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ICAO Guidance on Economic and Financial Measures

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CART key principles related to Economic and Financial Measures

CART Key Principle 3 – Ensure essential connectivity

States and industry should maintain essential connectivity and global supply chains, especially to remote regions, isolated islands and other vulnerable States.

CART Key Principle 8 – Support Financial Relief Strategies to Help the Aviation Industry

States and industry institutions, consistent with their mandates, should consider the need to provide direct and/or indirect support in various proportionate and transparent ways. In doing so, they should safeguard fair competition and not distort markets or undermine diversity or access.

CART Key Principle 9 – Ensure Sustainability

Aviation is the business of connections, and a driver of economic and social recovery. States and industry should strive to ensure the economic and environmental sustainability of the aviation sector.



CART Recommendation on Economic and Financial Measures

Recommendation 10 – Economic and Financial Measures

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.



- Modification of 2 Existing Recommendations
 - Recommendation 12 (revised) – Aviation safety-related measures
 - Recommendation 14 (revised) – Public Health Corridors (PHCs)
- 6 Additional Recommendations
 - Recommendation 15 – Safe transport of Cargo
 - Recommendation 16 – Facilitating air cargo movement
 - Recommendation 17 – Testing certificates
 - Recommendations 18 and 19 – Vaccinations
 - Recommendation 20 – Communication
- Updated TOGD
- Reviewed Testing and cross-border risk management Manual

CART Phase III Webinar

6 April 2130 Montreal (7 April 0130 UTC)

7 April 0900 Montreal (1300 UTC)

<https://www.icao.int/Meetings/webinar-series/Pages/CART-Phase-III.aspx>

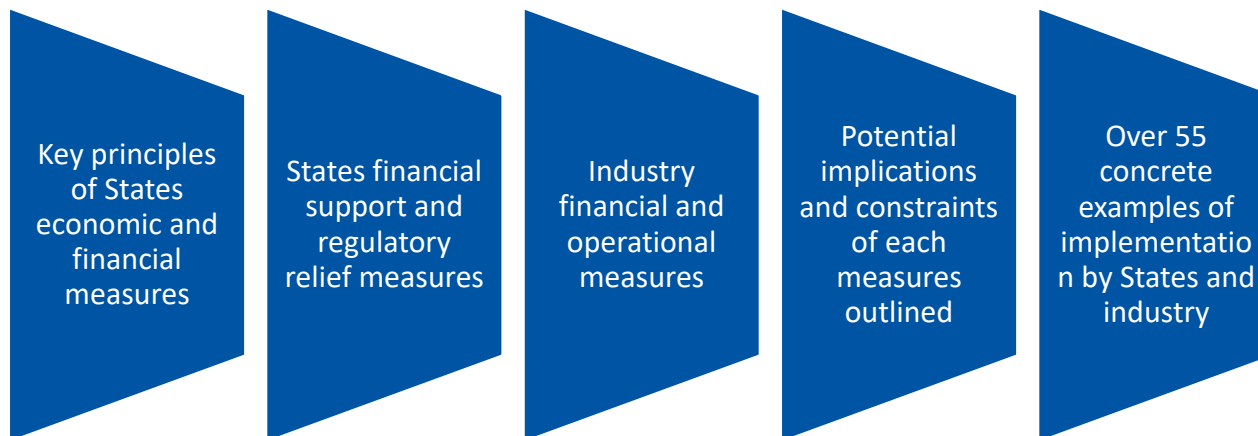
Recommendation 20

Member States should ensure that ICAO's CART guidance is taken into consideration by the wider State administration in the decision-making processes on national recovery planning



ICAO Guidance on Economic and Financial Measures

Guidance on Economic and Financial Measures summarizes a range of possible measures that can be explored by States and the aviation companies to cope with the economic fallout of the pandemic.



<https://www.icao.int/sustainability/Pages/Economic-and-financial-measures.aspx>

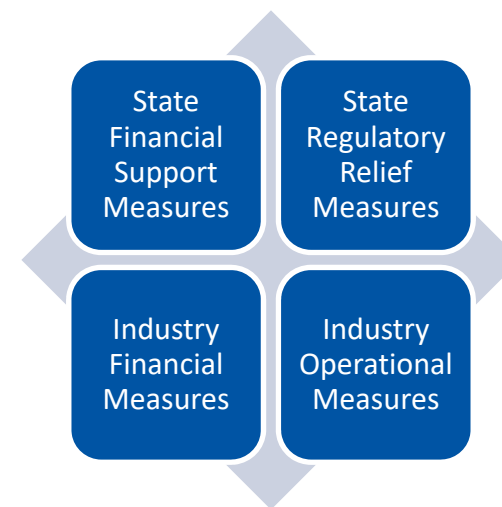


State Financial Support Measures

- Capital injection as grants
- Government equity stakes
- Government loans and loan guarantees
- Financing of restructuring
- Operating subsidies or route specific grants
- Wage subsidies or guarantee
- General taxation relief
- Relief of aviation related taxes, charges and fees
- Integrated financial support package

State Regulatory Relief Measures

- Temporary suspension of airport slot allocation rules
- Temporary alleviation of regulatory restrictions to air cargo operations
- Temporary exemption from competition laws
- Relaxation of restrictions on market and capital access





Industry Financial Support Measures

Cost control and management

Contractual negotiation with lessors, suppliers and/or providers

Equity financing

Debt financing and restructuring

Monetizing the value of frequent flyer programme (FFP)

Securitization of future earnings and assets

Rehabilitation or reorganization under bankruptcy law

Industry Operational Relief Measures

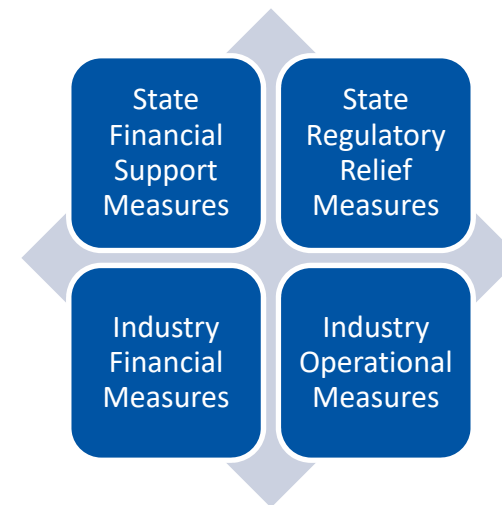
Route rationalization and fleet rightsizing

Diverting excess passenger capacity to cargo-only or charter operations

Flexible fare adjustments

Cooperative arrangements

Mergers and acquisitions





| Form of measures | Effect/Implication | Constraint/Caution |
|---|---|--|
| a) Capital injection as grants | Provide direct funds to stabilize the financial situation of targeted companies and ensure their operation continuity. | Effective use of public funds should be ensured, and unfair competition and potential market distortion be avoided. |
| b) Government equity stakes | Invest equity in companies with potential to increase government's influence on the company's business strategic direction. | Returns on equity may fluctuate according to market situation and company's financial performance; active oversight is required. |
| c) Government loans and loan guarantees | Provide companies with loans at favorable rates than they would be able to obtain by borrowing on their own. | Terms and conditions should be transparent, fair and uniform to all eligible firms, and incentivize quicker pay off by the borrower. |
| d) Financing of restructuring | Infuse funds for financing of restructuring of companies to achieve the transition to more efficient operations. | Well-defined conditions, stringent regulatory mechanisms, information disclosure and monitoring should be in place. |
| e) Operating subsidies or route specific grants | Preserve and sustain essential air connectivity based on socioeconomic objectives and economic justification. | Non-discrimination should be ensured and essential transportation needs for all communities be balanced. |



| Form of measures | Effect/Implication | Constraint/Caution |
|---|---|---|
| f) Wage subsidies or guarantee | Protect jobs and prevent job losses by paying companies with a percentage of employee wages for a certain period of time. | Funds should be deployed to the intended recipient, i.e. personnel as deemed qualified by the programme concerned. |
| g) General taxation relief | Reduce the tax liability and enhance cash-flow of an individual or business entity. | Specific tax relief or further exemption of certain taxes for companies in severely affected sectors can be considered. |
| h) Relief of aviation related taxes and charges | Provide timely and immediate saving on cost payment of companies in short-term. | An appropriate balance should be struck between the respective interests of service providers and of users and end-user. |
| i) Integrated financial support package | Provide a combination of some or all of the foregoing financial support to a targeted sector, segment or business. | Support package should follow the principles, e.g. be inclusive and non-discriminatory, be targeted and proportionate, etc. |



| Form of measures | Effect/Implication | Constraint/Caution |
|---|--|---|
| a) Temporary suspension of airport slot allocation rules | Provide flexibility for airlines to plan and adjust schedules with appropriate levels to respond to market conditions and changing demand projections. | Decision on the timing of re-commencing or extending suspension of slot allocation rules requires assessment of the changing situation and all-round consideration. |
| b) Temporary alleviation of regulatory restrictions to air cargo operations | Ensure the sustainability of supply chains, prevent shortages of essential goods, and help reduce additional costs incurred for air cargo operations. | Operational flexibilities should be in line with State's overall risk management strategy, and be proportionate and limited in time; abusing of dominant position should be prohibited. |
| c) Temporary exemption from competition laws | Allow airlines to coordinate routes and flight schedules through cooperative arrangements to help maintain transportation services under exceptional circumstance. | Exemptions should be temporary and be granted when deemed necessary; effective oversight is required to pre-empt potential negative impact on end-users. |
| d) Relaxation of restrictions on market and capital access | Provide assurance of essential air connectivity, widen the available pool of investment capitals, and allow more efficient use and allocation of capital and capacity. | Necessary link between the airline and the designating State should be preserved while regulatory controls and oversight should be strengthened. |



Key principles of States' economic and financial measures

| | |
|-------------|---|
| Principle 1 | • Well-defined objectives |
| Principle 2 | • Data-driven evaluation |
| Principle 3 | • Broadly inclusive and non-discriminatory |
| Principle 4 | • Targeted and proportionate |
| Principle 5 | • Transparency and consultation |
| Principle 6 | • Striking appropriate balance among all stakeholders |
| Principle 7 | • Time-bound |



Example 1 - Government loan guarantee to Egyptair, airports and air navigation

- On 29 September 2020, Egypt announced “long-term financing” to Egyptair Holding Company and Egyptian Holding Company for Airports and Air Navigation (EHCAAN).
- In the “long-term financing”, each company would receive from the Central Bank of Egypt at an amount of EGP 3 billion and EGP 1 billion, respectively.
- The State-guaranteed loan would be released from the Central Bank in accordance with the terms and conditions determined by the Minister of Finance.
- Egyptair had already obtained a EGP 2 billion soft loan from the government in May 2020, which was used to pay employee salaries.



Example 2 – Oman payment relief to airlines and airports

- The Public Authority of Civil Aviation in Oman confirmed support to airlines by extending the payment terms for the invoices of March, April, and May 2020 to 90 days.
- This includes any fees paid by the airlines to the government, i.e. overflight charges, navigation, security, passenger-related, etc.
- In addition, the government announced waiver for airport rental charges and concession fees, extension of payment of invoices at airports to 60 days, and waiver of slot rules and consumer protection regulations.



Example 3 – Incentive scheme to airlines operating from/to Cyprus

- On 1 July 2020, a € 6.3 million Cypriot incentive scheme was approved by the European Commission under the EU Temporary Framework for State aid measures and Article 107(3)(b) of the Treaty on the Functioning of the EU.
- Objective is to incentivize airlines affected by coronavirus outbreak to re-establish air routes from/to Cyprus, thus enabling the recovery of air connectivity and tourism.
- Direct grants of up to € 800,000 per company and be accessible in a transparent and non-discriminatory manner to all interested airlines operating from/to Cyprus, benefiting approximately 60 airlines from inside and outside the European Economic Area.
- The level of remuneration depends on the aircraft's load factor (starting from 41% to 70%) and it will be paid per each transported passenger.



Guidance on Economic and Financial Measures:

<https://www.icao.int/sustainability/Pages/Economic-and-financial-measures.aspx>



Economic Impact Analysis of COVID-19:

<https://www.icao.int/sustainability/Pages/Economic-Impacts-of-COVID-19.aspx>



COVID-19 Air Traffic Dashboards:

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





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THANK YOU