



Financing Infrastructure

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Flying Through
Congested Skies



Airports & ATC Charges

- Worldwide, airlines and their passengers pay US\$42 billion a year to Airports and ANSPs, equivalent to 11% of airline operating costs
- These infrastructure charges form the 2nd largest external cost to airlines after fuel
- Over the past 5 years the unit cost of air navigation has increased 9.4%
- At the same time airlines reduced unit costs (excluding fuel) by 13%.



Financing Infrastructure

- Airspace users are prepared to pay for the services and facilities they use
- Airlines expect a normal business model where providers invest on a risk basis and recover their investments
- We support privatisation, provided it is accompanied by robust independent, economic regulation.



The Role of Governments

Governments have a key role to play in enabling safe and efficient aviation infrastructure

- Enable developments such as Single European Sky
- Finance developments such as SESAR

Aviation provides social and economic benefits and should therefore be invested in

Common Financing Issues:

- Little or ineffective stakeholder engagement
- Lack of transparency
- Cross-subsidization between:
 - International / regional traffic
 - User groups (General aviation v.s. commercial)
 - Heavy Aircraft / Light Aircraft
- Charges (mis)used to pre-finance major investments
- Unregulated commercialization
- Aviation is often still subject to VAT



Stakeholder Engagement

- Airlines are directly affected by policy decisions, investments and charges.
- Policies, plans and investments will be more successful with full engagement of airlines
- It is essential for all stakeholders to be heading in the same direction with consensus.
- Airlines provide a customer and market view at an early stage in the process.
- Endorsed by ICAO policies on charges

Improve Transparency

- Providers, regulators and third-party arbitrators need to justify the charges structure and demonstrate that the charges are cost-based and non-discriminatory
- Providers need to justify investment plans and business developments that impact its users.
- A meaningful and productive consultation can only take place if airlines have enough information
- Airlines need adequate information to evaluate and benchmark the performance of the provider.
- Airlines need adequate information to ensure that the investment is cost effective and meets requirements.

Avoid Cross-Subsidization

- Charges will not be cost-related
- It is anti-competitive
- Distortion of competition and an imbalance of the level playing field.
- Airlines and their passengers are paying for facilities and services they do not use and do not benefit from.
- It does not encourage cost reduction and cost efficiency.

Avoid Charges Pre-financing

- Pre-financing through user charges is **more expensive** than using private sector financing
- Providing an upfront pool of money provides is **inefficient** as it offers no management incentive
- Pre-financing is **unfair** as there is no guarantee that airlines paying for future facilities today will be using the service.
- Governments should contribute to investments as the aviation industry creates wider economic benefits.
- Pre-financing is totally **unnecessary**



Proper Commercialization

- A commercialization policy must be defined and agreed with the Customers and Government.
- Independent economic regulation is necessary
- The role and responsibilities of the provider and the Government needs to be clarified
- The provider needs to have control over their service levels and resources
- Full access to capital markets need to be available
- Fees collected must to be cost-related, non-discriminatory and correspond to the quality of service
- Systematic performance review is required



Maintain tax exemption for international aviation

- International air transport is a service provided to the end consumer outside any taxing jurisdiction.
- The elimination of taxes on the sale or use of international air transport are entirely endorsed by ICAO resolutions.
- Equitable treatment for international aviation throughout the many jurisdictions into which it operates is essential.



Global Challenges

- Harmonization of services
- Standardization of infrastructure
- Independent Regulation
- Improved Governance



Economic Challenges

- Value aviation as an economic contributor
- Cost based charging, end discrimination
- Stimulate growth by reducing costs
- Don't treat aviation as a cash cow



Thank you



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