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Financing of CAA oversight functions

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ICAO EUR/NAT DGCA teleconference

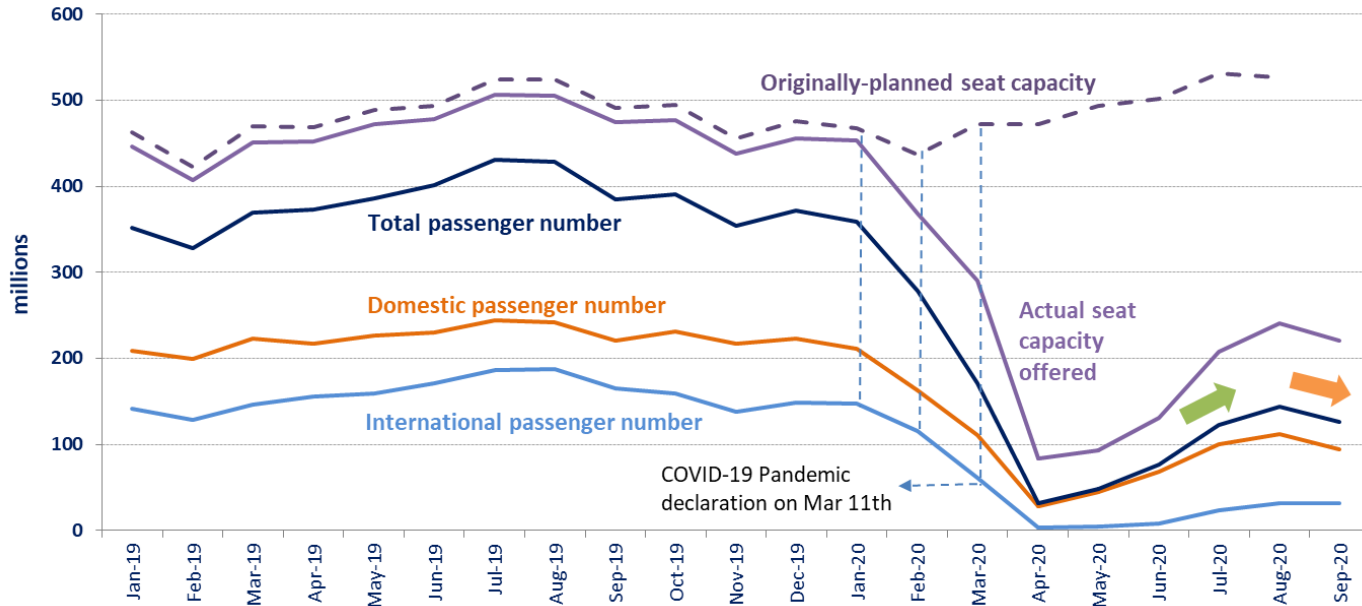
20 October 2020





Drastic capacity cut along with dramatic drop in demand

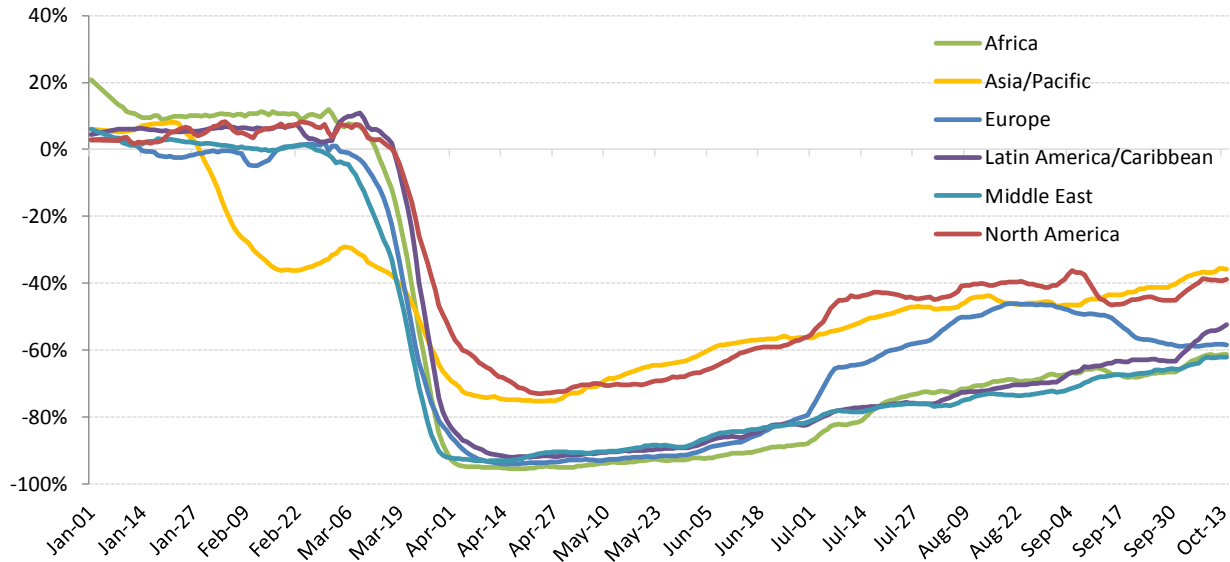
Comparison of passenger numbers and capacity (Domestic travel is leading the recovery)





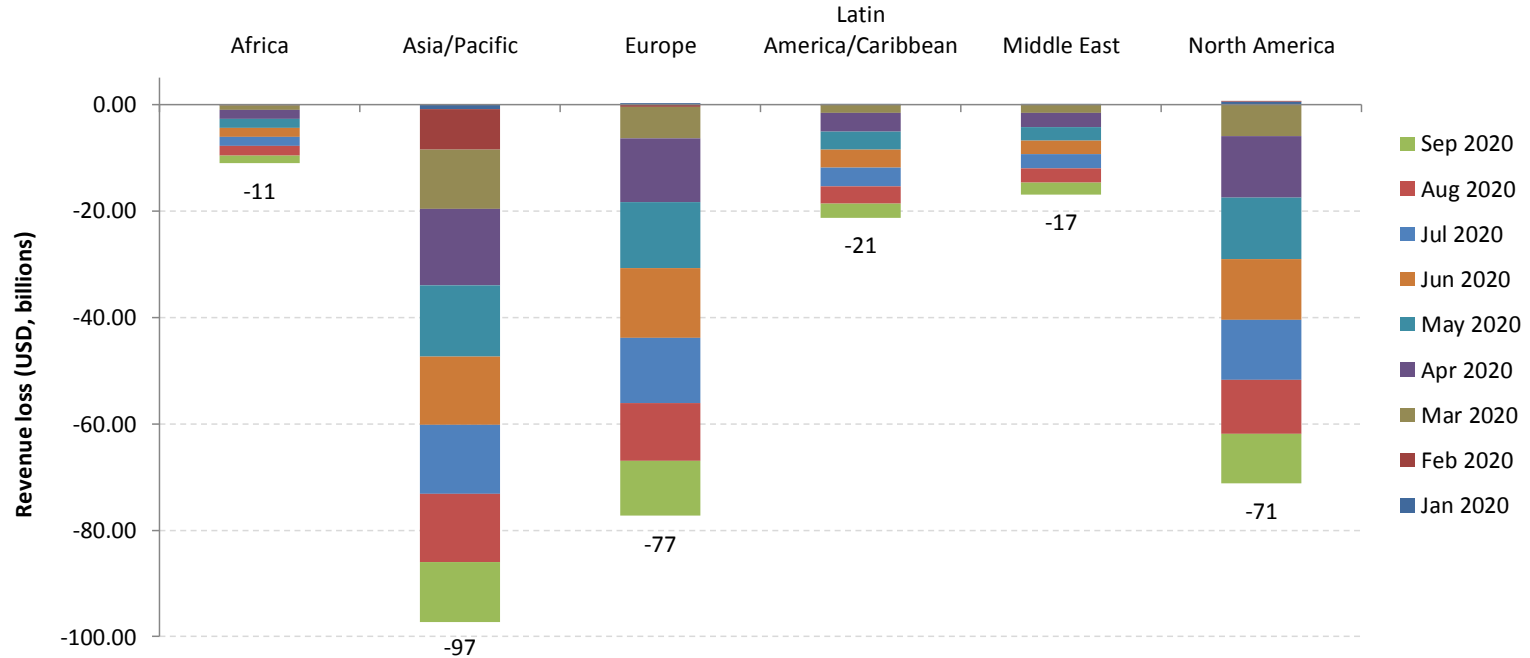
Regional difference in resilience and speed of recovery

Comparison of total seat capacity by region (7-day average, YoY compared to 2019)





Approximately USD 294 billion passenger revenue loss from Jan to Sep 2020



Note: Compared to Baseline (business as usual, originally-planned)



ICAO COVID-19 Air Traffic Dashboard



Operational impact



Aircraft utilization



Country-pair traffic



Economic impact - Air carriers



ECONOMIC IMPACT - AIRPORTS



ECONOMIC IMPACT - ANSPS

<https://www.icao.int/sustainability/Pages/COVID-19-Air-Traffic-Dashboard.aspx>



Reference Documents

Safety Oversight Manual (Doc 9734), Part B [jointly developed with ANB]

ICAO's Policies on Charges for Airports and Air Navigation Services (Doc 9082)



Funding of CAAs/Regional Safety Oversight Organization (RSOO)

- Objective is to reduce costs at the Member State level from benefits of economies of scale
- Avoid duplication of activities between Member State and RSOO, and cost reduction at the State level should be passed to the RSOO
- Need for harmonization and standardization of civil aviation legislation regulations and procedures, as well as training and guidance material



Economic and Financial management of CAAs/RSOO

Business plan (BP)

- Need for a BP including the **scope of activities**, mission statement, actions to be followed over a period of time, in line with the Organization long-term objectives
- The BP should take into account: **air traffic forecasts, external economic assumptions** (exchange rates, inflation, interest rates), **staff number and qualifications, limits on expenditures, fees of services..etc**
- Main **principles to recover the costs** (contributions, fees, cost basis used.. etc)
- Planning is a **continuous process** and should be updated on a regular basis



Economic and Financial management of CAAs/RSOO

Business plan (BP)

- rationale is to estimate the traffic and the corresponding **level of charges recovered**
- adjust the **other sources of funding** (loans, grants, special contributions) according to the level of charges collected
- essential to take into account the **incremental efforts and costs** incurred during exceptional circumstances (COVID crisis)



Economic and Financial management of CAAs/RSOO

Financial Management

- **Costs for common services:** activities and services that benefit the whole population (including those who do not request the specific service or activity) are usually considered as being non cost-recovery activities, i.e. the elaboration of primary safety oversight legislation as well as specific operating regulations.
- **Costs for specific services:** activities and services that benefit a specific group of persons that need the service, as well as a larger group that did not request the service, are often considered as being cost-recovery activities.

RSOO should follow the principles set in ICAO's Policies on Charges for Airports and Air Navigation Services (Doc 9082) in order to avoid cross-subsidization between users or user groups.



Sources of financing

- Mainly funded through **contributions from Member States**, using an agreed cost-sharing scheme
- **Fees** on the services provided by RSOOs (licensing, certification, audits, inspections, training, technical services...)
- **Grants and loans** from donor States and regional financial institutions (non sustainable sources)
- Sources of funding: **government funds, fees, airport and air navigation charges, debt financing**
- “**Air safety charge**”, in line with Doc 9082, Section I, 2 i), which recommends that States “permit the imposition of charges only for services and functions which are provided for, directly related to, or ultimately beneficial for, civil aviation operations”



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