

Contracting States shall monitor the proper implementation of the modulation of en route charges by air navigation service providers.

The incentive scheme shall be limited in time, scope and amount. The estimated savings generated by the operational efficiency improvements shall at least offset the cost of the incentives within a reasonable timeframe. The scheme shall be subject to regular review involving airspace users' representatives.

3.5. Calculation of the regional administrative unit rate

3.5.1. The regional administrative unit rate shall constitute the remuneration for the costs incurred by EUROCONTROL in operating the Route Charges System. It shall be calculated in accordance with the following rules:

The collection cost-base of year "n" shall be established on the basis of the full cost recovery method and the following categories of costs:

- a. CRCO direct operating costs of year "n" assessed by reference to the Agency's budget estimates;
- b. investment costs for CRCO administrative purposes to be included in its cost-base for year "n" assessed by reference to the Agency's budget estimates;
- c. CRCO indirect costs estimated for year "n";
- d. costs relating to the Internal Audit Unit assessed by reference to the Agency's budget estimates for year "n";
- e. balance of the CRCO administrative account of year "n - 2" and balance for year "n - 4" carried forward to year "n - 2".

3.5.2. The regional administrative unit rate shall be calculated by dividing the amount of the collection cost-base of year "n" by the total number of service units estimated for year "n" for the en route charges area.

3.5.3. The regional administrative unit rate shall be added to the unit rate applicable in the en route charging zone.

3.6. Exempted flights

The costs in respect of exempted flights shall be calculated on the basis of service units generated by exempted flights as specified in the Conditions of Application of the Route Charges System.

If exemptions are granted to VFR flights, the air navigation service providers shall identify the costs of en route services provided to these flights and shall deduct them directly. The costs to be deducted in respect of exempted VFR flights shall be calculated in accordance with Paragraph 2.5.8.

The Contracting States shall ensure that air navigation service providers are reimbursed for the en route services they provide to exempted flights.

3.7. CNS, MET and Aeronautical Information services subject to market conditions

3.7.1. Subject to the assessment referred to in Paragraph 3.7.2, Contracting States applying the determined costs method may decide before the start of a reference period or in justified cases during the reference period, that some or all of their CNS, MET and Aeronautical Information services are subject to market conditions. In such case, the provisions of these Principles apply, but the Contracting States concerned may decide with regard to these services:

- (a) not to calculate determined costs in accordance with Paragraphs 2.2.6 to 2.2.9 and 2.3 of these Principles;

- (b) not to set financial incentives for these services in accordance with Paragraph 3.4.1;
- 3.7.2. For the purpose of establishing that some or all of their CNS, MET and Aeronautical Information services are subject to market conditions, Contracting States shall carry out a detailed assessment against all the conditions laid down in Paragraph 3.7.6 below. This assessment shall include consultation with the airspace users' representatives.
- 3.7.3. The Contracting States referred to in Paragraph 3.7.1 shall submit to the competent body in accordance with applicable law, no later than 19 months before the beginning of a reference period or the date of application of decisions taken in accordance with Paragraph 3.7.1, a detailed report on the content and results of the assessment referred to in Paragraph 3.7.2. That report shall be supported by evidence, including the tender documents if applicable, justification for the selection of the service provider, a description of the arrangements imposed on the selected service provider to ensure that CNS, MET and Aeronautical Information services are provided in a cost-efficient manner and the outcome of the consultation with the airspace users' representatives. The report shall provide full reasons for the Contracting State's conclusions.
- 3.7.4. Where the competent body agrees that market conditions have been established in accordance with the requirements of Paragraph 3.7.6, it shall notify the Contracting State concerned within four months after receiving the report. This period of four month is extended to six months after receiving the report, if the competent body considers that additional evidence is required to determine whether market conditions have been established.

Where the competent body finds that market conditions are not established, it shall, within six months after receiving the report and in accordance with applicable law, decide that the Contracting State(s) concerned shall fully apply the provisions of these Principles. Such decision shall be taken after consultation of the Contracting State(s) concerned.

- 3.7.5. The Contracting State's report and the competent body's decision referred to in Paragraph 3.7.4 shall be valid for the duration of the reference period concerned and shall be publicly available and a reference to them shall be published in accordance with applicable law.
- 3.7.6. The conditions to be assessed for determining whether CNS, MET and Aeronautical Information services are provided under market conditions are as follows:
- The extent to which service providers can freely offer to provide or withdraw the provision of these services:
 - (a) the existence or otherwise of any significant legal or economic barriers that would prevent a service provider from offering to provide or withdrawing the provision of these services;
 - (b) the contract duration, and
 - (c) the existence of a procedure allowing assets and staff to be transferred from one air navigation service provider to another.
 - The extent to which there is a free choice in respect to service provider:
 - (a) the existence or otherwise of legal, contractual or practical barriers to change service provider;
 - (b) the role of airspace users' representatives in selecting the service provider.
 - The extent to which it can be chosen from a range of service providers:
 - (a) the existence of a public tendering process;
 - (b) if applicable, evidence of alternative service providers participating in the tendering process and having provided services in the past.

Where the provider of CNS, MET and Aeronautical Information services also provides en route air navigation services, these activities shall be subject to separate accounting and reporting.

3.8. High inflation

Contracting States experiencing high inflation may convert their costs established for year "n" at constant prices (i.e. not adjusted for inflation) directly into euros, using the actual exchange rate at the time of calculation. This is the preferred method and shall be used by all Contracting States experiencing high inflation rates, i.e. in excess of 15% per annum.

Alternatively, a Contracting State could convert its costs established for year "n" at current prices, into euros, at the average forecast exchange rate for year "n". In this instance the forecast exchange rate shall broadly reflect the forecast differential inflation rate for that Contracting State and the countries of the Economic and Monetary Union (EMU), for year "n".

In either case, the resulting unit rate shall remain constant throughout the year "n".

Contracting States experiencing high rates of inflation may need to use alternative approaches to calculating depreciation. Such approaches shall be based on generally accepted accounting principles. An approach that may be used involves adjusting the portion which is not depreciated of the original book value of the asset concerned by increasing it by a percentage based on the rate of inflation, as measured by an official index, or as reflected in the change of the exchange rate in relation to the euro, when calculating the annual depreciation charged.

In such cases the cost of capital shall be reflected by a "net" rate which includes only the rate of inflation in the hard currency selected. If, for example, the euro is used as hard currency, the euro interest rate has to be used.

Another method would be to establish the costs directly in euro and to use the corresponding cost of capital for the euro.

3.9. Calculation of the unit rate in euro value

3.9.1. In order to establish a common currency basis, the CRCO shall convert the reported amounts of the cost-bases for year "n" into euros. The exchange rate used for this purpose shall be the monthly average of the "Closing Rate" calculated by Reuters, based on daily BID rate, for the various national currencies in relation to the euro for the month of April of year "n - 1" in respect of the preliminary data and the month of September of year "n - 1" in respect of the final data.

3.9.2. The enlarged Committee shall adopt the euro value rate for each charging zone, together with the corresponding exchange rate, with a view to their submission for approval by the enlarged Commission, in accordance with Articles 3 and 5 of the Multilateral Agreement.

4. COMPLIANCE MONITORING

4.1. Appeal

The Contracting States shall ensure that decisions taken pursuant to the Principles are properly explained and are subject to an effective review and/or appeal procedure, as set out in Paragraph 4.2 below.

4.2. Review of charges

The enlarged Committee shall provide for the review of compliance with the Principles.

Any Contracting State or airspace users' representative may raise concerns regarding the alleged non-compliance or non-application of the Principles by a Contracting State or one of its providers of en route services.

The enlarged Committee shall establish the appropriate rules of procedure to organise this compliance review system.

5. ENFORCEMENT MEASURES

Contracting States shall ensure that effective enforcement measures are applied. These measures may include denial of services, detention of aircraft or other enforcement measures in accordance with applicable law.

6. ENTRY INTO FORCE

These Principles shall enter into force upon their approval by the enlarged Commission.

This version of the Principles supersedes Doc. No. 13.60.01 of 1 November 2013.

(Intentionally left blank)

ANNEX I

LIST OF EN ROUTE CHARGING ZONES AND THE APPLICABLE METHOD CHOSEN FOR THE CALCULATION OF THE RESPECTIVE UNIT RATES

<u>Name of the Charging Zone</u>	<u>Method chosen for the calculation of unit rates</u>	<u>Contracting State(s)</u>
Albania	Full cost recovery	<u>Republic of Albania</u>
Armenia	Full cost recovery	<u>Republic of Armenia</u>
Austria	Determined costs	<u>Republic of Austria</u>
Belgium / Luxembourg	Determined costs	<u>Kingdom of Belgium / Grand Duchy of Luxembourg</u>
Bosnia and Herzegovina	Full cost recovery	<u>Bosnia and Herzegovina</u>
Bulgaria	Determined costs	<u>Republic of Bulgaria</u>
Canaries	Determined costs	<u>Kingdom of Spain</u>
Continental Spain	Determined costs	<u>Kingdom of Spain</u>
Croatia	Determined costs	<u>Republic of Croatia</u>
Cyprus	Determined costs	<u>Republic of Cyprus</u>
Czech Republic	Determined costs	<u>Czech Republic</u>
Denmark	Determined costs	<u>Kingdom of Denmark</u>
Finland	Determined costs	<u>Republic of Finland</u>
Former Yugoslav Republic of Macedonia	Full cost recovery	<u>The former Yugoslav Republic of Macedonia</u>
France	Determined costs	<u>French Republic</u>
Georgia	Full cost recovery	<u>Georgia</u>
Germany	Determined costs	<u>Federal Republic of Germany</u>
Greece	Determined costs	<u>Hellenic Republic</u>
Hungary	Determined costs	<u>Republic of Hungary</u>
Ireland	Determined costs	<u>Ireland</u>
Italy	Determined costs	<u>Italian Republic</u>
Latvia	Determined costs	<u>Republic of Latvia</u>
Lisboa	Determined costs	<u>Portuguese Republic</u>
Lithuania	Determined costs	<u>Republic of Lithuania</u>
Malta	Determined costs	<u>Republic of Malta</u>

<u>Name of the Charging Zone</u>	<u>Method chosen for the calculation of unit rates</u>	<u>Contracting State(s)</u>
Moldova	Full cost recovery	<u>Republic of Moldova</u>
Netherlands	Determined costs	<u>Kingdom of the Netherlands</u>
Norway	Determined costs	<u>Kingdom of Norway</u>
Poland	Determined costs	<u>Republic of Poland</u>
Romania	Determined costs	<u>Romania</u>
Santa Maria	Determined costs	<u>Portuguese Republic</u>
Serbia / Montenegro / KFOR	Full cost recovery	<u>Republic of Serbia / Montenegro</u>
Slovakia	Determined costs	<u>Slovak Republic</u>
Slovenia	Determined costs	<u>Republic of Slovenia</u>
Sweden	Determined costs	<u>Kingdom of Sweden</u>
Switzerland	Determined costs	<u>Swiss Confederation</u>
Turkey	Full cost recovery	<u>Republic of Turkey</u>
United Kingdom	Determined costs	<u>United Kingdom of Great-Britain and Northern Ireland</u>

ANNEX II
SPECIMEN REPORTING TABLES
FULL COST RECOVERY METHOD

Transparency of the en route cost base: Reporting Table 1 and additional information

1. REPORTING TABLE 1

Contracting States as well as air navigation service providers shall fill in the following Reporting Table 1 for each charging zone under their responsibility. The Contracting States shall also provide a consolidated Reporting Table 1 for each en route charging zone under their responsibility.

Where charging zones extend across the airspace of more than one Contracting State, they shall fill in the table jointly in accordance with the arrangements referred to in Paragraph 1.2.4 of the Principles.

For the purpose of calculating the unit rate for year “n”, the reported figures shall be actual figures for year “n - 4” until year “n - 2” and planned figures for year “n - 1” onwards. Actual costs shall be established on the basis of the certified accounts. Planned costs shall be established in accordance with the business plan of the air navigation service provider and reported in the currency in which they are established in accordance with the Principles.

Table 1 - Total Costs

Charging zone name
Consolidation - all entities or entity name

Year n

Cost details	(n - 4) A	(n - 3) A	(n - 2) A	(n - 1) F	(n) F	(n + 1) P	(n + 2) P	(n + 3) P	(n + 4) P
--------------	--------------	--------------	--------------	--------------	----------	--------------	--------------	--------------	--------------

1. Detail by nature (in nominal terms)

1.1 Staff									
1.2 Other operating costs									
1.3 Depreciation									
1.4 Cost of capital									
1.5 Exceptional items									
1.6 Total costs									
Total % i/i-1									
Staff % i/i-1									
Other op. % i/i-1									

2. Detail by service (in nominal terms)

2.1 Air Traffic Management									
2.2 Communication									
2.3 Navigation									
2.4 Surveillance									
2.5 Search and rescue									
2.6 Aeronautical Information									
2.7 Meteorological services									
2.8 Supervision costs									
2.9 Other State costs									
2.10 Total costs									
Total % i/i-1									
ATM % i/i-1									
CNS % i/i-1									

3. Complementary information on the cost of capital and on the cost of common projects (in nominal terms)

Average asset base									
3.1 Net book val. fixed assets									
3.2 Adjustments total assets									
3.3 Net current assets									
3.4 Total asset base									
Cost of capital %									
3.5 Cost of capital pre tax rate									
3.6 Return on equity									
3.7 Average interest on debts									
Cost of common projects									
3.8 Common Project 1									

4. Complementary information on inflation and on total costs in real terms

4.1 Inflation % (1)									
4.2 Price index (2)									
4.3 Total costs real terms (3)									
Total % i/i-1									

5. Deduction of costs allocated to exempted VFR flights (in nominal terms)

5.1 Total costs									
5.2 Costs for exempted VFR flights									
5.3 Total costs after deduction (4)									

Costs and asset base items in '000 000 national currency - Service units in '000 000

(1) Actual inflation – forecast inflation used for establishing the forecast costs

(2) Price index - base 100 in n-4

(3) Actual - Forecast costs in real terms – at n-4 prices

(4) Actual costs after deduction of VFR costs – Forecast costs after deduction of VFR costs

2. ADDITIONAL INFORMATION TO REPORTING TABLE 1

The Contracting States shall ensure the provision of at least the following information:

- Description of the methodology used for allocating costs of facilities or services between different air navigation services based on the list of facilities and services listed in the relevant ICAO Regional Air Navigation Plan, (Doc. 7754, current version) and a description of the methodology used for allocating those costs between different en route charging zones;
- Description of the costs incurred by the Contracting States (“Other State costs”);
- Description and explanation of the method adopted for the calculation of depreciation costs: historic costs or current costs. When current cost accounting is adopted, provision of comparable historic cost data;
- Justification for the cost of capital, including the components of the asset base, the possible adjustments to total assets and the return on equity;
- Definition of the criteria used to allocate costs between terminal and en route services;
- Breakdown of the meteorological costs between direct costs and “MET core costs” defined as the costs of supporting meteorological facilities and services that also serve meteorological requirements in general. These include general analysis and forecasting, weather radar and satellite observations, surface and upper-air observation networks, meteorological communication systems, data-processing centres and supporting core research, training and administration;
- Description of the methodology used for allocating total MET costs and MET core costs to civil aviation and between en route charging zones.
- Description and explanation of the differences between planned and actual figures for year “n - 2”;
- Description and explanation of the five-year planned costs for years “n” to “n + 4” based on the business plan.

**Transparency of the en route cost base: Reporting Table 2 and additional information
Charging Mechanism – Calculation of the unit rate**

1. REPORTING TABLE 2

Contracting States as well as air navigation service providers shall fill in the following Reporting Table 2 for each charging zone under their responsibility. Contracting States shall also provide a consolidated table for each charging zone under their responsibility.

When a charging zone extends across the airspace of more than one Contracting State, they shall fill in the table jointly in accordance with the arrangements referred to in Paragraph 1.2.4 of the Principles.

Table 2 - Unit rate calculation

Charging zone name
Consolidation - all entities or entity name

Year n

Unit rate calculation	(n - 4) A	(n - 3) A	(n - 2) A	(n - 1) F	(n) F	(n + 1) P	(n + 2) P	(n + 3) P	(n + 4) P
-----------------------	--------------	--------------	--------------	--------------	----------	--------------	--------------	--------------	--------------

1. Calculation of the national unit rate

1.1 Total costs prior to ded.of VFR costs (1)									
1.2 Costs of exempted VFR flights (1)									
1.3 Costs of exempted IFR flights									
1.4 Amounts carried over to year i									
1.5 Income from other sources									
1.6 Chargeable costs - total % i/i-1									
1.7 Total service units									
1.8 Chargeable service units									
1.9 Unit rate - nat. currency - 1.5/1.7 % i/i-1									
1.10 Exchange rate (September i-1)									
1.11 Basic national rate in euro % i/i-1									

2. Actual/forecast service units (in '000 000 service units)

2.1 Total service units % i/i-1									
2.1 Chargeable service units % i/i-1									

3. Over(-) or under (+) recoveries to be carried over ('000 000 in national currency)

Charges billed to users									
3.1 Charges billed to users									
Net actual costs chargeable to users									
3.2 Total costs prior to ded.of VFR costs (2)									
3.3 Costs of exempted VFR flights (2)									
3.4 Costs of exempted IFR flights									
3.5 Amounts carried over to year i									
3.6 Income from other sources									
3.7 Chargeable costs - total Over(-) or under(+) recovery									
3.8 Balance to be carried over									

4. Carry over of over(-) or under(+) recoveries ('000 000 in national currency)

4.1 Balance year n - 10									
4.2 Balance year n - 9									
4.3 Balance year n - 8									
4.4 Balance year n - 7									
4.5 Balance year n - 6									
4.6 Balance year n - 5									
4.7 Balance year n - 4									
4.8 Balance year n - 3									
4.9 Balance year n - 2									
4.10 Balance year n - 1									
4.11 Amount carried over to year i									

5. Unit cost (Total costs after deduction of VFR costs / Total service units - in national currency)

5.1 Total costs 3.2 / Service units 2.1									
5.2 ANSP component of the unit cost									
5.3 MET component of the unit cost									
5.4 NSA-State component of the unit cost % i/i-1									

Costs and asset base items in '000 000 national currency - Service units in '000 000

(1) Forecast costs used to calculate unit rates for (n-4) to (n-2) – Forecast from year "n - 1" are reported from Table 1

(2) Cost data reported from Table 1

2. ADDITIONAL INFORMATION TO REPORTING TABLE 2

In addition the Contracting States concerned shall provide or shall ensure the provision of at least the following information:

- Description and rationale for the establishment of the different en route charging zones;
- Description and explanation on the calculation of the forecast chargeable service units;
- Description of the policy on exemptions and a description of the financing means to cover the related costs;
- Description of the income from other sources when they exist;
- Description and explanation of incentives applied on air navigation service providers and, in particular, the modalities to be applied in setting regulatory conditions on the level of unit rates. Description and explanation of the objectives in terms of performance and on the modalities to take them into account in the setting of maximum unit rates;
- Description of the plans of air navigation service providers in order to meet projected demand and performance objectives;
- Description and explanation of incentives applied on users of en route services;
- Description and explanation of the methodology used with respect to the recovery of the balance resulting from over or under recovery of previous years.

ANNEX III
SPECIMEN REPORTING TABLES
DETERMINED COST METHOD

Transparency of the en route cost base: Reporting Table 1 and additional information

1. REPORTING TABLE 1

Contracting States as well as air navigation service providers shall fill in the following Reporting Table 1 for each charging zone under their responsibility and for each year of the reference period. Contracting States shall also provide a consolidated Reporting Table 1 for each charging zone under their responsibility.

When a charging zone extends across the airspace of more than one Contracting State, they shall fill in the table jointly in accordance with the arrangements referred to in Paragraph 1.2.4 of the Principles.

Actual costs shall be established on the basis of the final audited accounts. The costs shall be established in accordance with the business plan of the air navigation service provider and reported in the currency in which they are established in accordance with the Principles.

Any difference between the actual service units reported and the actual service units provided by the CRCO shall be duly justified in the additional information.

Contracting States as well as air navigation service providers shall fill in Reporting Table 1 with initial forecast figures nineteen months before the start of a reference period.

Determined costs resulting from a common project shall be clearly identified.

Table 1 - Total Costs and Unit Costs

Charging zone name Currency Entity name:						Period of reference : N - N+4				
Determined costs (performance plan)						Actual costs				
Cost details	N	N+1	N+2	N+3	N+4	N	N+1	N+2	N+3	N+4
1. Detail by nature (in nominal terms)										
1.1 Staff										
1.2 Other operating costs (1)										
1.3 Depreciation										
1.4 Cost of capital										
1.5 Exceptional items										
1.6 Total costs										
Total % n/n-1										
Staff % n/n-1										
Other op. % n/n-1										
2. Detail by service (in nominal terms)										
2.1 Air Traffic Management										
2.2 Communication (2)										
2.3 Navigation (2)										
2.4 Surveillance (2)										
2.5 Search and rescue										
2.6 Aeronautical Information (2)										
2.7 Meteorological services (2)										
2.8 Supervision costs										
2.9 Other State costs (1)										
2.10 Total costs										
Total % n/n-1										
ATM % n/n-1										
CNS % n/n-1										
3. Complementary information (in nominal terms)										
Average asset base										
3.1 Net book val. fixed assets										
3.2 Adjustments total assets										
3.3 Net current assets										
3.4 Total asset base										
Cost of capital %										
3.5 Cost of capital pre tax rate										
3.6 Return on equity										
3.7 Average interest on debts										
Cost of common projects										
3.8 Total costs of common projects										
Costs exempted from cost sharing										
3.9 Total costs exempted from cost sharing										
4. Total costs after deduction of costs for services to exempted flights (in nominal terms)										
4.1 Costs for exempted VFR flights										
4.2 Total determined/actual costs										
5. Cost-efficiency KPI - Determined/Actual Unit Cost (in real terms)										
5.1 Inflation % (3)										
5.2 Price index (4)										
5.3 Total costs real terms (5)										
Total % n/n-1										
5.4 Total Service Units										
Total % n/n-1										
5.5 Unit cost										
Total % n/n-1										

Costs and asset base items in '000 - Service units in '000

(1) Including EUROCONTROL costs (see details in Table 3).

(2) To be left empty when such services are provided under the provisions of Article 3

(3) Actual/forecast inflation used for establishing the determined costs in nominal terms – actual/revised forecast inflation

(4) Forecast price index - base 100 in year N-3 inflation N-2 : inflation N-1:

Actual price index - base 100 in year N-3 inflation N-2 : inflation N-1:

(5) Determined costs (performance plan) in real terms – actual/revised forecast costs at N-3 prices

2. ADDITIONAL INFORMATION TO REPORTING TABLE 1

In addition, Contracting States as well as air navigation service providers shall each provide at least the following information:

- (a) Description of the methodology used for allocating costs of facilities or services between different air navigation services based on the list of facilities and services listed in the relevant ICAO Regional Air Navigation Plan (Doc. 7754, current version) and a description of the methodology used for allocating those costs between different en route charging zones;
- (b) Description of the methodology and assumptions used to establish the costs of en route services provided to VFR flights, when exemptions are granted for VFR flights in accordance with Paragraph 3.6;
- (c) Further to Paragraph 2.2.8, description and justification of any adjustment beyond the provisions of the International Accounting Standards;
- (d) Description and explanation of the method adopted for the calculation of depreciation costs: historic costs or current costs. When current cost accounting is adopted, provision of comparable historic cost data;
- (e) Justification for the cost of capital, including the components of the asset base, the possible adjustments to total assets and the return on equity;
- (f) When applicable, evolution of the restructuring costs and the net benefits to users;
- (g) Definition of the criteria used to allocate costs between terminal and en route services for each airport;
- (h) Breakdown of the meteorological costs between direct costs and "MET core costs" defined as the costs of supporting meteorological facilities and services that also serve meteorological requirements in general. These include general analysis and forecasting, surface and upper-air observation networks, meteorological communication systems, data-processing centres and supporting core research, training and administration;
- (i) Description of the methodology used for allocating total MET costs and MET core costs to civil aviation and between en route charging zones;
- (j) As requested in Annex III 1 – Reporting Table, nineteen months before the start of a reference period, description of the reported forecast costs and traffic;
- (k) Description of the reported actual costs and the differences with both the forecast and the actual figures provided by the CRCO, as appropriate, for each year of the reference period;
- (l) Every year of the reference period, the difference between the investments of the air navigation service providers recorded in the performance plans and the actual spending, as well as the difference between the planned date of entry into operation of these investments and the actual situation.

**Transparency of the en route cost base: Reporting Table 2 and additional information
Charging Mechanism – Calculation of the unit rate**

1. REPORTING TABLE 2

Contracting States as well as air navigation service providers shall each fill in the following Reporting Table 2 for each charging zone under their responsibility and for each reference period. Contracting States shall also provide a consolidated table for each charging zone under their responsibility.

When a charging zone extends across the airspace of more than one Contracting State, they shall fill in the table jointly in accordance with the arrangements referred to in Paragraph 1.2.4 of the Principles.

Table 2 - Unit rate calculation

Charging zone name :
Entity name:

Period of reference : N - N+4

Unit rate calculation	N	N+1	N+2	N+3	N+4
<p>1. Determined costs in nominal terms and inflation adjustment</p> <p>1.1 Determined costs in nominal terms - VFR excl. - Table 1</p> <p>1.2 Actual inflation rate - Table 1</p> <p>1.3 Forecast inflation rate - Table 1</p> <p>1.4 Inflation adjustment (1) : year n amount to be carried over</p> <p>2. Forecast and actual total service units</p> <p>2.1 Forecast total service units (performance plan)</p> <p>2.2 Actual total service units</p> <p>2.3 Actual / forecast total service units (in %)</p> <p>3. Costs subject to traffic risk sharing</p> <p>3.1 Determined costs in nominal terms - VFR excl. (reported from Table 1)</p> <p>3.2 Inflation adjustment : amount carried over to year n</p> <p>3.3 Traffic : amounts carried over to year n</p> <p>3.4 Traffic risk sharing : add. revenue carried over to year n</p> <p>3.5 Traffic risk sharing : revenues losses carried over to year n</p> <p>3.6 Costs exempt from cost sharing : amounts carried over to year n</p> <p>3.7 Bonus or penalty for performance</p> <p>3.8 Over(-) or under(+) recoveries (2) : amounts carried over to year n</p> <p>3.9 Total for the calculation of year n unit rate</p> <p>3.10 Traffic risk sharing : add. rev. year n to be carried-over</p> <p>3.11 Traffic risk sharing : revenue loss year n to be carried-over</p> <p>3.12 Over/under recoveries from traffic variations n to be carried-over</p> <p>Parameters for traffic risk sharing</p> <p>3.13 % additional revenue returned to users in year n+2</p> <p>3.14 % loss of revenue borne by airspace users</p> <p>4. Costs not subject to traffic risk sharing</p> <p>4.1 Determined costs in nominal terms - VFR excl. (Table 1)</p> <p>4.2 Inflation adjustment : amount carried over to year n</p> <p>4.3 Traffic : amounts carried over to year n</p> <p>4.4 Costs exempt from cost sharing : amounts carried over to year n</p> <p>4.5 Restructuring costs : amounts carried over to year n</p> <p>4.6 Over(-) or under(+) recoveries (2) : amounts carried over to year n</p> <p>4.7 Total for the calculation of year n unit rate</p> <p>4.8 Over/under recoveries from traffic variations n to be carried-over</p> <p>5. Other revenues - applied unit rate (in national currency)</p> <p>5.1 Total other revenues</p> <p>5.2 Total revenues from Public Authorities</p> <p>5.3 of which Union assistance programmes</p> <p>5.4 of which National public funding</p> <p>5.5 Commercial activities</p> <p>5.6 Other other revenues</p> <p>5.7 Grand total for the calculation of year n unit rate</p> <p>5.8 Year n unit rate (in national currency)</p> <p>5.9 ANSP component of the unit rate</p> <p>5.10 MET component of the unit rate</p> <p>5.11 NSA-State component of the unit rate</p> <p>5.12 Year n unit rate that would have applied without other revenues</p>					

Costs, revenues and other amounts in '000 National Currency - Service units in '000

(1) Cumulated impact of yearly differences between actual and forecast inflation – adjustment of the total determined costs

(2) Over/under recoveries incurred up to the year of entry into force of the determined cost method

2. ADDITIONAL INFORMATION TO REPORTING TABLE 2

In addition, the Contracting States concerned shall collect and provide at least the following information:

- (a) Description and rationale for the establishment of the different en route charging zones;
- (b) Description of the policy on exemptions and description of the financing means to cover the related costs;
- (c) Description of the other revenues, if any, broken down between the different categories indicated in Reporting Table 2;
- (d) Description and explanation of incentives applied to users of en route services under Paragraph 3.4.1;
- (e) Description and explanation of the modulation of en route charges applied under Paragraph 3.4.2.

**Transparency of the en route cost base: Reporting Table 3 and additional information
Complementary information**

1. REPORTING TABLE 3

Contracting States shall fill in Reporting Table 3 for each charging zone under their responsibility and for each year of the reference period.

Determined costs resulting from a common project shall be clearly identified.

Table 3 - Complementary Information

Charging zone name						Period of reference : N - N+4				
PART A : Complementary Information on costs										
	N	N+1	N+2	N+3	N+4	N	N+1	N+2	N+3	N+4
Determined costs (performance plan)						Actual costs				
Eurocontrol costs										
1.1 EUROCONTROL costs (Euro)										
1.2 Exchange rate (if applicable)										
Cost of common projects										
2.1 Total costs of common projects										
2.2 Common project 1										
2.3 Common project 2										
2.4 Common project ...										
Costs exempted from the cost sharing arrangements (by nature)										
3.1 Staff										
3.2 Other operating costs										
3.3 Depreciation										
3.4 Cost of capital										
3.5 Exceptional items										
3.6 Total costs exempted from cost sharing										
Costs exempted from the cost sharing arrangements (by factor/item)										
3.7 Pension										
3.8 Interest rates on loans										
3.9 National taxation law										
3.10 New cost item required by law										
3.11 International agreements										
3.12 Total costs exempted from cost sharing										
Restructuring costs										
Planned costs (business case)						Actual costs (for information)				
4.1 Total restructuring costs										
PART B : Complementary information on adjustments										
	Amounts	Total C/O	Before RP	N	N+1	N+2	N+3	N+4	After RP	
Inflation adjustment Year N-2										
Inflation adjustment Year N-1										
Inflation adjustment Year N										
Inflation adjustment Year N+1										
Inflation adjustment Year N+2										
Inflation adjustment Year N+3										
Inflation adjustment Year N+4										
Total Inflation Adjustment										
Traffic balance Year N-2										
Traffic balance Year N-1										
Traffic balance Year N										
Traffic balance Year N+1										
Traffic balance Year N+2										
Traffic balance Year N+3										
Traffic balance Year N+4										
Total Traffic Adjustment										
Traffic risk sharing revenue Year N-2										
Traffic risk sharing revenue Year N-1										
Traffic risk sharing revenue Year N										
Traffic risk sharing revenue Year N+1										
Traffic risk sharing revenue Year N+2										
Traffic risk sharing revenue Year N+3										
Traffic risk sharing revenue Year N+4										
Total Traffic Risk sharing revenue adjustment										
Traffic risk sharing loss Year N-4										
Traffic risk sharing loss Year N-3										
Traffic risk sharing loss Year N-2										
Traffic risk sharing loss Year N-1										
Traffic risk sharing loss Year N										
Traffic risk sharing loss Year N+1										
Traffic risk sharing loss Year N+2										
Total Traffic Risk sharing loss adjustment										
Costs exempted from cost sharing Year N-5										
Costs exempted from cost sharing Year N-4										
Costs exempted from cost sharing Year N-3										
Costs exempted from cost sharing Year N-2										
Costs exempted from cost sharing Year N-1										
Total costs exempted from cost sharing										
O-u recoveries before determined costs Year 2005										
O-u recoveries before determined costs Year 2006										
O-u recoveries before determined costs Year 2007										
O-u recoveries before determined costs Year 2008										
O-u recoveries before determined costs Year 2009										
O-u recoveries before determined costs Year 2010										
O-u recoveries before determined costs Year 2011										
O-u recoveries before determined costs Year 2012 (TNC only)										
O-u recoveries before determined costs Year 2013 (TNC only)										
O-u recoveries before determined costs Year 2014 (TNC only)										
Total carry-overs										

2. ADDITIONAL INFORMATION TO REPORTING TABLE 3

In addition, Contracting States shall provide at least the following information:

- (a) breakdown of the costs of common projects per individual project;
- (b) description of the amounts resulting from uncontrollable costs factors by nature and by factor, including the rationale and the changes in underlying assumptions;
- (c) description of the carry-overs of over- or under-recoveries incurred by Contracting States up to the year 2011;
- (d) description of carry-overs resulting from the traffic risk-sharing mechanism in accordance with Paragraph 3.3.3;
- (e) description of carry-overs resulting from the cost sharing mechanism in accordance with Paragraph 3.3.4.

(Intentionally left blank)

ANNEX IV
GNSS COSTS

Work on this area will commence once the operational position becomes clearer.

(Intentionally left blank)

ANNEX V

ORGANISATIONS OF AIRSPACE USERS' REPRESENTATIVES

Organisation	Contact person(s)
<p>Airlines for America (A4A) 1301 Pennsylvania Avenue, N.W. Suite 1100 20004-1707 WASHINGTON DC UNITED STATES Main phone: + 1 202 626 4000</p>	<p>Ms Cecilia BETHKE Managing Director – International Affairs Phone: + 1 202 626 4112 cbethke@airlines.org</p> <p>Mr Mike CIRILLO Managing Director – Air Traffic Management Phone: + 1 202 626 4098 mcirillo@airlines.org</p>
<p>Association of European Airlines (AEA) Avenue Louise 350 Bte 4 1050 BRUSSELS BELGIUM Main phone: + 32 2 639 89 89</p>	<p>Ms Mildred TRÖGELER Manager Technical and Operations Phone: + 32 2 639 89 83 mildred.troegeler@aea.be</p>
<p>European Business Aviation Association (EBAA) Avenue de Tervuren 13 a-b Box 5 1040 BRUSSELS BELGIUM Main phone: + 32 2 766 00 70</p>	<p>Mr Belarmino GONÇALVES PARADELA Senior Manager, Economic and Operational Activities Phone: + 32 2 766 00 79 bgparadela@ebaa.org</p> <p>Ms Vanessa RULLIER-FRANCAUD Senior Manager, European Affairs Phone: + 32 2 766 00 63 vrullier@ebaa.org</p>
<p>European Low Fares Airline Association (ELFAA) Avenue des Arts, 46 1000 BRUSSELS BELGIUM Main phone: + 32 2 504 90 05</p>	<p>Mr John HANLON Secretary General of ELFAA Phone: + 32 2 504 90 05 john.hanlon@elfaa.com</p>

<p>European Regions Airline Association (ERA) The Baker Suite Fairoaks Airport Chobham GU24 8HX WOKING – SURREY UNITED KINGDOM Main phone: + 44 1276 8564 95</p>	<p>Mr Simon McNAMARA Director General Phone: + 44 7770 8687 41 simon.mcnamara@eraa.org</p> <p>Mr Christopher MASON Manager Policy & Technical Phone: + 44 1276 485 552 christopher.mason@eraa.org</p>
<p>International Air Carrier Association (IACA) Avenue Louise 228 7th Floor 1050 BRUSSELS BELGIUM Main phone: + 32 2 546 10 60</p>	<p>Mr Guy BATTISTELLA Director Finance Phone: + 32 2 546 10 67 guy.battistella@iaca.be</p>
<p>International Aircraft Owners and Pilots Association (IAOPA) 50a Cambridge Street SW1V 4QQ LONDON UNITED KINGDOM Main phone: + 44 2078 3456 31</p>	<p>Mr Martin ROBINSON CEO Regional Vice-President IAOPA Europe Phone: + 44 2078 3456 31 martin@aopa.co.uk</p>
<p>International Air Transport Association (IATA) Route de l'Aéroport 33 P.O. Box 416 IATA Centre 1215 GENEVA 15 Airport SWITZERLAND Main phone: + 41 22 770 2525</p>	<p>Mr Peter CURRAN Assistant Director, ATM Charges Safety and Flight Operations, Europe Phone: + 41 22 770 2991 curranp@iata.org</p> <p>Ms Katharina ERNST Assistant Manager Safety and Flight Operations, Europe Phone: +32 2 626 1839 ernstk@iata.org</p>

ANNEX VI

GLOSSARY OF TERMS

- 1) "actual costs" means costs actually incurred in a year for the provision of en route services subject to a final audit;
- 2) "air traffic control (ATC) service" means a service provided for the purpose of:
 - (a) preventing collisions:
 - between aircraft, and
 - in the manoeuvring area between aircraft and obstructions; and
 - (b) expediting and maintaining an orderly flow of air traffic;
- 3) "air traffic controller" means:

"Generic": A person holding a licence and/or a rating entitling him to act as an air traffic controller.
Trainees undergoing initial training at Air Traffic Control (ATC) schools therefore do not fall into this category.

Included are:

 - radar en-route controllers
 - coordination controllers
 - supervisors (full-time equivalent)

Excluded are:

 - students
 - on-the-job trainees
 - flight data processing staff
 - other ATC staff;
- 4) "aerodrome control service" means an ATC service for aerodrome traffic;
- 5) "aeronautical information" means services established within the defined area of coverage responsible for the provision of aeronautical information and data necessary for the safety, regularity, and efficiency of air navigation;
- 6) "air navigation services" means air traffic services; communication, navigation and surveillance services; meteorological services for air navigation; and aeronautical information services;
- 7) "air navigation service providers" means any public or private entity providing air navigation services for general air traffic;
- 8) "airspace management" means a planning function with the primary objective of maximising the utilisation of available airspace by dynamic time-sharing and, at times, the segregation of airspace among various categories of airspace users on the basis of short-term needs;
- 9) "airspace users' representative" means any legal person or entity representing the interests of one or several categories of users of air navigation services;

- 10) "air traffic flow management" means a function established with the objective of contributing to a safe, orderly and expeditious flow of air traffic by ensuring that ATC capacity is utilised to the maximum extent possible, and that the traffic volume is compatible with the capacities declared by the appropriate air traffic service providers;
- 11) "air traffic management" means the aggregation of the airborne and ground-based functions (air traffic services, airspace management and air traffic flow management) required to ensure the safe and efficient movement of aircraft during all phases of operations;
- 12) "air traffic services" means the various flight information services, alerting services, air traffic advisory services and ATC services (area, approach and aerodrome control services);
- 13) "area control service" means an ATC service for controlled flights in a block of airspace;
- 14) "approach control service" means an ATC service for arriving or departing controlled flights;
- 15) "bundle of services" means two or more air navigation services;
- 16) "certificate" means a document issued by a Contracting State in any form complying with national law, which confirms that an air navigation service provider meets the requirements for providing a specific service;
- 17) "communication services" means aeronautical fixed and mobile services to enable ground-to-ground, air-to-ground and air-to-air communications for ATC purposes;
- 18) "determined costs" means costs pre-determined by the Contracting State;
- 19) "en route charging zone" means a volume of airspace for which a single cost base and a single unit rate are established;
- 20) "EUROCONTROL Conditions of Application of the Route charges system and Conditions of Payment" means the rules for calculating the EUROCONTROL route charge and the conditions of its payment, as specified in document N°11.60.02 or its subsequent versions;
- 21) "general air traffic" means all movements of civil aircraft, as well as all movements of State aircraft (including military, customs and police aircraft) when these movements are carried out in conformity with the procedures of the ICAO;
- 22) "global navigation satellite system (GNSS)" means a world-wide position and time determination system, that includes one or more satellite constellations, aircraft receivers, and system integrity monitoring, augmented as necessary to support the required navigation performance for the actual phase of operation;
- 23) "ICAO" means the International Civil Aviation Organisation, as established by the 1944 Chicago Convention on International Civil Aviation;
- 24) "IFR" means Instrument Flight Rules, as defined in Annex 2 of the 1944 Chicago Convention on International Civil Aviation (Current Edition);
- 25) "International Accounting Standards" means International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB);

- 26) "Independent Economic Regulation" means the process by which a Contracting State applies incentives or financial modulation;
- 27) "meteorological services" means those facilities and services that provide aircraft with meteorological forecasts, briefs and observations as well as any other meteorological information and data provided by States for aeronautical use;
- 28) "navigation services" means those facilities and services that provide aircraft with positioning and timing information;
- 29) "other revenues" means revenues obtained from public authorities, including the financial support from European Union assistance programmes such as the Trans-European transport network (TEN-T), Connecting Europe Facility (CEF) and the Cohesion Fund, or revenues obtained from commercial activities;
- 30) "putting into service" means the first operational use after the initial installation or an upgrade of a system;
- 31) "performance plan" means the plan by which Contracting States set their performance targets for a given period (reference period);
- 32) "restructuring costs" means significant one-time costs incurred by air navigation service providers in the process of restructuring by way of introducing new technologies and procedures and associate business models to stimulate integrated service provision where the Contracting State wishes to recover the costs in one or more reference periods. They may include costs incurred in compensating employees, closing air traffic control centres, shifting activities to new locations and, writing off assets and/or acquiring strategic participations in other air navigation service providers;
- 33) "surveillance services" means those facilities and services used to determine the respective positions of aircraft to allow safe separation;
- 34) "terminal area" means a control area normally established at the confluence of ATS routes in the vicinity of one or more major aerodromes;
- 35) "user of en route services" means the operator of the aircraft at the time when the flight was performed or, if the identity of the operator is not known, the owner of the aircraft, unless he proves that another person was the operator at that time;
- 36) "VFR" means Visual Flight Rules, as defined in Annex 2 of the 1944 Chicago Convention on International Civil Aviation (Current Edition);
- 37) "year N" means the new reference period starting on year "N";
- 38) "Year n" means the current year.

(Intentionally left blank)

ANNEX VII

SPECIFIC TRANSPARENCY REQUIREMENTS FOR EN ROUTE SERVICES PROVIDED UNDER MARKET CONDITIONS

Information disclosed in application of this Annex shall be confidential to the Contracting States and not made publicly available.

1. THE COSTS OF AIR NAVIGATION SERVICES

1.1. Reporting table

Contracting States shall fill in the reporting tables in this Annex. Tables A and B shall be filled in for the entire charging zone.

For Table A, the figures shall be actual figures for year (“n - 3”) until year (“n -1”) and planned figures for year (“n”) onwards. Actual costs shall be established on the basis of final audited accounts. Planned costs shall be established in accordance with the business plan required by the certificate.

For Table B, the annual price shall reflect the value of the contract. The unit of output considered to determine the value of the contract shall be described and reported in the table by the Contracting State concerned.

Costs and prices shall be established in national currency.

Table A:

Organisation:	Year
Charging zone:	n

(n-3) A	(n-2) A	(n-1) A	(n) F	(n+1) F	(n+2) P	(n+3) P	(n+4) P	(n+5) P
------------	------------	------------	----------	------------	------------	------------	------------	------------

Detail by nature

Staff								
Other operating costs								
Depreciation								
Cost of capital								
Exceptional items								
Total costs								

Table B:

Organisation:
Charging zone:

Year	n
------	---

Airport i	(n-3)	(n-2)	(n-1)	(n)	(n+1)	(n+2)	(n+3)	(n+4)	(n+5)
Annual Price (a)									
Unit of Output (b)									
Unit Price									

1.2. Additional information

In addition, Contracting States shall provide at least the following information:

- (a) description of the criteria used for allocating costs of facilities or services between different air navigation services taking into account of the whole of the en route air navigation facilities and services for which each Contracting State is responsible by virtue of the ICAO Regional Air Navigation Agreements and the associated Regional Air Navigation Plan on the basis of which national plans are established;
- (b) description and explanation of differences between planned and actual figures for year (“n - 1”) in respect to all data provided in Tables A and B;
- (c) description and explanation of five year planned costs and investments in relation to expected traffic;
- (d) description and explanation of the method adopted for calculating depreciation costs: historic costs or current costs;
- (e) justification for the cost of capital, including the components of the asset base.

2. THE FINANCING OF EN ROUTE NAVIGATION SERVICES

Air navigation service providers shall provide a description of the way or ways in which the costs of en route services are financed in respect to each charging zone.