



# Financing Infrastructure: Working with your Users

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to represent, lead and serve the airline industry



# International Air Transport Association, who are we?

- **Our VISION :** To be the provider of global leadership and solutions to ensure a successful air transport industry.
- **Our MISSION:** To represent, lead and serve the airline industry
- **Our PARTICIPANTS:**
  - 230 member airlines
  - 60,000 accredited travel agents
  - 200 industry partners
- **Our PRESENCE :**
  - 74 offices
  - in 68 countries
  - covering 148 nations



# Role of IATA Charges Team

- Engage airport and ANSPs in charges consultations
- Drive cost reductions / efficiency improvements
- Promote IATA / ICAO charges principles

# ICAO Charges Policies

## 5 Key Principles

- Non-discrimination
- Consultation
- Transparency
- Cost-relatedness
- Controlling pre-financing



### **BUT too often...**

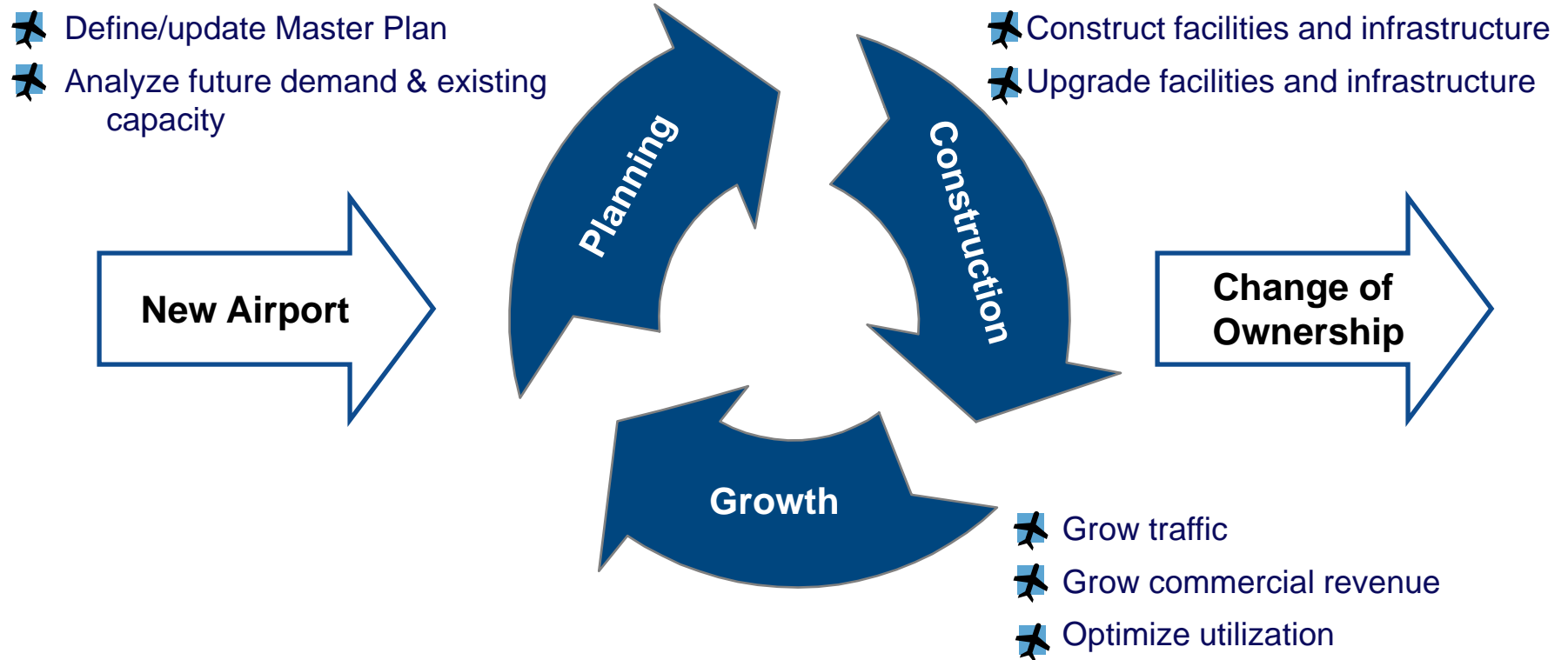
- Unjustified charges increases
- No prior consultation
- IATA needs to raise issue with providers, lobby States

# Infrastructure Development Fees (IDF)

- Proliferation of IDFs in Africa since 2008 – over 12 States
- Mostly introduced without any prior notification
- Passengers pay additional revenue but little transparency on spending
  
- Senegal: €45 per passenger, total US\$ 68m per year
- Mali: XOF 27,000 per passenger, total US\$ 18m per year
- DR Congo: US\$50 per passenger, total US\$ 17m-20m per year



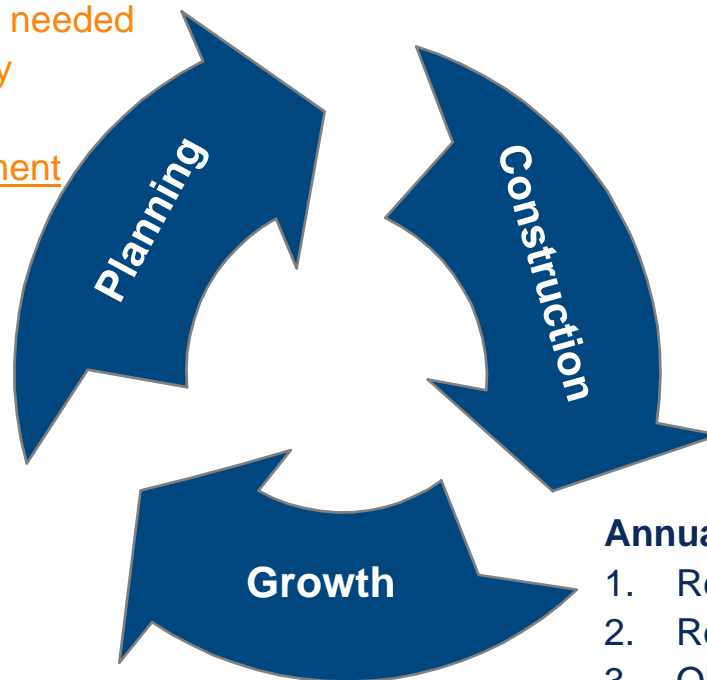
# Infrastructure Development Cycle



# What financing actions should I be taking?

## Capital Investment Plan Engagement Process

1. Determine new infrastructure needed
2. Determine costs / affordability
3. Determine financing sources
4. Obtain user and IATA agreement



## Annual Consultations

1. Review current projects with users
2. Review ongoing costs with users
3. Obtain user agreement on changes

# What financing actions should I be taking?

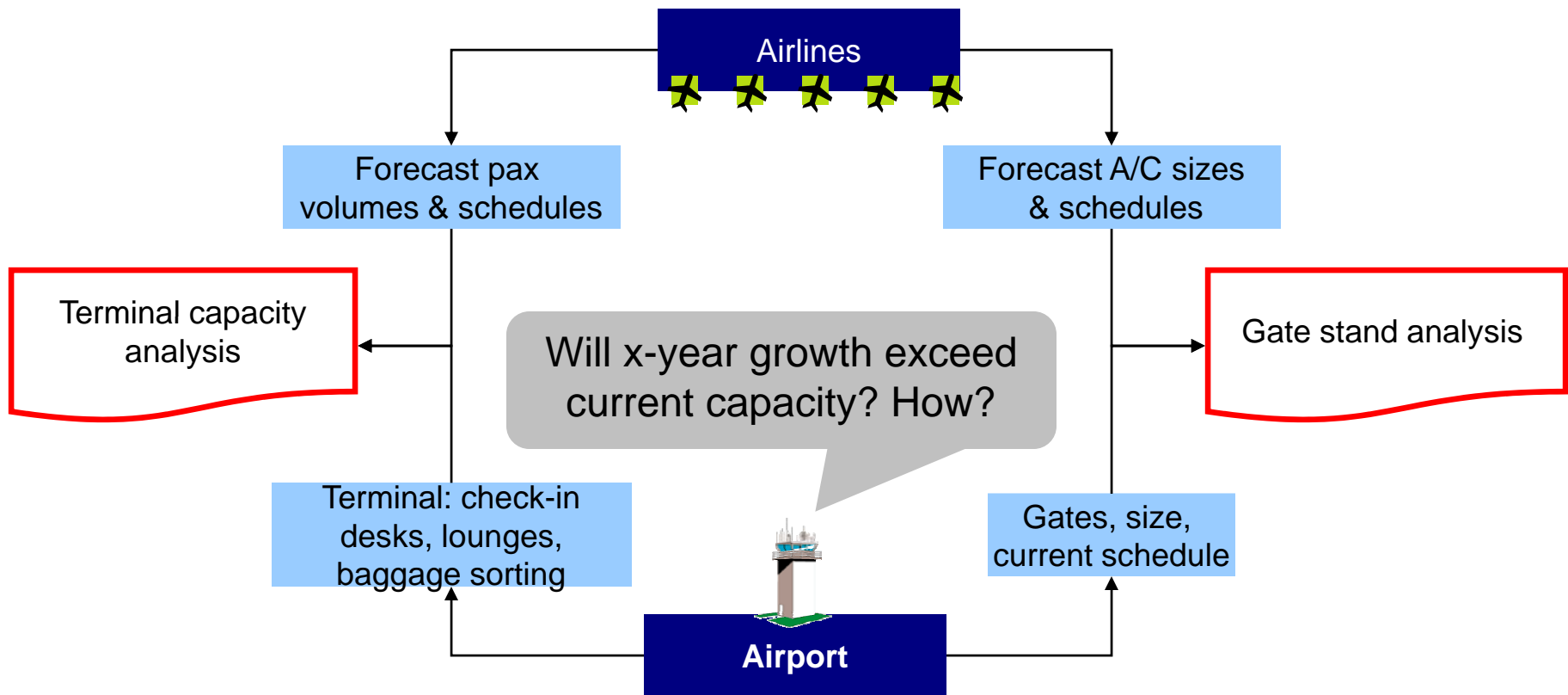
## Capital Investment Plan Engagement Process

1. Determine new infrastructure needed
2. Determine costs / affordability
3. Determine financing sources
4. Obtain user and IATA agreement





# 1. Determine what new infrastructure needed



## 2. Determine costs / affordability of new infrastructure

- Create list of expansion items and prioritize based on urgency, feasibility, cost, etc.
- Create 5-year capital expenditure (CapEx) plan
- Determine year-by-year cost of CapEx plan

### 3. Determine financing resources

- List all funding sources and amounts on same year-by-year timeline (World Bank grant, government subsidies, commercial revenue, bank loans, user charges).
- If existing financial resources are sufficient to meet CapEx needs, no additional financing needed
- If financial resources are insufficient, explore ideas for additional funding from all possible sources.

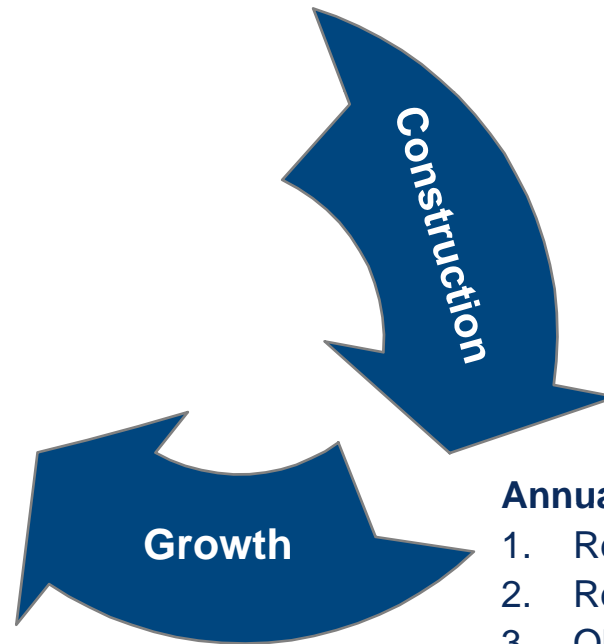
## 4. Obtain user agreement on CIP

- Organize consultation meeting and invite airlines and IATA
- Provide airlines and IATA with draft CIP and supporting documents in advance.
  
- At consultation, give airlines opportunity to express their views
- Is development plan affordable? If no, go back to step 2 of previous slide and mitigate plan.
- Agree modified draft of CIP and charging levels / structure with users and IATA
- Finalize CIP

# Airport/Airline checklist

	Reviewed	Agreed
1. Airport Master Plan agreed	<input type="checkbox"/>	<input type="checkbox"/>
2. Review of available capacity / future demand	<input type="checkbox"/>	<input type="checkbox"/>
3. Prioritised 10-year investment plan	<input type="checkbox"/>	<input type="checkbox"/>
4. Understanding of impact of costs and services	<input type="checkbox"/>	<input type="checkbox"/>
5. Method and cost of financing	<input type="checkbox"/>	<input type="checkbox"/>
6. 5 years historical cost base and revenue	<input type="checkbox"/>	<input type="checkbox"/>
7. 5 year future cost base and revenue	<input type="checkbox"/>	<input type="checkbox"/>
8. Special actions to address specific problems	<input type="checkbox"/>	<input type="checkbox"/>
9. Charges development	<input type="checkbox"/>	<input type="checkbox"/>
10. Performance metrics, targets and review plan	<input type="checkbox"/>	<input type="checkbox"/>

# What financing actions should I be taking?



## Annual Consultations

1. Review overall financials with users
2. Review current projects with users
3. Obtain user agreement on changes

# Annual Consultations

- Organize consultation meeting and invite airlines and IATA
- Provide transparent details on overall performance incl. CIP projects
  - Traffic: Previous year actuals vs. forecasts, and next year forecast
  - Costs: Previous year actuals vs. forecasts, and next year forecast
  - Revenues: Previous year actuals vs. forecasts, and next year forecast
  - Explain reasons for variations from forecasts
  - Explain any mitigation / cost-efficiency measures taken
  
- At consultation, discuss all of the above
- Determine next year plan of action with airline input
- Discuss impact on charges and obtain user agreement on any changes
- If any changes to charges: Issue official announcement at least 4 months in advance of implementation

## CIP Template

INVESTMENT DATA			
	Units	2010	% Change
<b>Value of Projects Made Operational in the Period</b>			
Air side	Mill		
Land side	Mill		
Support facilities	Mill		
Other Facilities	Mill		
<b>Total</b>	Mill	<b>0</b>	

<b>Projects in Progress</b>	(major items and Total value)		
Air side	Mill		
Land side	Mill		
Support facilities	Mill		
Other Facilities	Mill		
<b>Total</b>	Mill	<b>0</b>	

MAJOR INVESTMENT PER PROJECT			
	Units	2010	% Change
<ENTER PROJECT 1 NAME>	<Enter project description, funding>		
Air side	Mill		
Land side	Mill		
Support facilities	Mill		
Other Facilities	Mill		
<b>Total</b>	Mill	<b>0</b>	

## Traffic & Financial Template

PERSONNEL COSTS			
	Units	2008	2009
<b>Total Personnel</b>	Mill	<b>0</b>	<b>0</b>

PROFIT AND LOSS ACCOUNT			
	Units	2008	2009
Total Revenue	Mill	0	0
Total Costs	Mill	0	0
Net Profit	Mill	0	0
Profit Paid out to Share-holders / Dividends	Mill		
Profit Allocated to Reserves	Mill		
Gross Cash Flow	Mill	0	0
Net Cash Flow	Mill	0	0

BALANCE SHEET INFORMATION (€)			
	Units	2008	2009
<b>Short Term Assets</b>			
Cash & equivalents	Mill		
Other operating assets	Mill		
<b>Total Short Term Assets</b>	Mill	<b>0</b>	<b>0</b>
<b>Long Term Assets</b>			



## Tips for success

- Build a good relationship with base carrier, IATA, local BAR and AOC– they will be valuable in many ways, e.g. forecasting your traffic growth
- IATA can help review capacity needs and CapEx plan, often free of cost (LAD, NBO, LOS, DKR, KRT).
- ALWAYS start with an Airport Master Plan (runways, taxiways, passenger terminals, aircraft catering, cargo, maintenance, and fuel facilities). Again, IATA can help review your plan.
- Use the templates provided by IATA to collect all the necessary information for your infrastructure planning

# Infrastructure Development Fees

- Minimum consultation process should be followed for any changes to charges, including new IDFs
- Costs of project must be transparently shared through CIP Engagement Process
- Must be demonstrated that IDF is last financing alternative
- IDF must have end date

# Immediate next steps

1. Establish annual charges consultation meeting with user charges representatives of airlines and IATA.
2. Launch your CIP – review or create your Airport Master Plan



# Thank you

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