



CONFERENCE ON THE ECONOMICS OF AIRPORTS AND NAVIGATION SERVICES

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Agenda Item 2: Specific issues related to airport economics and management

2.1: Governance, ownership and control

Agenda Item 3: Specific issues related to air navigation services economics and management

3.1: Governance, ownership and control

FINANCIAL SITUATION OF AIRPORTS AND AIR NAVIGATION SERVICES PROVIDERS 2005

(Presented by the Secretariat)

SUMMARY

This paper summarizes the results of the ICAO survey of the financial situation of airports and air navigation services providers (ANSPs) in 2005. The evaluation of the latest survey with 2007 data is ongoing until responses from States allow for a representative coverage.

INFORMATION PAPER

1. INTRODUCTION

1.1 This paper summarizes the results of the ICAO survey of the financial situation of airports and air navigation services providers (ANSPs) in 2005. The survey covers 410 airports in 72 reporting ICAO Contracting States and their ANSPs. The full report can be downloaded from <http://www.icao.int/icao/en/atb/epm/Databases.htm>.

1.2 The evaluation of the latest survey with 2007 data is ongoing until responses from States allow for a representative coverage. ICAO would like to express its gratitude to all administrations, who have already submitted the data requested and encourage those States who have not yet responded to State letter EC 2/71-08/37 dated 9 May 2008 to kindly do so. The questionnaires can be accessed from the original State letter or may be completed (in English only) and submitted on-line http://www.icao.int/icao/en/atb/epm/2008_37q.htm.

2. FINANCIAL ASPECTS OF AIRPORT OPERATIONS

2.1 The financial situation of international airports, for which income and expense data were reported, improved in 2005 over 2003. For the total 2005 sample, airports earned US\$ 45.5 billion and spent US\$ 37.5 billion. Income exceeded expenses by a ratio of 121 per cent, meaning that on average out of US\$ 10.00 earned, airports spent US\$ 8.26. Judging from their income/expense ratio, the majority (86 per cent) of airports controlled unit costs while collecting sufficient revenues to remain or become profitable.

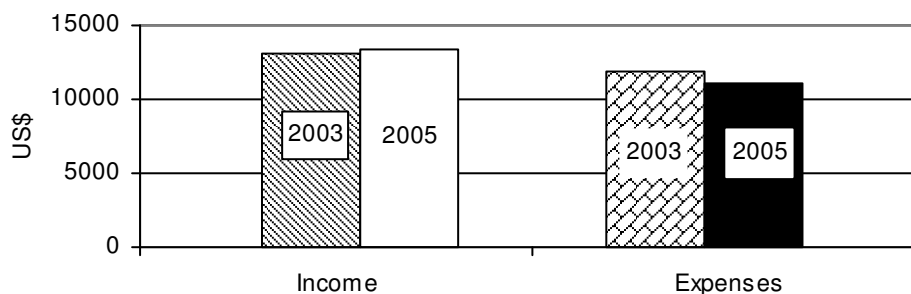


Figure 1. Average income and expenses per traffic unit at international airports – 2005 and 2003

2.2 For the total 2005 sample, average income per traffic unit (TU) amounted to US\$ 13 334, compared to US\$ 13 161 in 2003, while average expenses per TU amounted to US\$ 11 038, compared to US\$ 11 954 in 2003 (see Figure 1). The regional distribution of average income and expenses/TU points to different business strategies and operating systems where services, such as ground handling, are either still an integral part of core business of the airport operators or outsourced to specialized companies.

2.3 More and more airport operators offer a full service environment to travelers, airport visitors and other parties. Income from non-aeronautical activities accounted, on average, for 40 per cent of the total income of 402 airports in 71 States. Capital investments were reported for 383 airports in 63 States and amounted to US\$ 18.3 billion or US\$ 5 390 per TU in 2005.

3. FINANCIAL ASPECTS OF AIR NAVIGATION SERVICES OPERATIONS

3.1 The financial situation of air navigation services providers also shows overall profitability, although marginal. The overall income/expense ratio was 105 per cent for US\$ 13.1 billion income collected and US\$ 12.5 billion expenses accrued by 65 air navigation services providers in 70 States. In 2005, 38 States reported gross capital investments of air navigation services providers amounting to US\$ 1.25 billion, corresponding to US\$ 151 invested per flight.

3.2 In 2005, air navigation services charges accounted, on average, for 91 per cent of the total income of 67 air navigation services providers. In terms of allocation of air navigation services expenses by function, en route services absorbed, on average, 65 per cent of the costs, approach and aerodrome control services 28 per cent and other services 7 per cent.

4. IMPACT OF CHARGES ON AIRLINE OPERATIONS

4.1 Total airport and air navigation services charges increased, on average, at 3.2 per cent on an annual basis over the 1995-2005 period. Figure 2 shows airport and air navigation services charges as percentage shares of airline operating expenses from 1995 to 2005. The modest growth, at a 1.3 per cent rate from 2000 to 2005, reflects the decline and slow recovery of air services and the resulting financial constraints of air carriers, losing, on average, US\$ 6.2 billion net annually during this period.

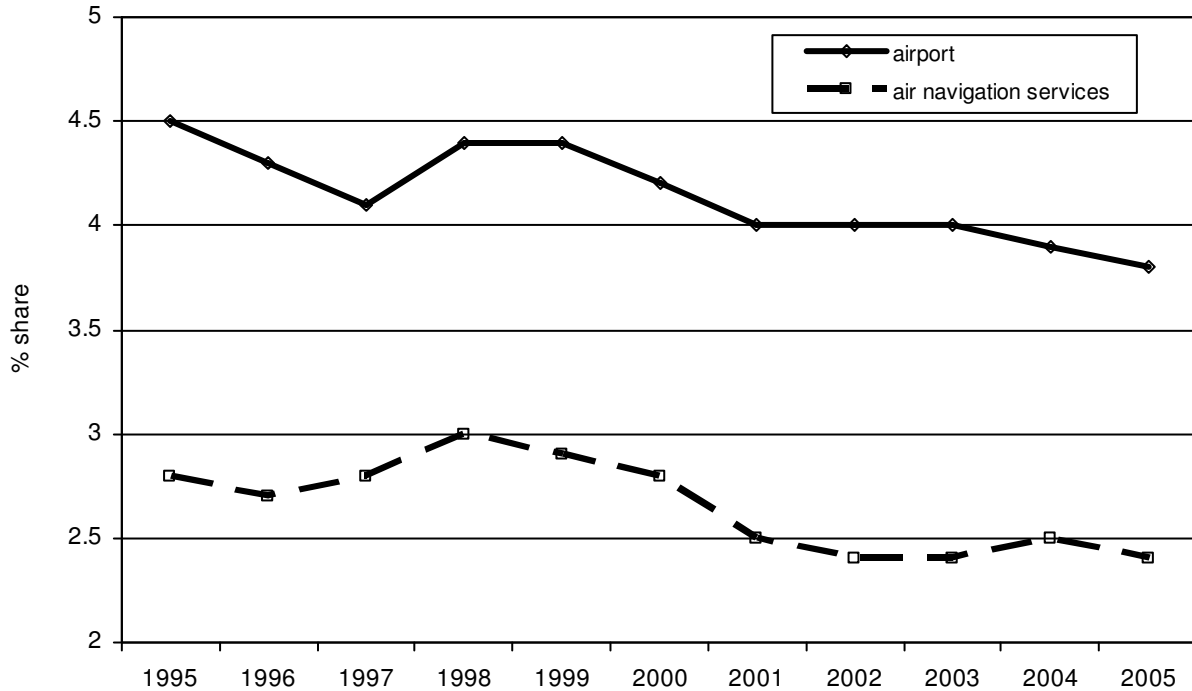


Figure 2. Airport and air navigation services charges as percentage of airlines expenses – 1995 to 2005

4.2 The impact of these charges on airline expenses lessened over the 1995-2005 decade from 7.3 per cent in 1995 to 6.2 per cent in 2005. Since the previous 2003 survey, the relative share of charges in airline operational expenses decreased from 4 to 3.8 per cent for landing and associated airport services and varied around 2.4 per cent for en route facilities and services. Fuel, insurance and other airlines' operating expenses are on the rise and influence the relative share of other expenses. Nevertheless, the relatively low level of charges also reflect on the market-driven provision of services by airports and air navigation services providers and their moderate increase in charges during the last five years as air carriers were confronted with drastic traffic variations and resulting financial constraints.