



International Civil Aviation Organization

WORKING PAPER

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ASSEMBLY — 37TH SESSION

ECONOMIC COMMISSION

Agenda Item 53: Economic Analysis

PROPOSAL TO REGULATE AND STANDARDIZE ECONOMIC AND FINANCIAL REPORTING

(Presented by Venezuela (Bolivarian Republic of))

EXECUTIVE SUMMARY

To achieve the ICAO objective of promoting the organization and development of international air transport, this working paper proposes to consider the regulation and standardization of the economic and financial information collected by member States in an orderly and accurate manner that facilitates analysis for purposes of trade policy implementation, for example in the context of bilateral and multilateral negotiations, and to gauge economic, statistical and operational factors affecting the sector.

It is hoped that such a measure will give rise to operational and profitability indicators and assist in identifying company and overall sector trends as well as crisis warnings that would enable appropriate action to ensure company stability.

Action: The Assembly is invited to:

- a) take note of this working paper; and
- b) urge ICAO to develop a Single Chart of Accounts.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective D — Efficiency — Enhance the efficiency of aviation operations, in particular paragraph 2: Study trends, coordinate planning and develop guidance for States that supports the sustainable development of international civil aviation.
<i>Financial implications:</i>	Not applicable.
<i>References:</i>	Doc 9902, <i>Assembly Resolutions in Force</i> (as of 28 September 2007) (Res. A36-15) Doc 9626, <i>Manual on the Regulation of International Air Transport</i> Doc 9587, <i>Policy and Guidance Material on the Economic Regulation of International Air Transport</i> Doc 7300, <i>Convention on International Civil Aviation</i> , Ninth Edition.

¹ Spanish version provided by Venezuela.

1. INTRODUCTION

1.1 All countries have unique characteristics in terms of their production factors and the diversity of economic sectors being developed, and the same is true for the economic models of aviation sectors in the different countries.

1.2 Each country has its own interests in respect of policy-making, the application of standards and the regulation of information for airlines, airports, air navigation services and aviation maintenance organizations among others.

1.3 As stated in the Foreword of the *Manual on the Regulation of International Air Transport* (Doc 9626), “Regulation is the giving of authoritative direction to bring about and maintain a desired degree of order”.

2. DISCUSSION

2.1 Although ICAO already has forms for collecting economic and financial data from the airlines of each country, new mechanisms might nonetheless be identified for purposes of standardization. Such an improvement in reporting would promote more efficient decision-making in the sector.

2.2 The Preamble of the Chicago Convention establishes that international civil aviation should develop in a safe and orderly manner and that international air transport services should be established on the basis of equality of opportunity and operated soundly and economically, thus enabling the planning of aviation trade policies and strengthening the sector.

2.3 Economic and financial reporting regulations should serve to develop standards and principles governing the supply of information to ICAO as well as indicators that would enhance the impact of economic policies for the sustainable development of the sector.

2.4 The development of a single chart of accounts for the financial instruments requested of airlines, airports, maintenance organizations, training centres and other components of the global aviation system would lessen the disparity and rationalize the delivery of information collected by the aviation authorities of each member State. This would provide countries with up-to-date information, for instance when they are entering bilateral or multilateral negotiations, as well as a more accurate picture of airport economic capacity and route profitability.

2.5 A single chart of accounts is an instrument that would serve to harmonize and standardize the accounting system of all companies in the aviation sector. It would improve the quality, transparency and comparability of accounting data. It could be used to develop the necessary financial indicators as input for executive decisions, reflecting the effects of circumstances and operations on sector entities.

2.6 New reporting standards would render economic and financial information more readable. New economic indicators such as company solvency, profitability, labour capital, net utility, operational indices and bankruptcy valuations could be developed to support a more comprehensive analysis of companies in the sector.

2.7 The orderly reporting of accurate information would make it possible to gauge combined economic, statistical and operational factors in such a way as to understand the behaviour and trends of air

carriers and the impact of policies on them. Continual real-time monitoring of potential financial risks would be a further benefit.

2.8 Moreover, studies could be conducted to improve civil aviation safety in States, programs could be proposed to mitigate environmental hazards by cutting greenhouse gases and aviation operations could be improved by tackling the main limiting factors, through orderly planning and the fair and sustainable development of global aviation.

2.9 The regulation of economic and financial reporting should function transparently and facilitate communication between the participating entities, the aviation authorities and ICAO. In this regard, Resolution A36-15 Appendix G Air Carrier Economics states, “ICAO requires air carrier revenue, cost and operational data to assist the Council in assessment of the effectiveness of measures proposed for the implementation of the Strategic Objectives of the Organization, and for environmental planning, investment studies and other purposes”.

2.10 If information is harmonized, alerts can be generated with regard to sector companies, which would ensure that the correct decisions and measures could be taken quickly in order to pre-empt a crisis and any irreversible damage.

3. CONCLUSION

3.1 The benefits of a single chart of accounts lie in the orderly reporting of information. In other words, reporting should be planned and rational. A single chart of accounts should include the accounting items that are necessary to reflect all possible economic factors. The chart should be drafted in language that is easy to understand for anyone taking an interest in an entity’s financial reporting system. Finally, it should be possible to add accounting items at any time as new needs arise.

3.2 The regulation and standardization of reporting will lead to the development of financial indicators that can be used to evaluate companies’ effectiveness in controlling costs and expenditures and thus enhance utility. Uniform financial reporting will be of special benefit in reflecting what has happened, what is happening and what will happen in financial terms.

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