

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Montreal, 19 - 28 June 2000)

- Agenda item 1:** **Economic situation of airports, air navigation service providers and their financial relationships with air carriers and other users**
- Agenda item 4:** **Determinants of the economic regulation of airports and air navigation services**

OVERVIEW OF THE FINANCIAL SITUATION OF PROVIDERS OF AIR NAVIGATION SERVICES IN RELATION TO THAT OF AIR CARRIERS AND OTHER USERS

(Presented by the International Business Aviation Council)

SUMMARY

This paper characterises the financial relationships between the providers of air navigation services, air carriers and other users. The Conference is requested to encourage the development of sound and equitable financial relationships between the providers of air navigation services and business aviation.

1. Introduction

1.1 The purpose of this paper is to stimulate deliberations aimed at characterising the financial relationships that exist between the providers of air navigation services and air carriers and other users. Of particular interest is the extent, if any, to which there may be differences in these relationships on the one hand for air carriers and, on the other hand, for other users e.g. business aviation.

2. Discussion

2.1 The dimensioning of air navigation services is driven a priori by the operations of air carriers. It therefore follows that the capital investment in air navigation services as well as most of the operating costs are to serve the air carriers. Inasmuch as the purpose of air navigation services is to provide for the safe, orderly and efficient operation of aircraft, the need arises to accommodate all aircraft operators.

2.2 The formulation by air carriers of their requirements for air navigation services, in addition to safety, takes significant account of cost effectiveness and of their exposure to cost recovery through user charges.

2.3 Structured consultation processes have evolved between air navigation service providers and air carriers regarding cost recovery/user charges and, invariably, regarding the development and investment plans of the latter. The privatisation of air navigation service providers has generally strengthened such consultation processes.

2.4 In terms of revenues received by air navigation service providers from user charges, the majority is sourced from air carriers. Moreover air carriers are well aware of the percentage of their operating costs attributable to user charges and therefore devote considerable resources to containing and managing these costs.

2.5 In contrast with the above, the requirements of business aviation as another ANS user normally have no significant influence on the dimensioning of air navigation services and thus on the capital investment therein. In the interests of safety and efficiency, as well as to preserve access, business aviation is nevertheless a full participant in these services. Thus, user charges from business aviation contribute towards cost recovery.

2.6 Moreover, business aviation, with some notable exceptions e.g. in Canada, UK and USA, has not heretofore generally been a party to the consultation processes regarding the provider's cost recovery policy, the establishment and review of user charges and the development and investment plans of air navigation service providers.

2.7 It appears unlikely that the involvement and influence of business aviation will rival that of air carriers insofar as the structure, maturity and resourcing of their financial relationships with air navigation services providers. Unlike air carriers whose interests, in addition to safety, are cost, cost-benefit and airspace capacity driven, the interests of business aviation continue to be driven primarily by preserving access to airspace.

3. Conclusion

3.1 The characteristics of the financial relationships are, given several exceptions, different between air navigation services providers and air carriers and ANS providers and business aviation and, are expected to remain so.

4. Action by the Conference

4.1 The Conference is invited to:

- a) note the different characteristics in the financial relationships;
- b) recognise that, from a financial point of view, business aviation is a marginal user of air navigation services; and
- c) encourage the development of a sound and equitable financial relationship between air navigation service providers and business aviation users reflecting such marginal use.

— END —