I. WELCOME

The spread of COVID-19 across countries has prompted many governments to introduce unprecedented measures to contain the pandemic. These are priority measures that are imposed by a public health emergency, which leave little room for other options as health should remain the primary concern.

These measures though, have led to many businesses to shut down temporarily, widespread restrictions on travel and mobility, financial market turmoil, an erosion of confidence and heightened uncertainty.

In a rapidly evolving environment, it is extremely difficult to quantify the exact magnitude of the impact of such measures on GDP growth. It is nevertheless clear that they imply sharp contractions in the level of output, household spending, corporate investment and international trade. The air transport sector was the first affected and suffers the consequences of COVID-19 pandemic and has led to a drastic and detrimental effect on airlines, airports and aviation industry worldwide.

But what about CAAs? The functions of safety, security and economic oversight are a State responsibility, entrusted to the CAAs. Government funding is the most frequent method by which to finance such functions. However, this is not always possible or practical, particularly for States with limited financial resources, or because of dysfunctions in their national administrative systems.

It is at this point that the Paris Office decided to readdress the issue of financial sustainability in CAAs in the ICAO EUR region. This topic was on the agenda for the first time during the DGCA meeting of 2019. Now we are organizing a (virtual) workshop on 29 September 2020, which is open to all States, RSOOs, International Organizations and aviation industry in the ICAO EUR/NAT region. The workshop outcomes will be presented and discussed at the ICAO EUR/NAT DGCA teleconference on 20 October 2020.

You are all welcome to participate in this workshop and discuss your State’s financial challenges, best practices and way forward!

Silvia Gehrer

II. IS THERE A PROBLEM?

When establishing a Civil Aviation Authority (CAA) an important aspect is to ensure the funding and available resources. According to the ICAO Convention, “the functions of safety, security and economic oversight are a State’s responsibility.” Furthermore, the State shall establish relevant authorities or agencies, as appropriate, supported by sufficient and qualified personnel and provided with adequate financial resources. Each State authority or agency shall have stated safety functions and objectives to fulfil its safety management responsibilities.” (ANNEX 19)
In recent years, an increasing number of States are faced with the issue of insufficient and unsustainable funding of activities related to their main oversight responsibilities in the sphere of civil aviation: aviation safety, security and economic oversight. Limited financial resources for such activities in some States may result in lower indicators related to flight safety and may hinder the ability of the Civil Aviation Authorities to properly address the constant increase and more complex air transport needs.

Civil Aviation Authorities (CAAs) in most developing States usually do not have capabilities to mobilize national resources for the development of civil aviation in their countries. Within their governments, aviation is in competition with other priorities (e.g. defense, health, education and security). CAAs have difficulty in convincing their governments to include aviation in their national development programme, which may facilitate alternative funding from a governmental development aid.

For Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs) and Small Island Developing States (SIDs), the traffic is generally too low to generate enough income for necessary investment for infrastructure. Financial loans are difficult to obtain as a result.

Aviation is still seen as a relatively self-financed sector with substantial capability to generate revenues through fees and user charges to offset capital and operating expenses. The first challenge is to ensure that all aviation income from aeronautical and non-aeronautical charges, as well as from privatization of airports, Public Private Partnerships, is re-invested in the aviation sector.

According to the ICAO USOAP CMA (Universal Safety Oversight Audit Programme Continuous Monitoring Approach) data for the 56 EUR/NAT States as of August 2020

21% of States do not have a mechanism to ensure that each safety oversight authority has sufficient financial resources to meet its national and international obligations (unsatisfactory PQ 2.051);

25% of States do not have a process to ensure that their accident investigation authority has sufficient financial resources to investigate accidents and serious incidents (unsatisfactory PQ 6.105); and

50% do not have a mechanism to ensure that each safety oversight authority has sufficient personnel to meet its respective national and international obligations (unsatisfactory for PQ 2.053).

III. COVID-19 IMPACTS

The measures taken to fight the on-going pandemic have severely affected the functioning of the global economy. Trade and investment channels have been disrupted, the movement of citizens has been seriously constrained, and businesses have been forced to operate at reduced capacity or to temporarily abandon their activities. Confidence levels have fallen markedly and labor markets have been disrupted. Aviation has been brought to a virtual halt and the industry is in survival mode, crippled by the loss of air traffic and revenue.

ICAO is actively monitoring the economic impacts on civil aviation and is regularly publishing updated reports and adjusted forecasts and scenario. The latest version can be viewed here:

A unique feature of the ongoing crisis though, is the fact that both the supply and demand sides of the equation are suppressed. On one hand, most flights are
suspended, and travel is restricted while, on the other hand, air transport demand, particularly the passenger segment, has collapsed. The latter is a result of a combination of economic and behavioural factors. The deteriorating macroeconomic situation and loss of income is added to by consumer concern of fear of contracting the COVID-19 virus when travelling by air. Either and both conditions lead to avoidance or postponement of travel plans.

Considerable uncertainty remains about the duration and magnitude of public health measures and the extent to which they may be implemented in a similar, harmonized, manner across countries. Even once such measures will begin to be eased, the extent of any subsequent recovery in output will depend on the effectiveness of the policy actions taken to support workers and companies through the downturn, and the extent to which confidence returns.

The repercussions of the crisis could involve among others a fall in GDP and investments, leading to an increase in unemployment and fewer available resources for many policy priorities, including the aviation sector.

In that sense the financial sustainability of the CAAs could be worsened, resulting in further weakening of their oversight capabilities with a consequential impact on safety, security and sustainability of the civil aviation sector.

**IV. WHAT IS NEXT?**

There is a strong correlation between air transport development and the level of effective implementation of the safety (and security) critical elements. States developing their aviation sector will ensure better implementation of ICAO Standards and Recommended Practices and at the same time contribute to their economic development.

During the years, ICAO has developed comprehensive guidance material on the air transport development including: the ICAO’s Policies on Charges for Airports and Air Navigation Services (Doc 9082), the Airport Economics Manual (Doc 9562), ICAO’s Policies on Taxation in the Field of International Air Transport (Doc 8632), the Manual on the Economics of Air Navigation Services (Doc 9161), Safety Oversight Manual/funding of RSOO (Doc 9734), Report of the Sixth Worldwide Air Transport Conference (ATConf/6) (Doc 10009).

The restart and recovery plan during and post COVID-19 era has been delivered and ICAO is providing global recommendations through the CART report and the “Take off” guidelines available on the ICAO website:
https://www.icao.int/covid/cart/Pages/CART-Report---Executive-Summary.aspx
https://www.icao.int/covid/cart/Pages/CART-Take-off.aspx

Recommendation no 10 of the CART report mentions: “Member States should consider appropriate extraordinary emergency measures to support financial viability and to maintain an adequate level of safe, secure and efficient operations, which should be inclusive, targeted, proportionate, transparent, temporary and consistent with ICAO’s policies, while striking an appropriate balance among the respective interests without prejudice to fair competition and compromising safety, security and environmental performance.”

Considering the impact of insufficient financial resources on overall States’ capacity to discharge their oversight responsibilities and the COVID-19 impact, there is a need for more coordination, sharing of information and best practices between the EUR/NAT States.

As a way forward, the EUR/NAT Office was called upon by several States to organise a workshop to exchange information on various aspects concerning CAAs’ funding mechanisms.

Following the COVID-19 confinement, this workshop is now scheduled for **29 September 2020** (virtual meeting). The target audience for the workshop are senior
officials and subject matter experts on financial policy matters from CAAs, RSOOs, industry and International Organizations. The outcome of this workshop will feed the discussions at the DGCA/2020 financial session, scheduled one month later (20/10/2020). This is a high level meeting where your active participation will facilitate information sharing, best practices, and next steps.

Sources: ICAO, IATA, ACI, OECD

V. EUR/NAT TRAINING, WORKSHOPS & WEBINARS

Archived ICAO webinars are available at
https://www.icao.int/Meetings/webinar-series/Pages/ArchivedWebinars.aspx

Upcoming ICAO webinars are available at
https://www.icao.int/Meetings/webinar-series/Pages/ScheduleAndRegistration.aspx

Upcoming ICAO EUR/NAT Activities Schedule is available at
https://www.icao.int/EURNAT/Pages/meetings.aspx

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The next RD brief will be circulated on 01 September 2020. The focus will be on Search and Rescue (SAR) - A comprehensive overview on European SAR activities.