

MEMORANDUM TO CABINET  
BY THE PRIME MINISTER

Malta Flight Information Region

En Route Charges

In 1953, Malta started raising charges on airlines to cover the cost of radio communications and other facilities operated from the Island for the benefit of aircraft passing through the Region. As the revenue accruing from these charges had been meeting only a part of the yearly expenditure which had been increasing over the years, it was decided in 1961 to introduce a higher scale of charges based on the all-up weight of aircraft.

Some 30 airlines are paying these charges regularly and in full. Some airlines, however, decided not to pay the new charges while others continued to pay at the pre-1961 rates. Malta claims that the airlines have a contractual obligation to pay these fees since it was the airlines themselves who had asked for the facilities and services which resulted in the required facilities and services being inserted in the Regional Air Navigation Plans of I.C.A.O. Malta therefore provided these facilities and services to meet the requirement of the airlines as set out in the Plans.

The amount of en route charges outstanding as on the 31st May, 1969 was as follows:-

Alitalia	£54,403.10. -.
B.O.A.C.	119,489. 4. 4.
W.A.A.C. (Nigeria)	14,859. - . -.
Air France	7,457. - . -.
K.L.M.	16,436. - . -.
Sabena	13,033. - . -.
Swissair	<u>4,167. - . -.</u>
	<u>£229,844.14. 4.</u>

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Considerable effort has been devoted by the Department of Civil Aviation towards the recovery of these amounts and at the I.C.A.O. Conference on Charges for Airports and Route Navigation Facilities held in Montreal in April 1967, the case presented by the Director of Civil Aviation resulted in the Conference's recommendation that the Council of I.C.A.O. affirm the principle that providers of route air navigation facilities and services for international use may require the users to pay their share of the cost of providing them regardless of where the utilization takes place.

An I.A.T.A. delegation consisting of representatives of the three major "defaulting" airlines which called at Malta in November 1967 acknowledged that airlines should in future bear a fair share of the costs and proposed that a charging formula based on distance and weight be introduced possibly on the lines of one which I.A.T.A. had prepared. Director of Civil Aviation refused to discuss the formula before the arrears were settled in full; the Airlines then offered to pay 50% of the arrears in full and final settlement "in order to clear the air and pave the way for progress in future talks". Director of Civil Aviation did not accept the offer.

The delegation gave the following reasons for its refusal to pay the arrears in full:

- (i) the charges were introduced unilaterally without consultation with the airlines;
- (ii) the charges were levied on aircraft flying on the high seas and foreign lands. I.A.T.A. had questioned the legality of such charges;
- (iii) the charges system was based only on aircraft weight and not also on distance flown;
- (iv) their recommendation made to Malta in 1963 to apply for I.C.A.O. Joint Financing had not been followed up by Malta.

Immediately after the delegation left Malta, the Director General of I.A.T.A. approached the Government with a view to a settlement of the two issues: firstly that of the arrears in the payment of charges and secondly

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how those charges might be assessed in an equitable manner in the future. While the airlines accepted responsibility for bearing a fair share of the allocable costs, they felt that this should not be applicable to the previous years but the airlines were willing to reach an agreement or an acceptable compromise. The reply sent to the Director General was to the effect (a) that there was no reason why the arrears should not be paid in full and (b) that no revised "interim" formula as proposed by the airlines was called for at a time when I.C.A.O. were working on such a formula themselves, so that the present charging system should continue to be applied and the airlines should pay the present fees in full until the I.C.A.O. formula is implemented.

I.A.T.A.'s further representations made in April 1969 were to the effect that the I.C.A.O. formula study was not likely to be completed before 1971 and that if the Government could move towards even a gradual implementation of an interim industry-agree formula, i.e. that proposed by I.A.T.A. and by the airlines, the defaulting airlines were prepared to make "a substantial gesture moneywise." The Director General of I.A.T.A. expressed his willingness to arrange for another visit by representatives of the airlines accompanied by an I.A.T.A. representative to discuss the matter further.

The question for consideration is whether the Government should continue to refuse to discuss a new charging formula for the future before full payment is made of the arrears due. If such a policy were to be adhered to, unpaid charges will continue to accrue; as they accrue, the problem of obtaining full settlement escalates proportionately. The airlines have no compelling interest to settle the matter, more so since the restrictions on their charter operations, imposed in an attempt to make them toe the line, have not worried them unduly.

Ministers may wish to consider whether in an effort to reach a satisfactory settlement of this question the Director General of I.A.T.A. should be informed that on the assumption that the industry-agreed formula would result in the allocable costs of the en route facilities being recovered, the Government would be prepared to meet

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airline and I.A.T.A. representatives to discuss the formula, subject to its being made operative either from the 1st April, 1967\* or with effect from a later date to be agreed, provided the airlines agree to pay in full the present rate of charges between April 1967 and the later date at which the new formula is brought into effect; and that if agreement is reached on the above basis discussions on the payment of arrears prior to the 1st April 1967 should not fail to result in an equitable settlement.

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\* The I.C.A.O. Conference at which I.A.T.A. acknowledged the airlines' responsibility for bearing an appropriate share of the costs of international route facilities was held in March/April 1967.

16 AUG 1969

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