

THIRD MEETING OF THE ALLPIRG/ADVISORY GROUP

(Montreal, 6 – 8 April 1999)

Agenda Item 5.3: Interregional coordination and harmonization mechanism – Expanded role of PIRGs for participation of financial institutions in PIRG meetings

STRENGTHENING BUSINESS-ORIENTED PLANNING FOR PIRGs

(Presented by the Secretariat)

SUMMARY

This working paper discusses an extended role of the Regional Planning and Implementation Groups (PIRGs) in order to achieve a more business-oriented planning process for air navigation facilities and services. Intensified efforts in assisting States with the implementation of CNS/ATM systems in particular on behalf of PIRGs include the facilitation of financing procedures and require the integration of business-case development of preferred implementation options into the planning process. Building on the existing support structure for PIRGs, the paper suggests an approach to providing PIRGs with cost/benefit analysis of planned facilities and services, and the subsequent development of business cases to justify investment requirements, including input from and coordination with financial institutions. Proposed action by ALLPIRG/3 is at paragraph 4.1.

1. BACKGROUND

1.1 The ALLPIRG/2 Meeting agreed that PIRGS need to take a more business-like approach to the regional planning and implementation process, and adopted four related Conclusions (2/9 through 2/12 – see Appendix to ALLPIRG/3-WP/2). ALLPIRG/2 also agreed that ICAO should make better use of the established Sub-groups of PIRGs (AIS and CNS/ATM) and support groups (regional Traffic Forecasting Groups) and called for an overall co-ordination of their work. The Council intends to take a decision on the Expanded Role of PIRGs (Conclusion 2/10) during its 157th Session on the basis of advice from ALLPIRG/3.

2. DISCUSSION

2.1 The main change to the role of PIRGs proposed by ALLPIRG/2 related to the way in which these regional bodies would assist States with CNS/ATM systems implementation by adopting a more business-oriented approach in ICAO's regional planning process.

2.2 In order to achieve the objective of intensified efforts to assist States with implementation options of CNS/ATM systems, PIRGs need to be given greater access to economic and financial expertise (ALLPIRG/2 Report, Conclusion 2/10, sub-paragraphs a) and d)). PIRGs would gain this type of expertise pertaining to systems implementation if the following measures were undertaken and integrated into the regional planning process:

- a) preparation of cost/benefit analyses for implementation options (2/10, b));
- b) development of comprehensive business cases to facilitate financing of preferred implementation options for homogeneous ATM areas and major international traffic flows (2/10, c));
- c) provision of guidance material for cost/benefit analyses and business-case development in support of "prototype" sets of planned facilities and services (2/10, f) and 2/12, b)).

In addition, support from providers and users of CNS/ATM systems or their components in this enhanced regional planning process was invited along with the participation of financial institutions as CNS/ATM partners when required (2/12, c)).

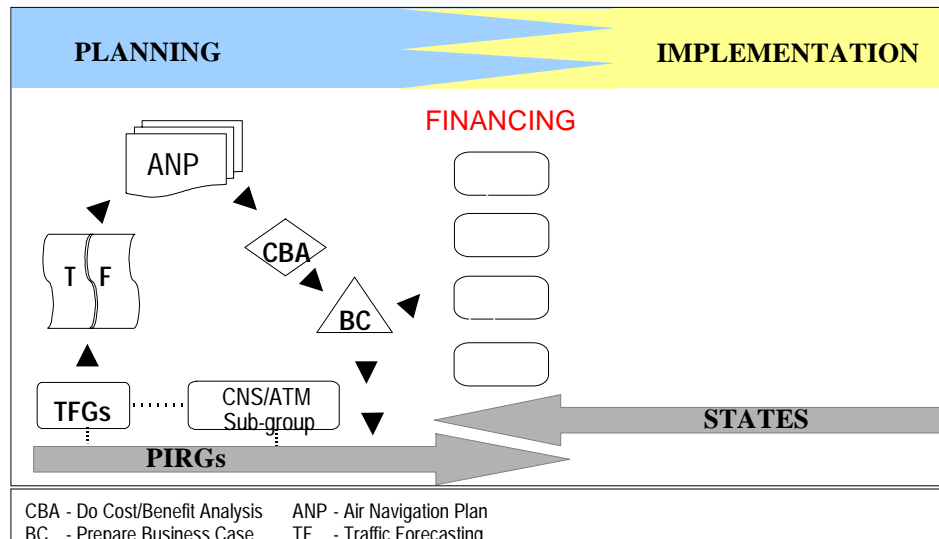
2.3 Specialized expertise is required for investment evaluation and other economic analyses. Bearing in mind that the primary function of the PIRGs is and will remain in the technical field, there seems to be no need for radical change in the membership or terms of reference of the PIRGs themselves. While increased emphasis on economic and organizational considerations is fundamental, this should remain as a support activity. A successful example of such an approach to the provision of economic planning inputs exists in the form of ICAO's Committee on Aviation Environmental Protection (CAEP). CAEP receives the necessary support in the development of databases, traffic forecasts and the economic analysis, including cost/benefit of various stringency options as proposed by CAEP's technical groups, from one single source, its Forecasting and Economic Planning Support Group co-ordinated by the Air Transport Bureau.

2.4 Thus, the PIRGs may wish to consider establishing Sub-groups for economic, financial and organizational support. Alternatively, the PIRGs may wish to rely on the existing Traffic Forecasting Groups (TFGs) with an expanded role. In either case, this "feeder" role would have the advantage of leaving the PIRGs themselves free to accept or reject the advice concerned.

2.5 To support PIRGs in all ICAO regions in their endeavour of planning air navigation systems, the ICAO Council adopted a uniform strategy and plan of action for regional TFGs as outlined in State Letter EC2/50-97/15 dated 14 February 1997. TFGs are tasked with the development of traffic forecasts and other planning parameters required for the regions concerned. Based on these demand projections of future air transport services, PIRGs specify the matching supply level of air navigation facilities and services, in compliance with the configurations of CNS/ATM systems as applicable.

2.6 The evolution of TFGs with a regional scope dates back prior to the uniform strategy adopted in 1997. The two regional TFGs for the North Atlantic (NAT TFG) and Asia/Pacific Area (APA TFG) have a long-standing existence. In the Caribbean/South America (CAR/SAM) region a Forecasting Task Force had been established at the request of the PIRG concerned (GREPECAS) in 1996; the work of which continues as CAR/SAM TFG. In 1998 the TFG for the Middle East region (MER TFG) commenced its work and held two meetings, and the group for the Africa/Indian Ocean region (AFI TFG) held its first meeting.

2.7 In their planning process, PIRGs rely on TFGs for various air traffic forecasts. In particular, the forecasts of aircraft movements by major route-groups are employed in the capacity planning of air navigation services, both in the en-route phase of flight and airport-based approach and landing phases, to alleviate airspace and airport congestion. Building on this existing support in forecasting, the thematic scope of TFGs could be broadened to include cost/benefit analysis and related business cases. The latter aim at providing the justification of capital requirements and facilitate investment proposals at standards acceptable to financial institutions.



2.8 This arrangement, illustrated in the figure above, would lend synergies in several respects:

- TFGs closely liaise with the CNS/ATM sub-groups of PIRGs in the current regional planning process;
- the TFG for Africa/Indian Ocean has adopted terms of reference that include cost/benefit analysis of CNS/ATM systems;
- at the Rio Conference, the Secretariat presented methodology and results illustrating how material gathered from a cost/benefit analysis could be used to build a business case, taking as an example the six flight information regions managed by the Agence

pour la Securite de la Navigation Aerienne en Afrique et a Madagascar (ASECNA), comprising 16 Member States; and

- d) ICAO is involved in the provision of guidance and assistance concerning cost/benefit and business cases as per Recommendations 3/9 and 3/16, c) and d) of the Rio Conference (and the Action Plan for CNS/ATM Partners in Follow-up of the World-wide CNS/ATM Implementation Conference (Appendix of C-WP/11023, para 1.1.1., included in ALLPIRG/3-WP/3).

2.9 As far as the participation of financial institutions in PIRG meetings is concerned, PIRGs could exercise the privilege of inviting financial institutions with an interest in a particular multinational project in the region concerned to participate in relevant meetings at a time they consider appropriate in the planning process. Consolidated action by a group of States is called for where multinational aspects of CNS/ATM system implementation are involved, although the financing of CNS/ATM system components does not differ in principle from financing conventional technology systems; consequently, the task of seeking funds lies with the individual State.

3. IMPLICATIONS

3.1 Resources

3.1.1 The arrangements proposed in this paper have implications for additional resource requirements from both the Secretariat and Contracting States. Under the Council's uniform strategy and plan of action for regional TFGs, the intention was for Secretariat involvement in establishing the new groups and assisting in the development of databases and initial forecasts, but that the groups would each become independent of Secretariat support within two or three years. In practice, Secretariat involvement has had to continue in almost all regions and the data demands from PIRGs proved greater than anticipated. Expansion of the role of the TFGs would inevitably lead to further demands on the Secretariat, both analytical and administrative. *Inter alia*, an extended support of TFGs to PIRGs would probably necessitate TFG meetings on a more frequent basis than currently planned in certain regions. The current Programme Budget of the Organization makes no provision for the resources that would be needed.

3.1.2 Hence the primary commitment to implementation of a business-oriented approach by PIRGs would have to come from States. States would need to identify the proper personnel with suitable qualifications and expertise and secure their active participation in the activities of the TFGs. Other planning partners could be invited to join or support the TFG activities as considered appropriate by the Secretariat and PIRGs.

3.1.3 Any extended support of TFGs which would give PIRGs greater access to expertise in economic and financing matters can only be fulfilled if these additional resource requirements can be met. As far as the Secretariat is concerned, resource requirements will depend on the degree to which support is actually required and requested in each region, and is likely to vary substantially from region to region, but even the most minimalistic scenario is likely to involve significant personnel and travel costs. Should ALLPIRG decide to recommend proceeding along the lines suggested, approaches which could be explored during the present triennium might include the development of Special Implementation Projects (SIPs) and/or the use of miscellaneous income to fund specific requests from PIRGs. Depending on the experience

gained, consideration could subsequently be given to the allocation of resources for this activity in the Programme Budget for the next triennium (2002-2003-2004).

3.2 **Terms of reference**

3.2.1 The guidelines for Regional Air Navigation Plans already encompass financial aspects, notably as regards multinational facilities and services, and hence the PIRGs already have implicit authority to consider financial matters. However, the terms of reference of the PIRGs, which differ to a lesser or greater extent from region to region, do not explicitly mention the economic considerations and there may be some value in including appropriate text in these terms of reference, perhaps along the following lines (to be adapted for each PIRG to fit in with its current terms of reference at appropriate place or places):

“In facilitating implementation of facilities and services identified in the Regional Air Navigation Plan the [PIRG concerned] should take into account the costs and benefits of implementation options and the need to facilitate financing of preferred options.....With regard to multinational facilities and cooperative activities the [PIRG concerned] may wish to use the mechanism of the [Traffic Forecasting Group concerned] to prepare cost/benefit analyses and business cases, and to provide related guidance material in support of “prototype” sets of planned facilities and services.....At its discretion, the [PIRG concerned] may invite financial institutions, as required on a consultative basis and at a time it considers appropriate in the planning process, to participate in this work and to attend relevant discussion in the [PIRG and/or TFG concerned].”

3.2.2 As a consequence, the current terms of reference of TFGs would also need to be expanded.

4. **ACTION REQUIRED**

4.1 In light of the above, ALLPIRG is invited to formulate its advice to Council for a more business-oriented regional planning process.

— END —