

Civil Air Navigation Services Organisation



The Economics of ANSPs

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Tegucigalpa - September 2002



Presentation Content

- **Introducing CANSO**
- ANSP Costs
- ANSP Revenues
- Our Message to the Audience

Introducing CANSO

- Civil Air Navigation Services Organisation
- Represents 'Corporatised' ANS providers
- Founded 1998, based in Geneva
- Worldwide 26 Full & 30 Associate Members

CANSO Members

- Control 56% of world airspace
- Control 81% of world air traffic
- Handled 43 million flights in 2001

CANSO Members

Aerothai – Thailand
 AENA – Spain
 ANS Czech Republic
 ATNS South Africa
 Airservices Australia
 Airways Corp. New Zealand
 Austro Control
 Belgocontrol
 CAA Uganda
 DFS - Germany
 ENAV - Italy
 Estonian ANS
 Irish Aviation Authority
 Kazaeronavigatsia
 LGS – Latvia
 LPS – Slovakia
 LVNL – the Netherlands
 MoldATSA Moldova
 NATS UK

NAV Canada
 NAV Portugal
 Naviair Denmark
 Oro Navigacija Lithuania
 Roberts FIR
 skyguide
 ROMATSA Romania
 UkSATSE Ukraine

AEA Technologies
 Airbus
 Air Canada
 ARINC
 Boeing ATM
 British Airways
 CAA Slovenia
 Comsoft
 Concordia University
 FAA
 Frequentis
 HungaroControl
 Indra Sistemas
 Innovative Solutions
 Integra
 Lockheed Martin ATM
 LFV Sweden
 MITRE
 NATAM Norway
 Orthogon
 PriceWaterhouseCoopers

Raytheon
 SCTA France
 SITA
 Thales ATM
 Unisys R2A Transport
 Management Consultants

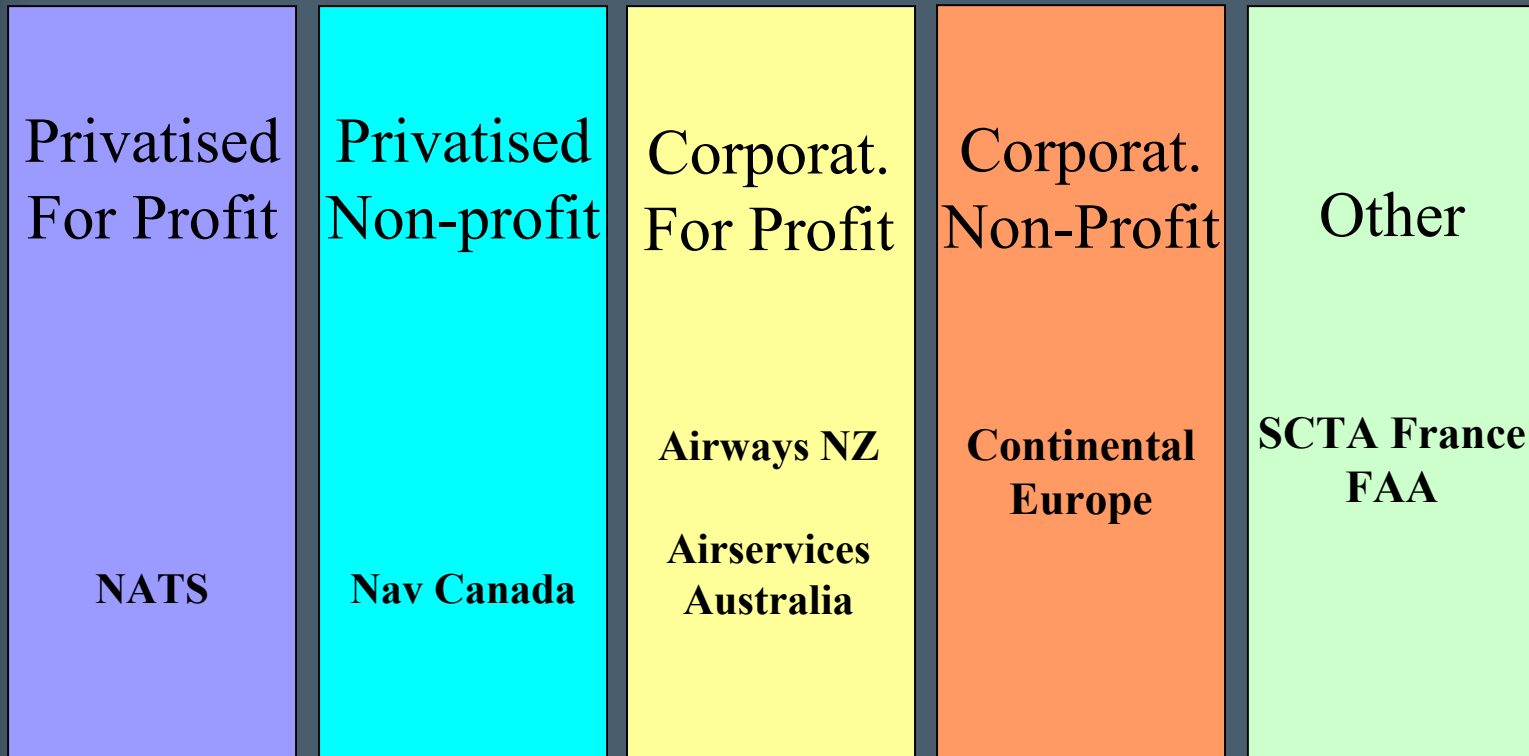
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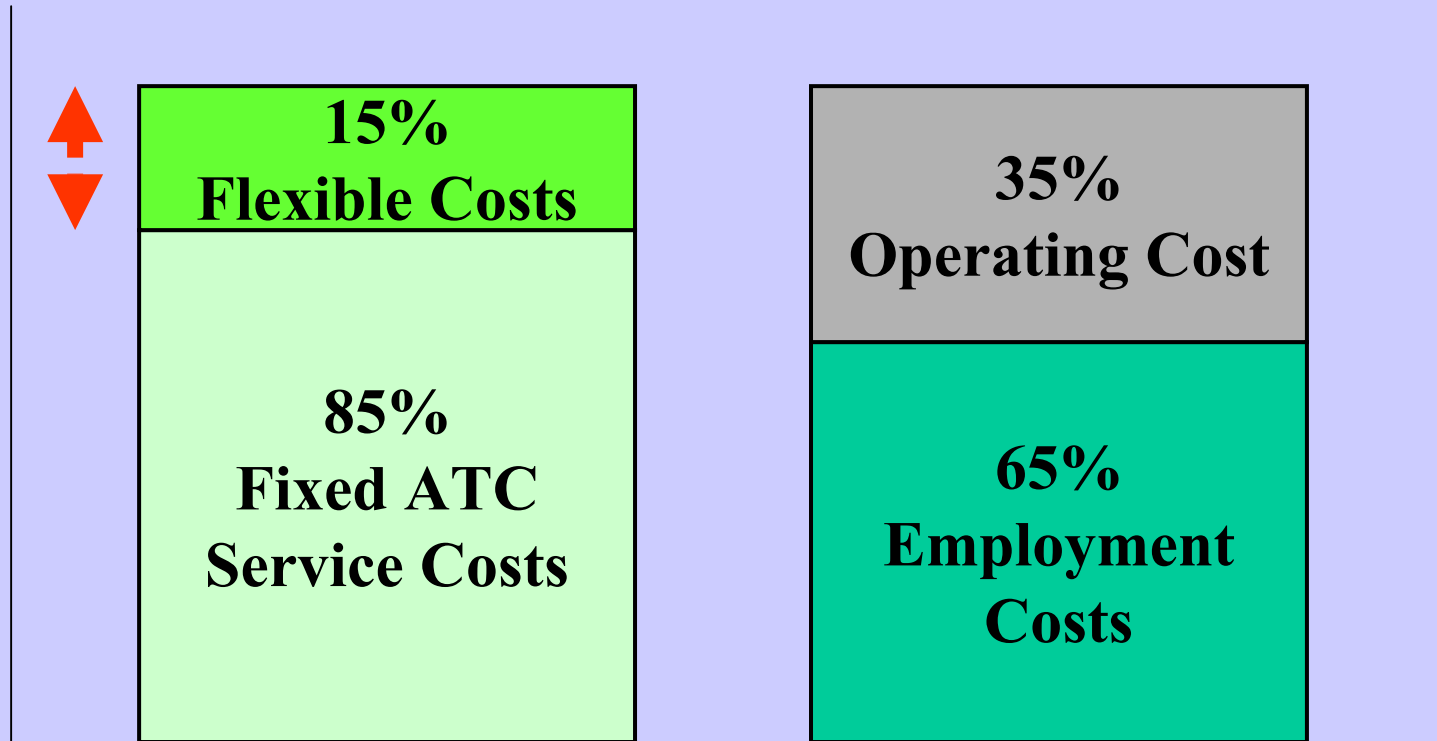
Each ANSP is Unique

- Many different ANSP economic models
- Ranging from 'For-Profit' to 'Non-Profit'
- Ranging from 'Privatised' to 'Corporatised'
- Small & Large ANSPs; Oceanic or High density

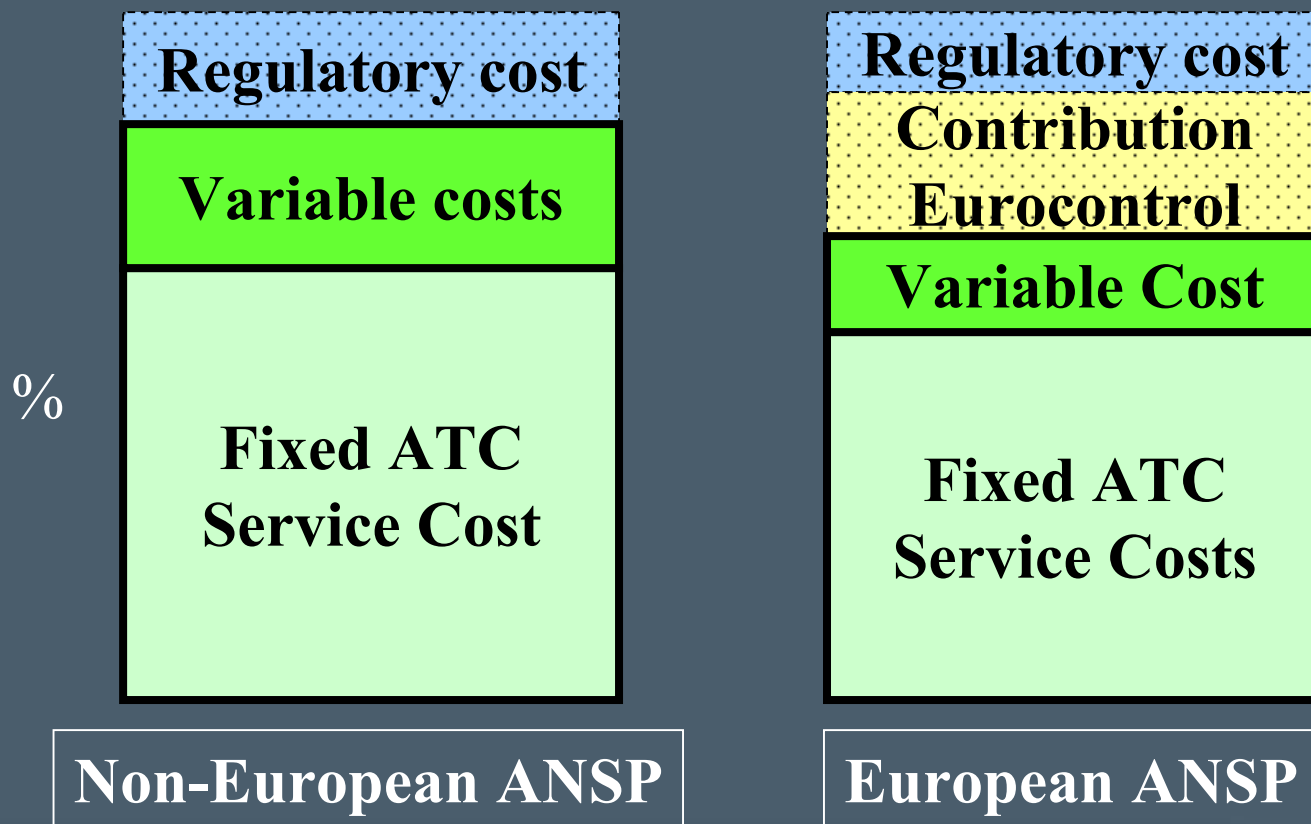
Different ANSP Models



ANSP – Average Cost Breakdown



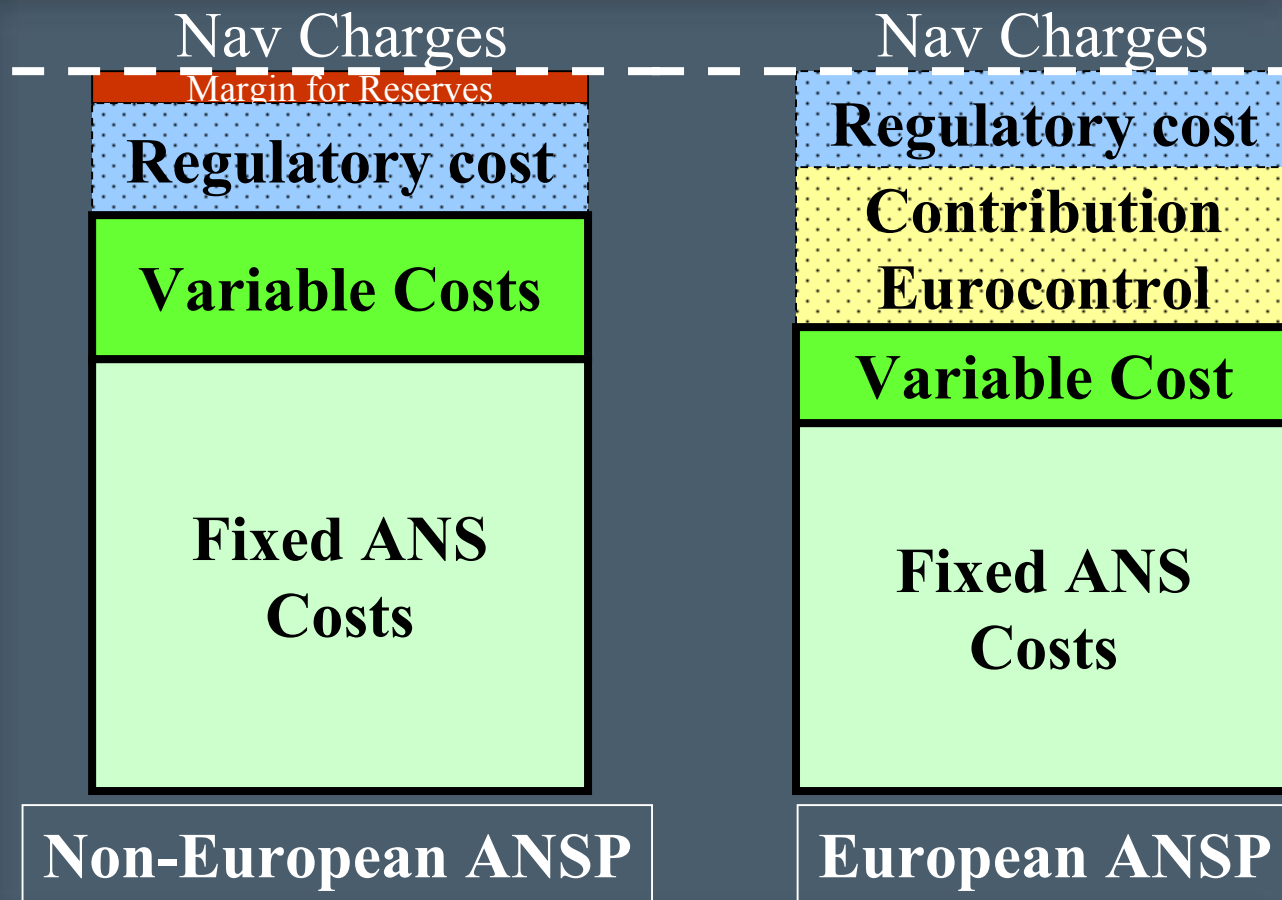
ANSP Budget Cost Breakdown in %



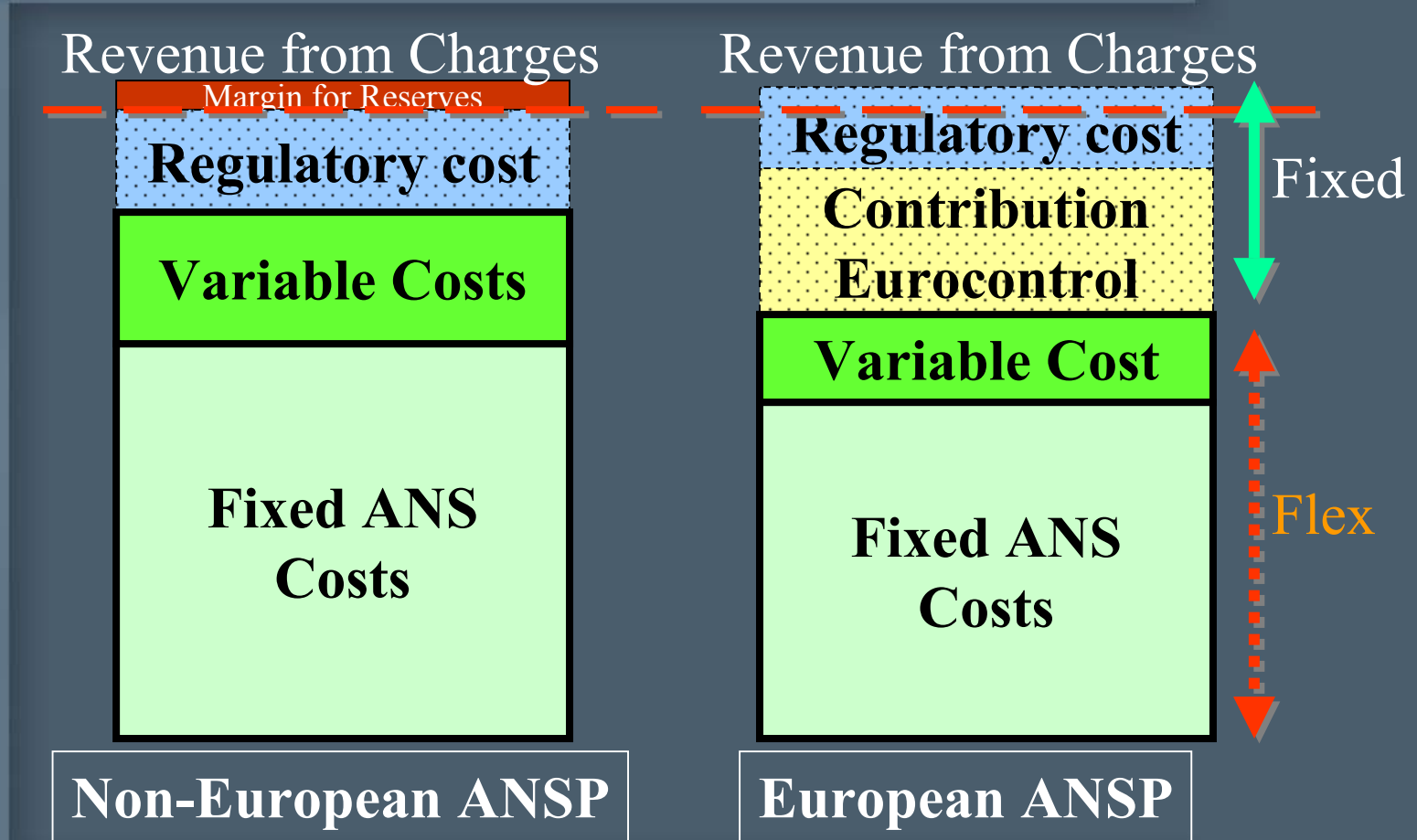
External Impacts on European ANSP

- Financial framework predates service separation
- Regulatory charge elements still in ANSP budget
- Limited control Regulatory or Eurocontrol costs
- Full separation of Provision & Regulation required

Financial Structure



Impact of falling ANSP Revenue



European ANSP lacks financial protection

European situation aggravated by:

- Airline bankruptcies, default on Nav Charges
- Lost income 'recovered' from remaining carriers
- Freezing of charges is only a delay in payment
- Inflexibility of 'cost recovery' system

ANSP Economics Explained

\$ **ANSP Finance – Mostly based on ‘Cost Recovery’**

Revenues

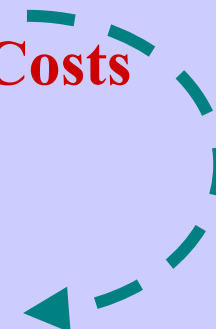
Costs

**Excess Revenue handed back to
Customers - Euro 100's Millions**

-- Financial Reserves ?? -

Jan.

Dec.



ANSP Cost Recovery System

- ANSP = Pure Cash Flow Operator
- Full recovery of operating cost from customers
- When revenue falls, costs must fall instantly
- Without financial reserves no 'Safety' margin
- Outside Europe, 'margins' and 'funds' accepted

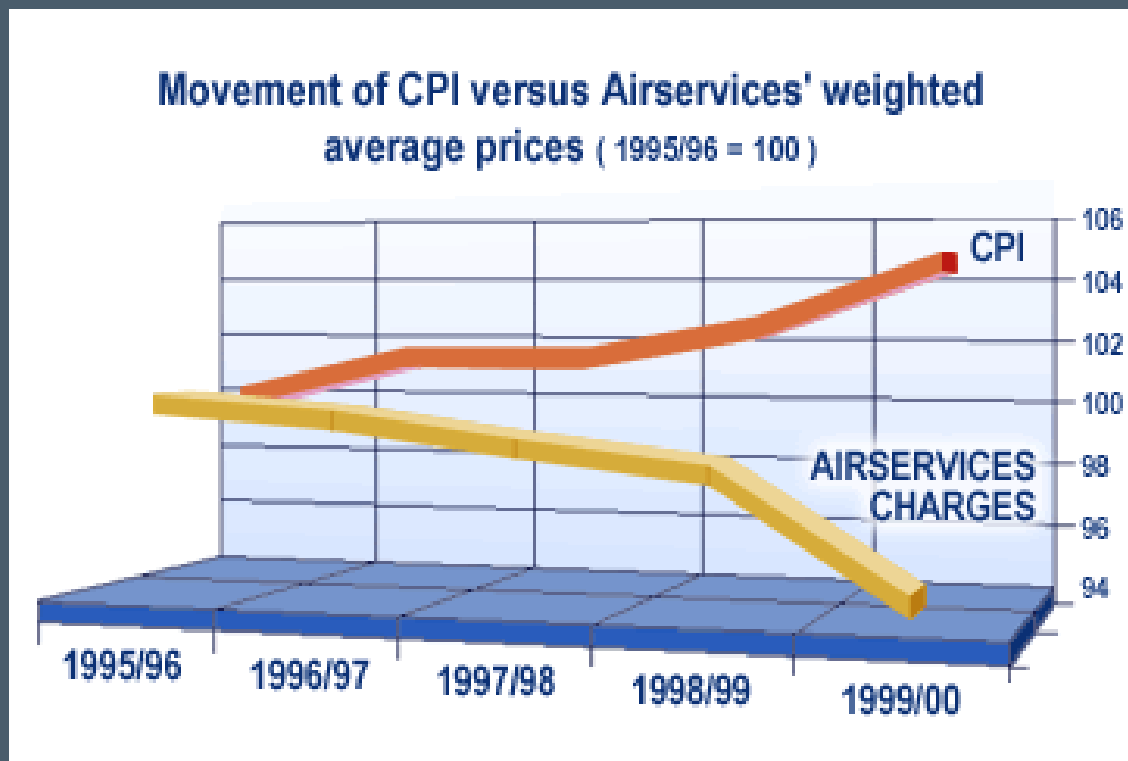
Our Airline Customers

- Receive ANSP pay-backs in positive growth years
- Are able to build financial reserves in fat years
- However pay higher charges when air traffic falls
- ATM finance is NOT designed for a downturn

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Results of ANS Corporatisation



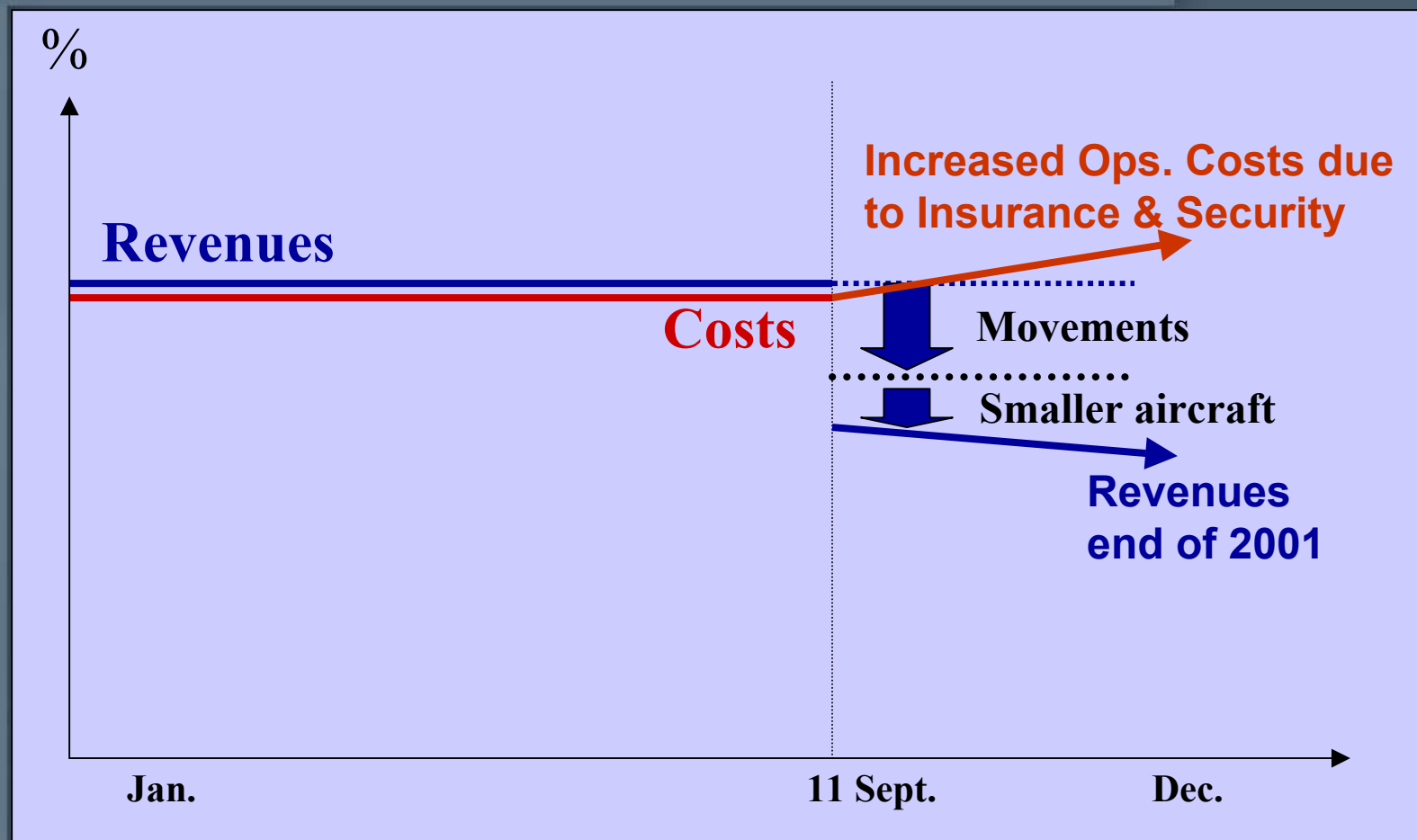
For many corporatised ANSPs ATC Charges are down

ANSP Finance in Recent Years

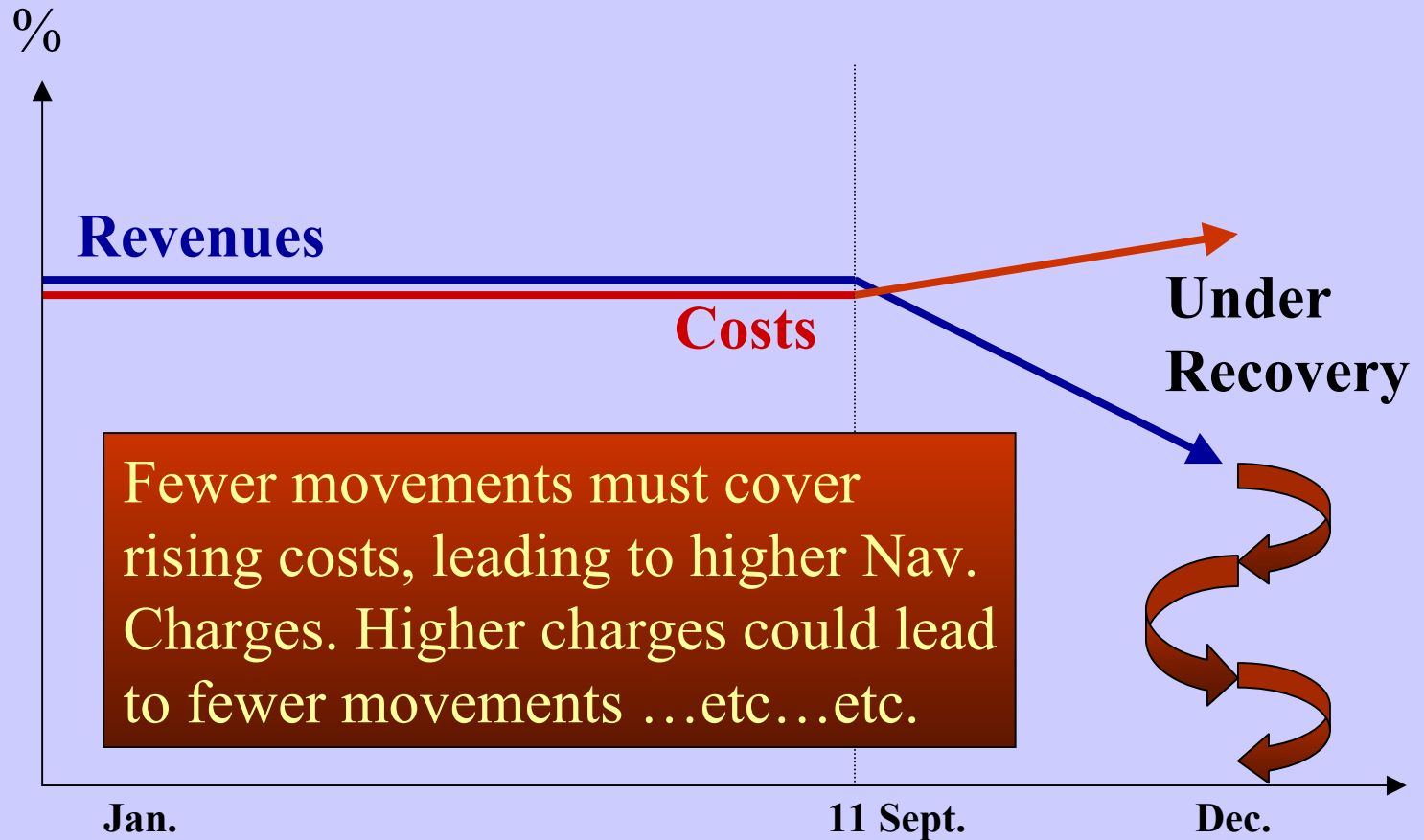
High growth rates resulted in 'over-recovery' and significant paybacks. Since 2001 the reverse is true.



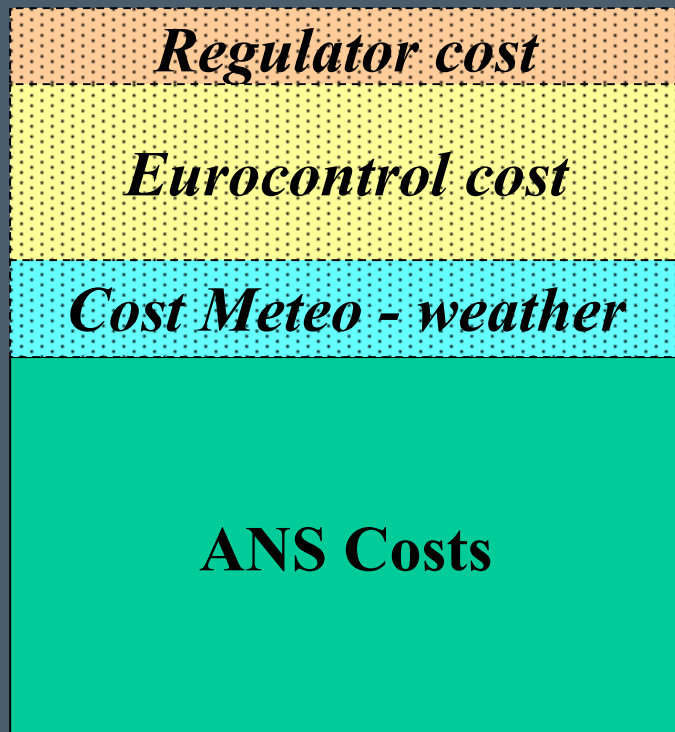
Charging system weakness exposed



Cost recovery weakness exposed



Breakdown of Nav Charges

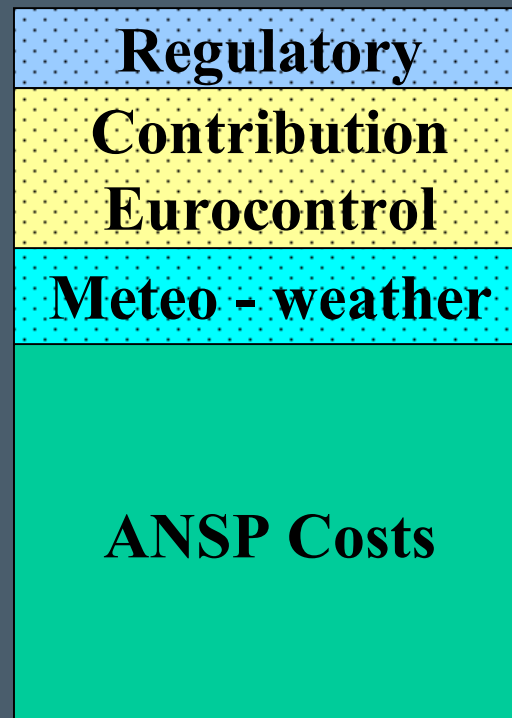


An ANSP has only partial control over Nav Charges

Nav Charges compared



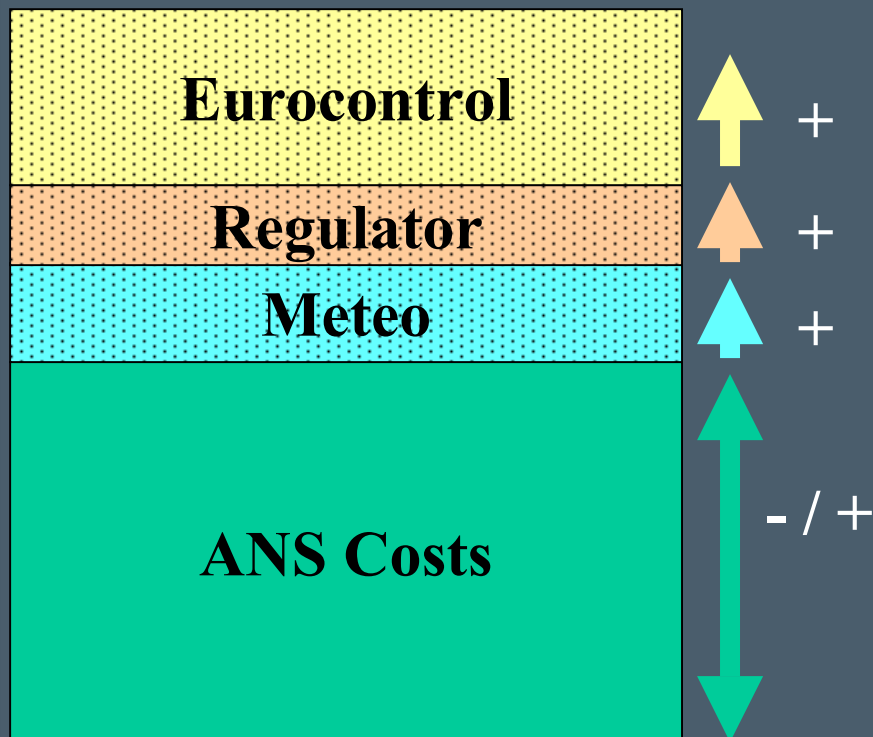
Non-European charges



European charges

Nav Charges differ around the world

European Nav Charges in 2002



**In some cases
ANSP costs went
down, while third
party charges are
up**

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Our Message to the Audience

- Corporatisation introduced ANSP independence
- But did not introduce **full** financial independence
- ANSPs: Businesses without proper business tools
- ANSPs are not masters of their financial destiny

Our Message to the Audience

- Introduce full separation of State & ANSP budgets
- Greater transparency of all individual charges
- Separate Regulation & Provision in all institutions
- State contribution Eurocontrol outside ANS budget

Our Message to the Audience

- The 'cost recovery' system is designed for growth, not for a downturn
- After 57 years of growth, the 'economic pricing' system has clearly failed in 2001
- Like every other industry, ANSPs require proper financial instruments & incentives

Conclusions

Users finance the ATM system

ATS charges policy ready for review

ATM financial framework ready for review, as well



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www.canso.org

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