



WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

Montréal, 18 to 22 March 2013

Agenda Item 2: Examination of key issues and related regulatory framework
Agenda Item 2.7: Economics of airports and air navigation services

FINANCIAL SITUATION OF AIRPORTS AND AIR NAVIGATION SERVICES PROVIDERS

(Presented by the Secretariat)

1. INTRODUCTION

1.1 Assembly Resolution A37-20 (Appendix F, Section II, paragraph 6 refers), requests the Council to keep the financial situation of airports and air navigation services under review and make reports thereon to Contracting States at appropriate intervals. Accordingly, the Secretariat produces status reports on the financial situation of airports and air navigation services providers (ANSPs).

1.2 This information paper evaluates the financial situation of airports and air navigation services for 2011 and 2010 respectively, the most recent years for which comprehensive data is available. It displays global and regional results (a list of countries per ICAO statistical regions is provided in the Appendix). The information presented is based on data reported by States on ICAO Air Transport Reporting Form J (Airport Financial Data) and Form K (Air Navigation Services Financial Data and Traffic Statistics) and on data from the Airports Council International (ACI), the Civil Air Navigation Services Organization (CANSO), and various annual reports published by airports, ANSPs and airlines.

1.3 The paper is structured as follows: a) Section 2 describes the financial aspects of airport operations; b) Section 3 describes the financial aspects for the provision of air navigation services; and c) Section 4 describes airport and air navigation services charges as airline expenses for scheduled operations.

2. FINANCIAL ASPECTS OF AIRPORT OPERATIONS

2.1 The analyses in this section are based on 2011 (fiscal year) financial data for 696 airports, which together handled 69 per cent of total passenger traffic that year. All data were extracted from *ACI Airport Economics Survey 2011*. The sample data cover 53 per cent of passenger traffic in Africa,

58 per cent in Asia-Pacific, 74 per cent in Europe, 77 per cent in Latin America and the Caribbean, 85 per cent in North America (Canada and United States only), and 3 per cent in the Middle East.

2.2 Table 2-1 illustrates the 2011 income, expenditures and capital costs of airports and averages per passenger; Table 2-2 illustrates the 2011 income of airports by region and averages per passenger on a regional basis.

Table 2-1. Income, Expenditures and Capital Costs of Airports – 2011

Regions	Airports	Total			Average per passenger		
		Income (US\$ million)	Expenses * (US\$ million)	Capital costs* (US\$ million)	Income (US\$)	Expenses * (US\$)	Capital costs* (US\$)
Total sample	696	105,533	89,065	29,939	19.40	16.42	5.79

2.3 The 696 sample airports collected US\$105.5 billion in revenues, including non-operating income, and accrued US\$89 billion in expenses in 2011. The overall revenue/expense ratio amounted to 1.18.

Table 2-2. Income of Airports by Region – 2011

Regions	Airports	Total Income (US\$ million)	Average per passenger Income (US\$)
Africa	36	2,517	16.53
Asia/Pacific	182	29,357	18.84
Europe	215	39,303	25.04
Latin America/Caribbean	158	6,199	15.19
Middle East	2	4,990	N/A
North America	103	23,167	15.14
Total sample	696	105,533	19.40

N/A: data not available.

* Total expenses include capital costs.

2.4 Other elements of interests are: a) capital costs of sampled airports amounted to US\$29.9 billion in total, averaging a cost of US\$5.79 per passenger; b) aeronautical revenues and non-aeronautical revenues accounted, on average, for 56 per cent and 44 per cent of the income (including non-operating income) of the sampled airports, respectively; and c) on average, capital costs represented 35 per cent of airports' total costs.

2.5 Airports' income and capital costs are displayed in Table 2-3, while regional differences for income (aeronautical and non-aeronautical) are displayed in Table 2-4.

Table 2-3. Airports' Income and Capital Costs– 2011

Regions	Airports	Aeronautical share of total income* (%)	Non-aeronautical share of total income* (%)	Non-operating income as per cent of total income (%)	Capital costs as per cent of total expenses (%)
Total sample	696	57%	38%	5%	35%

* Excluding non-operating income.

Table 2-4. Airports' Aeronautical and Non-Aeronautical Share of Total Income by Region – 2011

Regions	Airports	Aeronautical share of total income* (%)	Non-aeronautical share of total income* (%)
Africa	36	61%	35%
Asia/Pacific	182	49%	49%
Europe	215	61%	36%
Latin America/Caribbean	158	63%	34%
Middle East	2	N/A	N/A
North America	103	53%	37%
Total sample	696	57%	38%

* Excluding non-operating income.

N/A: data not available.

2.6 It should be noted that at the Conference on the Economics of Airports and Air Navigation Services (CEANS 2008), 53 African States requested that ICAO develop guidance material on the management and operation of airports that are not economically viable but are necessary as part of an integrated air transport network mainly for safety, security or socio-economic reasons. Subsequently, CEANS 2008 recommended that ICAO should consider developing such guidance material. Therefore, ICAO has included in the *Case Studies on Commercialization, Privatization and Economic Oversight of Airports and ANSPs* (ATConf/6-WP/6 refers) examples of management and operations of airports that are not economically viable. A more comprehensive study will be carried out with the participation of all the stakeholders.

3. FINANCIAL ASPECTS FOR THE PROVISION OF AIR NAVIGATION SERVICES

3.1 The analyses in this section are based on 2010 financial data for ANSPs in 74 Member States. The data provided to ICAO by some States were supplemented with information available from various ANSPs' annual reports and from the *CANSO ATM Report & Directory 2012*. The majority of States in the 2010 sample were located in Europe (41), followed by Africa (21), Asia-Pacific (7), Middle

East (2), Latin America and the Caribbean (2), and North America (only Canada). It should also be noted that it was not possible to quantify the share of total world traffic of the sampled ANSPs due to insufficient availability of traffic data.

3.2 Also of note is the lack of financial data for ANSPs from developing regions. While most of the European and some Asia/Pacific ANSPs publish results for public consumption, often available on the websites, just a few ANSPs from other regions do so.

3.3 Table 3-1 demonstrates the 2010 income, expenditures and capital investments of ANSPs and averages per flight on a regional basis.

3.4 ANSPs in the 74 States sample collected US\$15.1 billion in revenues and accrued US\$15.6 billion in expenses in 2010; the overall revenue/expense ratio amounted to 0.97. In 2010, 16 States reported that the income of ANSPs fully covered or exceeded expenses, and most other ANSPs were very close to full cost-recovery. Only three of the sampled States reported a ratio below 0.95.

3.5 Other elements of interests are: a) capital investments of ANSPs in 68 reporting States amounted to US\$2.1 billion in total, averaging an investment of US\$60 per flight; b) air navigation services charges accounted, on average, for 98 per cent of the total income of the sampled ANSPs; and c) on average, investments represented 14 per cent of ANSPs' total income.

Table 3.1. Income, Expenditures and Capital Investments of ANSPs by Region - 2010

Regions	States	Total			Average per flight		
		Income (US\$ million)	Expenses (US\$ million)	Investments (US\$ million)	Income (US\$)	Expenses (US\$)	Investments (US\$)
Africa	21	669	584	121	339	296	80
Asia Pacific	7	1,260	1,193	288	318	301	73
Europe	41	11,169	11,602	1,582	451	468	64
Latin America/Caribbean	2	634	864	20	148	201	10
Middle East	2	98	102	N/A	111	115	N/A
North America	1	1,222	1,231	124	326	329	33
Total sample*	74	15,053	15,576	2,135	380	393	59

* Income and Expenditures: 74 States. Investments: 57 States.

N/A: data not available

3.6 The share of capital costs in total expenses was available from 67 States in 2010 and represented, on average, 29 per cent of the ANSPs' overall costs. The high cost of capital for European ANSPs, due in particular to major upgrading programmes of air navigation systems in European States, drives the sample's results up.

3.7 Regional differences for income, investments and capital costs are displayed in Table 3-2. The lack of adequate data prohibited further analysis of the costs for the provision of air navigation services.

Table 3-2. ANSPs' Aeronautical Income, Investments and Capital Costs by Region – 2010

Regions	ANSPs	Aeronautical share of total income (% share)	ANSPs	Investments as per cent of total income (% share)	ANSPs	Capital costs as per cent of total expenses (% share)
Africa	21	86%	20	21%	19	18%
Asia Pacific	7	93%	6	23%	6	17%
Europe	41	100%	40	14%	40	31%
Latin America/Caribbean	2	100%	1	12%	1	13%
Middle East	2	72%	0	N/A	0	N/A
North America	1	89%	1	10%	1	21%
Total sample	74	100%	68	14%	67	29%

N/A: data not available

4. AIRPORT AND AIR NAVIGATION SERVICES CHARGES AS AIRLINE EXPENSES

4.1 Table 4-1 illustrates the share of airport and air navigation services charges of sampled air carriers' total operating expenses (in percentages), for scheduled services, in 1995 and for the even years 2000 through 2010.

4.2 A number of States reported to ICAO airline financial results on ICAO Air Transport Reporting Form EF, Financial Data – Commercial Air Carriers, for the years 2006, 2008, and 2010. This set of data was supplemented with information available on various airline annual reports. Data up to 2004 are provided for information, extracted from the 2007 *Report on the Financial Situation of Airports and Air Navigation Services Providers* (available on ICAO's website). It should be noted that data for the 2006-2010 period are not directly comparable to those from 1995 to 2004 because the sources and the samples are different. Data on charges for the 2006-2010 period correspond to airlines representing nearly 70 per cent of the total world scheduled available tonne kilometres (ATKs). The sample data cover 74 per cent of airlines' ATKs in 2006, 63 per cent in 2008, and 69 per cent in 2010.

Table 4-1. Airport and Air Navigation Services Charges as Airline Expenses – 1995 - 2010 (sample)

Item	1995	2000	2002	2004	2006	2008	2010
	Percentage of total operating expenses						
Landing and associated airport charges	4.5	4.2	4.0	3.9	4.1	3.9	4.2
Air navigation services charges	2.8	2.8	2.4	2.5	3.1	2.9	3.4
Total airport and air navigation charges	7.3	7.0	6.4	6.4	7.2	6.8	7.6

4.3 In 2010 airport and air navigation services charges represented 7.6 per cent of total operating expenses of the sampled airlines. More specifically, landing and associated airport charges and air navigation services charges represented 4.2 per cent and 3.4 per cent, respectively. Furthermore, the percentage of user charges on airline total costs varies considerably between world regions, between airlines operating only, or mainly, domestic services (4 to 5 per cent on average) and international

network airlines (between 8 and 12 per cent), and between international network airlines and low cost carriers (up to 28 per cent in some cases for the latter).

4.4 When examining the 2006-2010 period, it is evident that the share of charges in 2008 was lower than in 2006 and 2010. An explanatory factor may be the dramatic increase of fuel prices in 2008. That year, the share of fuel expenses in airlines' total operating expenditures increased substantially (Appendix C of ATConf/6-WP/22 refers) and, consequently, the share of other airline costs, including airport and air navigation services charges, decreased in 2008.

5. CONCLUSION

5.1 The Conference is invited to note the information provided above.

APPENDIX

CLASSIFICATION OF COUNTRIES BY REGION

AFRICA	ASIA/PACIFIC	EUROPE	LATIN AMERICA/CARIBBEAN	MIDDLE EAST	NORTH AMERICA
- Algeria	- Afghanistan	- Albania	- Antigua and Barbuda	- Bahrain	- Canada
- Angola	- Australia	- Andorra	- Argentina	- Iran (Islamic Republic of)	- United States
- Benin	- Bangladesh	- Armenia	- Bahamas	- Iraq	
- Botswana	- Bhutan	- Austria	- Barbados	- Israel	
- Burkina Faso	- Brunei Darussalam	- Azerbaijan	- Belize	- Jordan	
- Burundi	- Cambodia	- Belarus	- Bolivia (Plurinational State of)	- Kuwait	
- Cameroon	- China	- Belgium	- Brazil	- Lebanon	
- Cape Verde	- Cook Islands	- Bosnia and Herzegovina	- Chile	- Oman	
- Central African Republic	- Democratic People's Republic of Korea	- Bulgaria	- Colombia	- Qatar	
- Chad	- Fiji	- Croatia	- Costa Rica	- Saudi Arabia	
- Comoros	- India	- Cyprus	- Cuba	- Syrian Arab Republic	
- Congo	- Indonesia	- Czech Republic	- Dominican Republic	- United Arab Emirates	
- Côte d'Ivoire	- Japan	- Denmark	- Ecuador	- Yemen	
- Democratic Republic of the Congo	- Kazakhstan	- Estonia	- El Salvador		
- Djibouti	- Kiribati	- Finland	- Grenada		
- Egypt	- Kyrgyzstan	- France	- Guatemala		
- Equatorial Guinea	- Lao People's Democratic Republic	- Georgia	- Guyana		
- Eritrea	- Malaysia	- Germany	- Haiti		
- Ethiopia	- Maldives	- Greece	- Honduras		
- Gabon	- Marshall Islands	- Hungary	- Jamaica		
- Gambia	- Micronesia (Federated States of)	- Iceland	- Mexico		
- Ghana	- Mongolia	- Ireland	- Nicaragua		
- Guinea	- Myanmar	- Italy	- Panama		
- Guinea-Bissau	- Nauru	- Latvia	- Paraguay		
- Kenya	- Nepal	- Lithuania	- Peru		
- Lesotho	- New Zealand	- Luxembourg	- Saint Kitts and Nevis		
- Liberia	- Pakistan	- Malta	- Saint Lucia		
- Libya	- Palau	- Monaco	- Saint Vincent and the Grenadines		
- Madagascar	- Papua New Guinea	- Montenegro	- Suriname		
- Malawi	- Philippines	- Netherlands	- Trinidad and Tobago		
- Mali	- Republic of Korea	- Norway	- Uruguay		
- Mauritania	- Samoa	- Poland	- Venezuela (Bolivarian Republic of)		
- Mauritius	- Singapore	- Portugal			
- Morocco	- Solomon Islands	- Republic of Moldova			
- Mozambique	- Sri Lanka	- Romania			
- Namibia	- Tajikistan	- Russian Federation			
- Niger	- Thailand	- San Marino			
- Nigeria	- Timor-Leste	- Serbia			
- Rwanda	- Tonga	- Slovakia			
- Sao Tome and Principe	- Turkmenistan	- Slovenia			
- Senegal	- Vanuatu	- Spain			
- Seychelles	- Viet Nam	- Sweden			
- Sierra Leone		- Switzerland			
- Somalia		- The former Yugoslav Republic of Macedonia			
- South Africa		- Turkey			
- South Sudan		- Ukraine			
- Sudan		- United Kingdom			
- Swaziland					
- Togo					
- Tunisia					
- Uganda					
- United Republic of Tanzania					

— END —