



WORKING PAPER

TENTH SESSION OF THE STATISTICS DIVISION

Montréal, 23 to 27 November 2009

Agenda Item 3: Air carrier financial data

QUICK MONITORING SYSTEM (QMS) OF COMMERCIAL AIR CARRIER FINANCIAL DATA

(Presented by the Secretariat)

SUMMARY

The availability of short term trends of traffic and finances will be of significant benefit to the Contracting States and to the government owned and privately held air carriers in their planning efforts to align capacity with demand thereby improving the efficiency and economic viability of operations as well as the optimal utilization of capital in their respective States. With this in mind, the Fourteenth Meeting of the Statistics Panel (STAP/14) recommended that Contracting States submit a preliminary Form EF (Part I) within three months of the end of each reporting period. In addition the Panel also recommended the implementation of a quarterly form to survey the state of air carrier finances.

Action by the division is in paragraph 2

1. INTRODUCTION

1.1 There are significant advantages for Contracting States to have early access to financial data. In order to be able to perform economic oversight of the industry, Contracting States need to be aware of the impact that changes in various financial parameters, such as air ticket fares and unit costs, may have on the financial viability of the air transport industry. The basic information which will be of interest would be the unit revenues (yields) and costs, total operating revenues and costs and the net profit of the air carrier.

1.2 ICAO financial data collection and dissemination

Current practices on filing form EF

1.2.1 The process of estimation of air carrier financial results are based on Form EF (Financial Data - Commercial Air Carriers) and takes place nearly 10 months after the end of the reporting year. In the

interim period between estimates, ICAO does not have the necessary air carrier financial data to generate trends or estimates of important financial parameters like yields, unit costs or operating profitability. Therefore, there is a substantial gap between the end of the reporting year and the date when Contracting States have access to the financial estimated results for the industry at a global and regional level.

Financial data reporting constraints

1.2.2 Contracting States are constrained to report air carrier financial data to ICAO only after the air carriers have closed the books for the accounting period concerned. Quarterly filing of audited (preliminary) financial data for private companies is the norm for most regulatory authorities in Contracting States, while in many other States such a requirement does not exist for non-privatized companies. Hence any information on final financial data can be made available to ICAO only at the end of the financial year after the final statutory audit of accounts and their acceptance by the Board of directors.

1.3 Other sources of air carriers' financial data

1.3.1 The sources of financial data are limited. The data reported to ICAO through Form EF is comprehensive and are not replicated elsewhere. In addition, the airlines' organizations are similarly constrained by the requirement that air carriers complete their statutory or government audit and get their accounts accepted by their Board of directors or by their respective States, before publishing their financial data.

1.4 Quick Monitoring System implementation proposal

Current Form EF filing schedule

1.4.1 The Reporting Instructions for Form EF state that:

The Form should be filed as soon as possible after the annual data become available and no later than six months after the end of the reporting period to which it refers. This report should cover the calendar year January to December. However, if this is not practical, reports may cover a different annual period (e.g. the air carrier's fiscal year). If possible, the published annual report of the air carrier concerned should also be forwarded to ICAO.

1.4.2 However, the reality is that due to audit and other administrative reasons, it takes nearly 10 months after the end of the air carrier's financial year for Form EF to be submitted to ICAO, whereas, in the current reporting instructions, the requirements is that they be submitted within six months.

Revised filing schedule proposal

1.4.3 The current filing schedule could be revised to allow submission of preliminary financial data under Form EF in the event that an air carrier experiences delay in the finalizing of its accounts and in getting them approved by its Board or by its Contracting State. In such a case, the Contracting State will only be required to submit the PART I (Income Statement) of Form EF marked as "Preliminary" on or before the current due date, i.e. no later than six months after the end of the reporting period. Hence, in addition to the text shown in paragraph 1.4.1 above, it is proposed that the Reporting Instructions for filing Form EF should include the following:

In the event the closure, finalization and adoption of accounts is not completed, the air carrier should report only PART I (Income Statement) preliminary financial data in

Form EF no later than three months after the end of the reporting period to which it refers. Once the closure, finalization and adoption of accounts is complete, the air carrier should submit to ICAO a revised final Form EF duly completed covering all the data requested in the four parts of the Form.

1.4.4 In the absence of data other than the annual financial data, a quick monitoring of air carrier finances is not currently feasible. It is therefore suggested that ICAO conducts, on a quarterly basis, a survey of the main financial parameters of the major air carriers comprising around 70 per cent of global traffic. The proposed structure of the survey form is shown in the Appendix.

1.5 *Recommendation of the Fourteenth Meeting of the Statistics Panel (STAP/14-13).* The panel agreed that a Preliminary Form EF (only Part I) be submitted within three months (compared with the current six months) of the end of the reporting period and that this form would be supplemented by the Final Form EF once the adoption of accounts and audit formalities were completed. The panel also recommended the introduction of a simple quarterly form to be issued by the ICAO Regional Offices to survey the basic financial parameters of major air carriers in their region. The resulting traffic and financial trend would then be made available for use by the Contracting States through the ICAO secure website.

2. ACTION BY THE DIVISION

2.1 The division is invited to recommend that

- a) States submit a preliminary Form EF (Part 1) to be filed within three months of the end of the reporting period; and
- b) through its Regional Offices, ICAO should implement a new quarterly survey (see Appendix) to obtain basic financial parameters of major air carriers in their regions.

APPENDIX

Air carrier:
State:
Reporting Currency:

Year:
Current quarter:

Item	Current Quarter	Previous Quarter
Operating Revenues (millions)		
Operating Expenses (millions)		
Operating Income (millions)		
Net Income (millions)		
RTK (millions)		
ATK (millions)		
Exchange rate , 1US\$ =		

Notes:

- a) All air carrier data are **confidential**, only aggregated regional and global summary information will be disseminated by ICAO.
- b) The current quarter refers to the quarters of the accounting year of the air carrier.
- c) The previous quarter refers to the reporting quarter of the previous accounting year of the air carrier.

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