



ECONOMIC CHALLENGES FACED BY ANSPs

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ICAO RECOMMENDATIONS – POLICIES - DOC 9082



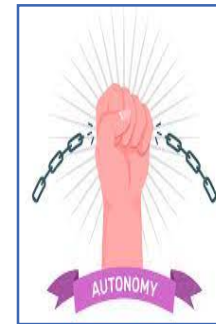
South Africa is a member (**Contracting State**) of the International Civil Aviation Organization (ICAO)



Article 28 of the **Chicago Convention** places on each Contracting State the responsibility for the provision of Air Navigation Services (ANS) in its territory in accordance with **ICAO Standards and Recommended Practices (SARPs)**



The **ownership and management** of ANS may be **delegated** to private sector but the **overall responsibility** for the provision of the services in accordance with ICAO SARPS remains with the **State**



ICAO recommends that governments may wish to explore the possibility of establishing **autonomous entities** to operate ANS where this is in the best interest of providers and users

ICAO RECOMMENDATIONS - CHARGING PRINCIPLES



AUTONOMY AND FINANCIAL SUSTAINABILITY

Traditional Approach

- safety & supply driven
- producer orientated
- cost driven
- state budget & taxes
- administrative
- rigid / stable
- all risk with Government
- no incentives

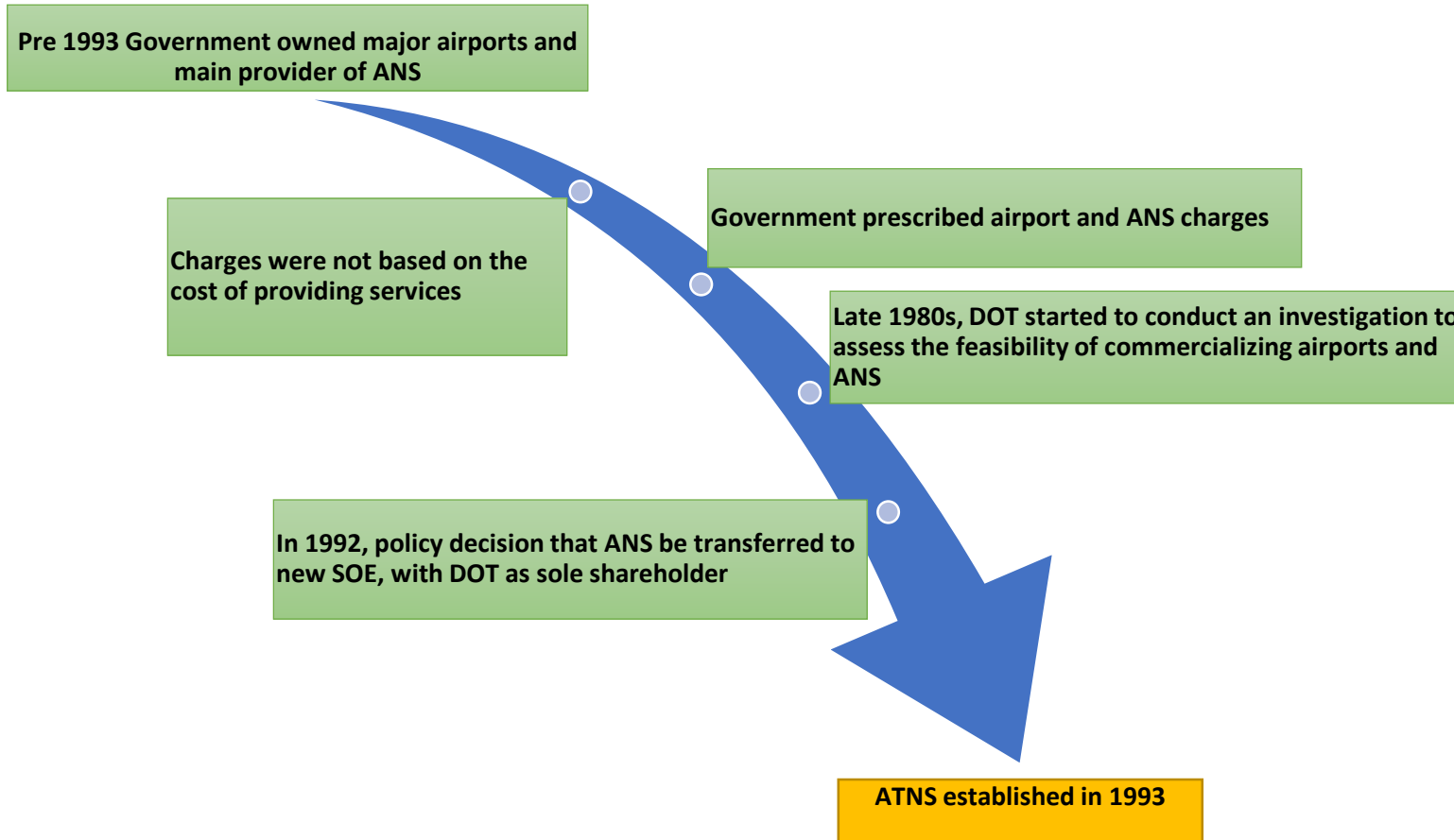
ADMINISTRATION APPROACH

ANS providers

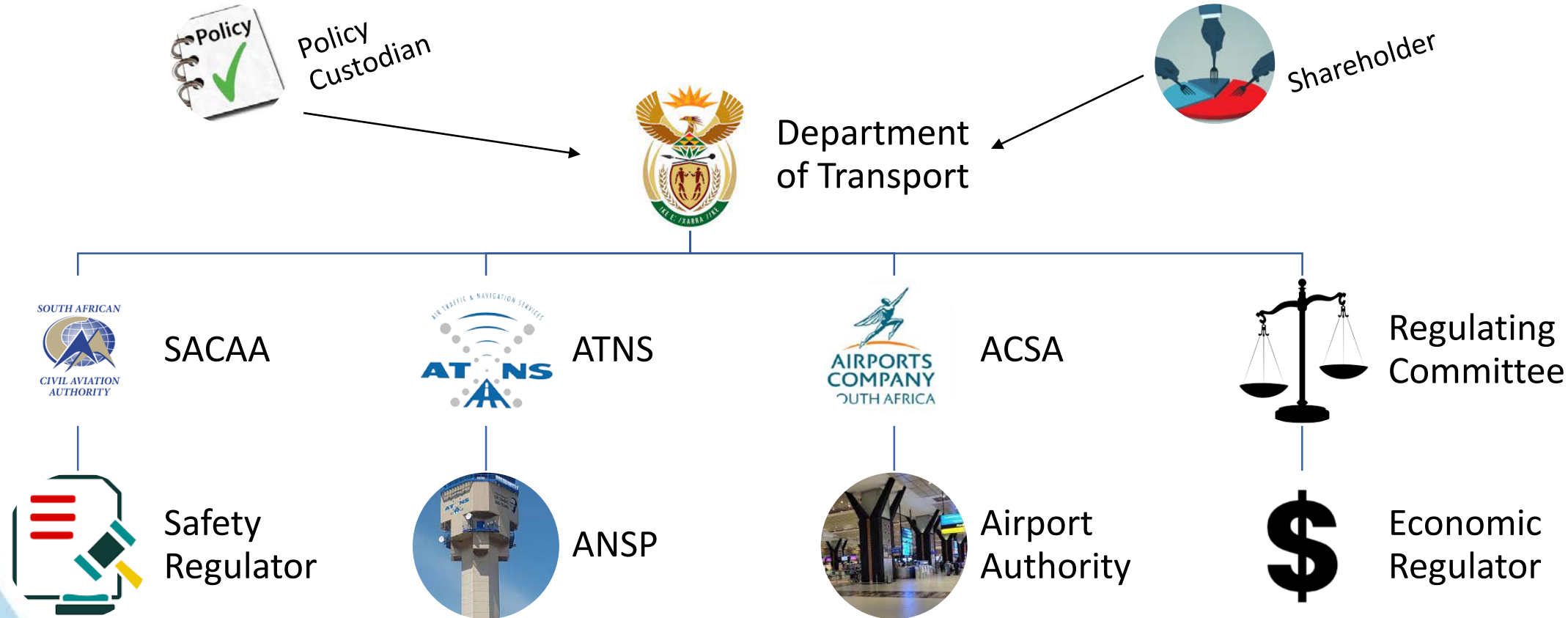
- safety & demand driven
- customer orientated
- performance driven
- open & transparent
- contract based
- flexible
- sharing financial risks
- incentives & rewards

CORPORATE APPROACH

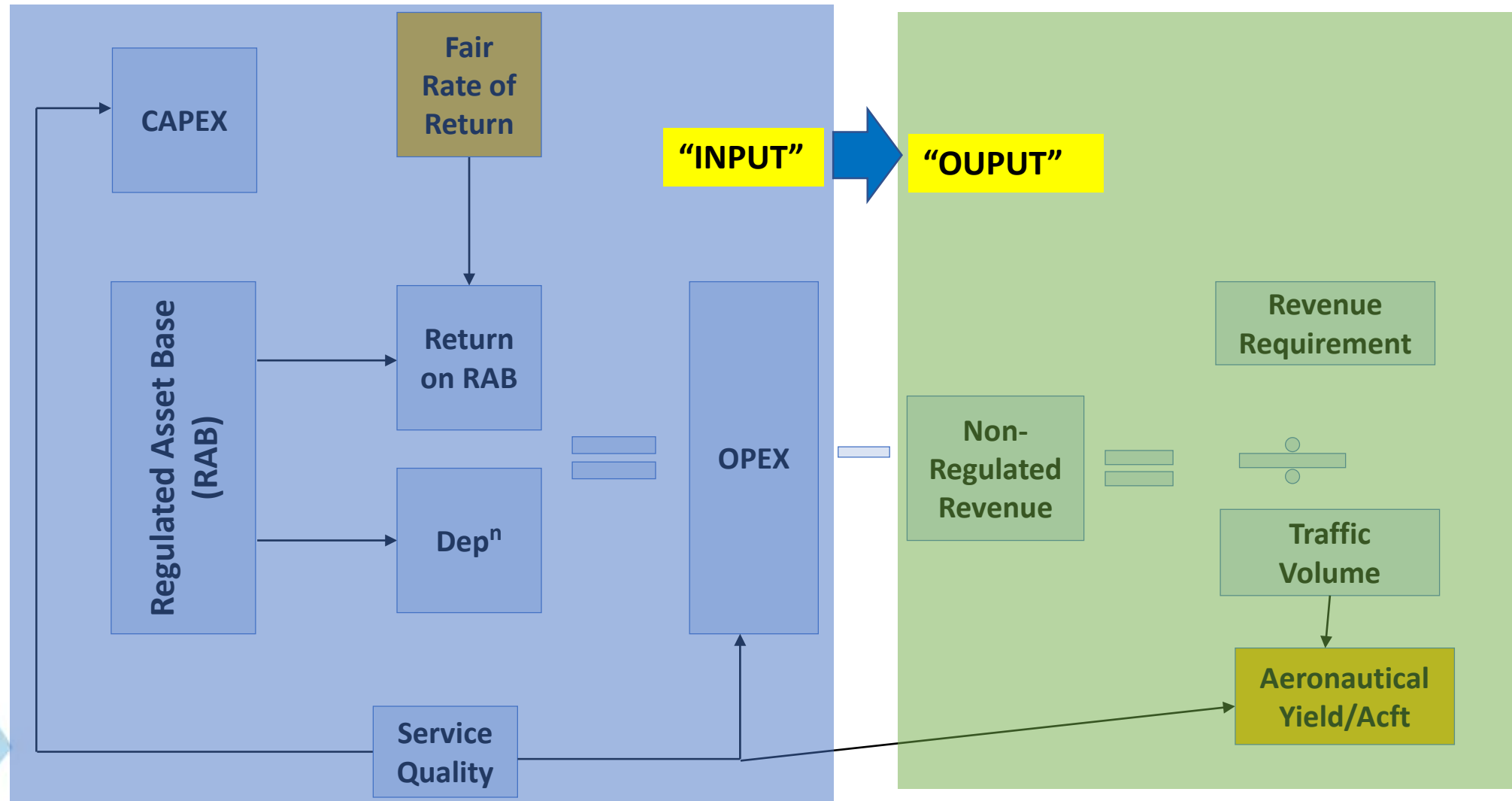
ABOUT US....RESPONDING TO ICAO SARPS



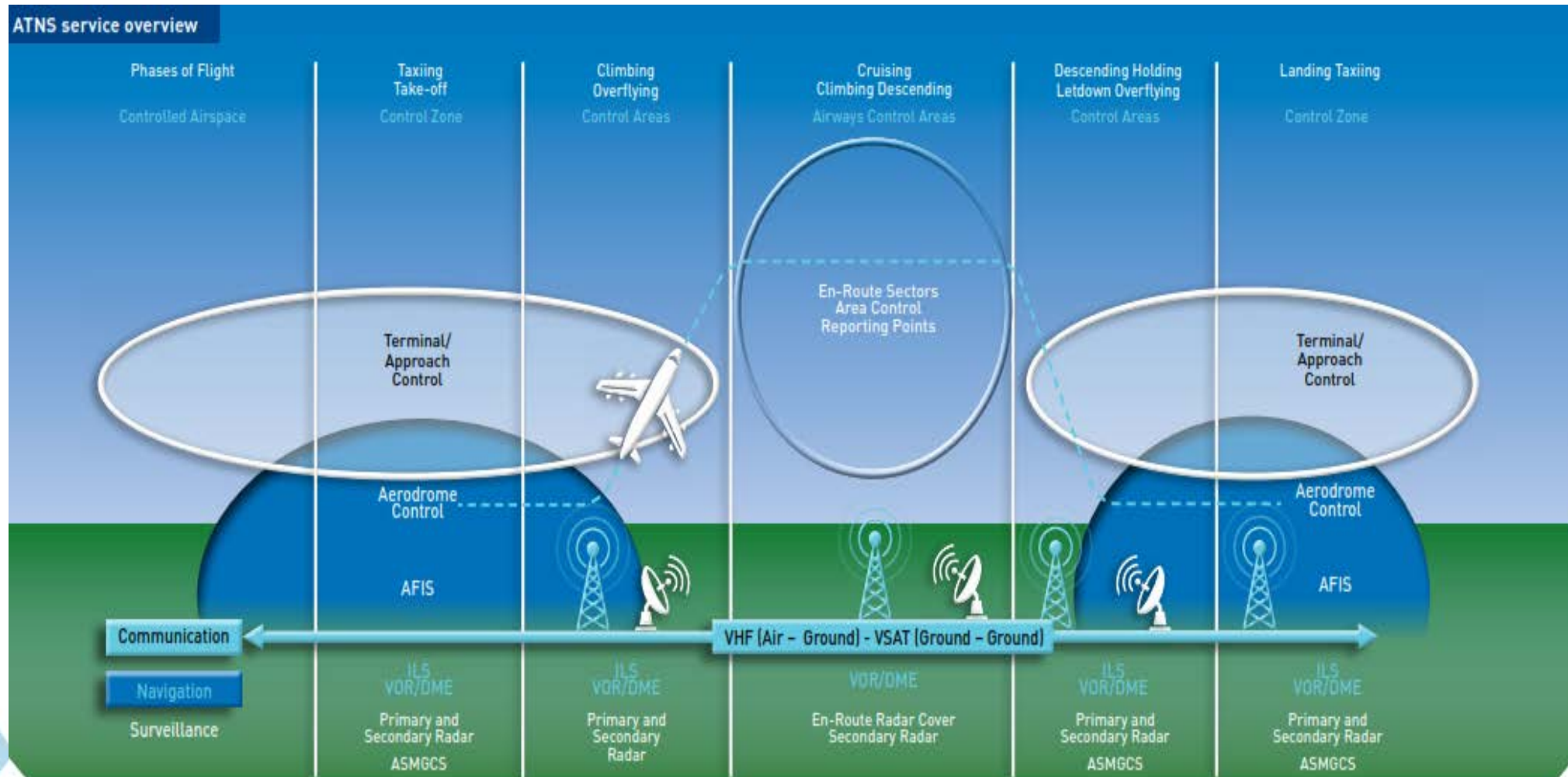
ABOUT US...RESPONDING TO ICAO SARPS



CHARGING PRINCIPLE – CONSULTATION – NON-DISCRIMINATION



CHARGING PRINCIPLE - COST RELATEDNESS – OUR CHARGES



CHARGING PRINCIPLE – TRANSPARENCY- PREDICYABILITY

Correction Correction Correction Correction Correction

2018/19	2019/20	2020/21	2021/22	2022/23
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"OVERLAP"

**OPENING
TARIFF**

2021/22	2022/23	2023/24	2024/25	2025/26
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OPENING TARIFF

Price Path: CPI-X

Price Path: CPI-X



ECONOMIC CHALLENGES - SYSTEMIC

Economies of scale

Traffic volume

Size of entity

Operational efficiency

Economic efficiency

Managing Financial Autonomy

Full autonomy vs partial autonomy

Conflict of interest

Institutional setup
(Operator vs Regulator)

Financing the skills

Civil/Military Aviation Cooperation

State sovereignty

State security

Segregation of powers

Political vs Economic argument



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ECONOMIC CHALLENGES - OPERATIONAL

Risk/Gain Sharing – ANSP Bears the Risk

- Demand Forecasting
- CAPEX – Capacity Planning
- OPEX – Resourcing

Information Asymmetry - Trust

- ANS - Up to Date Information
- Regulator - Limited Information
- Strive for Common Ground

Revenue Collection – Revenue Assurance

- Robust Regulatory Framework
- Build Trust With Users/Operators
- Revenue Spillages – Bad Debt – Rejected Invoices
- Enforcement Tools – Denial of Service



Thank You



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