



ICAO

International Civil Aviation Organization

**Thirty-Second Meeting of the Asia/Pacific Air Navigation
Planning and Implementation Regional Group
(APANPIRG/32)**

Video Teleconference, 1 – 3 December 2021

Schedule: 10:00 – 13:15 Bangkok Time [UTC+7]

**Agenda Item 1C: ICAO APAC COVID-19 Contingency and Recovery Planning
Activities**

ECONOMICS DURING COVID RECOVERY

(Presented by IATA)

SUMMARY

This paper discusses the continuing financial challenges airlines are confronting whilst the world begins to emerge from the disruption caused by the COVID-19 pandemic, and the ongoing need for cooperation in managing costs in order to grow our industry again.

1. INTRODUCTION

1.1 The airline industry continues to struggle against financial hurdles as the world emerges from the catastrophic disruption caused by the COVID-19 pandemic. Every single cent of airline expenditure counts and must deliver a benefit.

1.2 Thankfully, a recovery has commenced as some countries reopen to international travel. Unfortunately, this recovery is fragmented and uneven. Some international borders, many in the Asia and Pacific region, are not reopening quickly and strict quarantine rules continue to restrict passengers from flying and constrain airlines from growing their schedules again.

1.3 Without international operations ANSPs have also lost a majority of their revenue, and the concern is that some may seek to increase their charges in order to recoup lost revenue in a short timeframe. Unfortunately, this action will only serve to decrease the rate of recovery as airlines struggle to maintain financial viability due to greatly decreased levels of income and cash flow, and greatly increased levels of debt.

1.4 Some States also continue to invoke charges and taxes that are contradictory to the *ICAO Policies on Charges for Airports & Air Navigation Services*. Charging an administrative fee for flight approvals is a primary example of this.

1.5 Apart from normal expectations for States and their ANSPs to rationalize and reduce all capital and operational costs - something even more critical in the current environment - there remains a reliance on Governments throughout Asia Pacific to fund ANSPs in some form or another until aircraft movements and associated revenues grow back to sustainable levels. Without this funding the restart and recovery of aviation will continue to be mired in a vicious circle of low growth and absent cash-flow.

2. DISCUSSION

Review of National Air Navigation Plans (NANPs)

2.1 A transparent ANS charges consultation includes discussion on what is appropriate investment for the required service provision, including the timing for those investments. Post COVID-19 will bring a changed environment with different airline fleets and associated CNS capabilities.

2.2 At ATM SG/8 draft Conclusion *ATM/SG/8-3: Review of National Air Navigation Plans (NANPs)* was proposed and agreed in which States should review their National Air Navigation Plans (NANPs) to determine the relevant service provision post-COVID so that costs and related ANS charges could be re-analysed. APANPIRG/31 then adopted the following Conclusion:

Conclusion APANPIRG/31/10: Review of National Air Navigation Plans (NANPs)

What: That, States should review their NANPs in accordance with a whole-of-government approach and the requirements of the Regional Air Navigation Plan to:

- (1) include airspace user consultation to determine post COVID-19 service provision levels and the related investment and expenditure required, including identifying temporary or permanent service provision modification to reduce operational costs; and
- (2) seek government support for their Air Navigation Service Providers (ANSPs) during the post-COVID-19 recovery.

Why: Review of service provision can support reductions in ANSP cost-base and therefore a reduction in target revenue required for cost-recovery, which drives ANS charges. Effective market stimulation and recovery can reduce the financial exposure of the government.

2.3 Prudent cost and charges management can potentially reduce the magnitude and length of Government support funding. Stimulation of growth in aircraft movements is critical for all stakeholders, and any future agreed increases in ANS charges should be incremental and linked to actual traffic growth.

2.4 APANPIRG/32 is asked for an update on the progress States are making on their NANP reviews. IATA has not been contacted by any State, nor are we aware of any requests to member airlines for input, and we remind States that we remain available and eager to assist in the review process.

Unsubstantiated charges

2.5 Some States continue to invoke charges and taxes that are contradictory to the ICAO policies on economics and charges for airports and air navigation services. Charging an administrative fee for a flight approval is a primary example of this.

2.6 ICAO Doc. 9161 *Manual on Air Navigation Service Economics* explains the principle as contained in Article 15 of the Chicago Convention:

1.1: "...No fees, dues, or other charges shall be imposed by any contracting State in respect solely of the right of transit over or entry into or exit from its territory of any aircraft of a contracting State or persons or property thereon."

1.2: "...the substance of this principle is in fact that a State should not charge solely for granting an authorization for a flight into, out of or over its territory".

2.7 ICAO recognizes that all States are within their rights to recover the costs of the air navigation services they provide to airspace users through ANS charges, however it also affirms that States should not charge solely for granting an authorization. Airspace users are already paying ANS charges which are calculated to cover all service cost-recovery. Any additional specific fee for a flight permit is charging solely for granting an authorization; no other service is provided and therefore it should be abolished.

Conclusion

2.8 COVID-19 has decimated the air travel industry in 2020 and 2021 with recovery only just commencing in a regionally fragmented fashion across the globe. Airlines have been cutting their costs substantially but continue to burn through ever-diminishing cash reserves in order to survive, whilst ANSPs have also lost significant amounts of revenue.

2.9 Continuing to charge unnecessary fees and taxes, or increasing ANS charges before airlines can re-establish scheduled flights, will result in a slower recovery from COVID-19 and ultimately mean less ANS and other revenue.

3. ACTION BY THE MEETING

3.1 The meeting is invited to:

- a) note the information contained in this paper; and
- b) discuss any relevant matters as appropriate.

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