



WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

Montréal, 18 to 22 March 2013

Agenda Item 2: Examination of key Issues and related Regulatory Framework

Agenda Item 2.7: Economics of airports and air navigation services

FINANCING OF AIRPORTS AND AIR NAVIGATION SERVICES

(Presented by AFCAC)

EXECUTIVE SUMMARY

This paper deals with issues related to the financing of the air transport system tackled at the 12th Air Navigation Conference (AN-Conf/12) and the 2008 Conference on the Economics of Airports and Air Navigation Services. It highlights the challenges caused by inadequate funding of airports and air navigation services and give insights to various financing options including Private-Public Partnership (PPP), efficient increase of revenue generation through the implementation of efficient accounting system for various costs and revenue/income, appropriate methodology for fixing charges, well-tailored cost recovery policies and an efficient mechanism for charge collection in accordance with ICAO Docs 9082, 9562 and 9161.

Action: The Conference is invited to:

- a) review the information presented in this paper;
- b) endorse the conclusions presented in paragraph 5; and
- c) adopt the recommendation presented in paragraph 6.

References: ATConf/6 reference material is available at www.icao.int/meetings/atconf6.

1. INTRODUCTION

1.1 Air transport has become the engine for economic growth. It creates direct and indirect jobs, promotes tourism and trade in addition to attracting foreign investments. Available statistics show that passenger, cargo, mail and aircraft movements will continue to grow, therefore the need to continue to increase the capacity of airports and modernize air navigation services infrastructure cannot be over emphasized. However, evidence has shown that airports and air navigation services that are operated by autonomous entities are more efficiently and profitably managed.

¹ French version provided by AFCAC.

1.2 Considering the huge capital outlay required for the development and efficiency operations of airports and air navigation services, the 2008 ICAO Conference on the Economics of Airports and Air Navigation Services (CEANS), made far reaching recommendations which are contained in Doc 9908 for cost recovery basis of financing airports and air navigation services. Furthermore, the Twelfth Air Navigation Conference (AN-Conf/12) examined the issues relating to the Aviation System Block Upgrade (ASBU), and made recommendations for consideration by the Sixth Worldwide Air Transport Conference (ATConf/6) with a view to suggesting appropriate solutions for a safe and sustainable air transport system.

2. FINANCING CHALLENGES

2.1 Most airports and air navigation services are being provided by governments and/or their entities. Therefore, these governments still remain the primary financiers of these services. However, considering the ever growing demands on the resources of these governments by other sectors like health, education, roads, industries, etc. governments often find it very difficult to provide adequate resources required for the financing of airports and air navigation services infrastructure.

2.2 The financing challenges become even more prevalent when there is under- utilization of the airports and air navigation capacity and services. This, coupled with poor development of non-aeronautical revenue, propels airports and air navigation services providers (ANSPs) to resort to very high aeronautical charges and taxes in a bid to raise enough revenue to finance their services.

2.3 Notwithstanding, the lack of availability of adequate funding for the provision of airports and air navigation services, operators of airports and air navigation services are still expected to comply with ICAO Standards and Recommended Practices (SARPs) in their operations and meet the ever increasing demands of the users of their services.

2.4 Therefore some airport and ANSPs tend to base their charges on their financial needs and the ability of the users to pay rather than on those facilities and services used for international air services in violation of ICAO policies on charges.

3. EMERGING PRACTICES

3.1 Governments generally resort to various ways and means in addressing aviation financial issues. Consequently, some States resort to Public-Private-Partnerships (PPP), a financing mode which allows for partnership between the private sector and the government. Others also go for outright privatization. Whichever of these options that is taken, capital is easily attracted.

3.2 The innovative and increasing generation of the non-aeronautical charges and revenue, help to lower the aeronautical charges in course of implementing the cost recovery principles and thereby attract more traffic to the airport.

3.3 There are other financial measures, such as “First Arrived, First Served” which means that priority is usually given to the aircraft equipped with various air traffic management (ATM) capabilities. AN-Conf/12 acknowledged the “First Arrived, First Served principle” and requested that such incentives be adopted at the global level. This is also valid for other incentives of an economic and operational nature, the ultimate goal being to foster operational progress while enhancing/optimizing safety, capacity and the global efficiency of the system.

4. ICAO'S POLICY ON FINANCING

4.1 *ICAO's Policy on Charges for Airports and Air Navigation Services* are contained in Doc 9082. This document and the recommendations of the Conference on the economics of airports and air navigation services hold in 2000 (ANSCConf 2000) and 2008 (CEANS) are very important when it comes to the issues of revenue generation and funding of airports and air navigation services. Doc. 9082 requires service providers to recover the cost of providing services. However, this should not be done on arbitrary bases but should be done according to the guidelines specified by ICAO in Doc 9082, which include transparency and consultation with the users of such services.

4.2 Airports and air navigation services should ordinarily be able to generate sufficient revenue higher than all their direct and indirect operating costs and thus ensure a reasonable return on investment that can secure financing at favorable terms and conditions in order to invest in new and enhanced infrastructure. For this purpose, airports and air navigation services must implement an efficient accounting system for various costs and revenue/income, an appropriate methodology for fixing charge basis, well-tailored cost recovery policies and an efficient mechanism for charge collection. All these should be done in accordance with Doc 9082 and the recommendations of CEANS in Doc 9908.

4.3 Other guidance materials which can also assist States on funding of infrastructure of airports and air navigation services are contained in the *Airports Economics Manual* (Doc 9562) and in the *Manual on Air Navigation Services Economics* (Doc 9161).

4.4 Most airports and air navigation service providers do not make adequate use of these ICAO documents. This underscores the need for ICAO to continue to sensitize and assist States on the implementations of the recommendations of CEANS contained in Doc 9908, and other ICAO guidance materials in Docs 9082, 9562 and 9161.

5. CONCLUSIONS

5.1 In light of the discussion above, the Conference is requested to conclude as follows:

- a) in the funding of air transport infrastructure, States should draw on ICAO policies and guidance materials;
- b) ICAO should devise means of ensuring increased awareness and political will on States to implement the relevant ICAO policies; and
- c) ICAO should develop a more specific funding mechanism to assist States which are in dire need and cannot get adequate funding from their governments.

6. RECOMMENDATIONS

6.1 The following recommendations are proposed for adoption by the Conference:

- a) ICAO should continue to sensitize and assist States on the implementation of the recommendations of CEANS – 2008 contained in Doc 9908 and other guidance materials in Docs 9082, 9562 and 9161;
- b) ICAO should develop guidance on how to finance relevant ASBUs projects;

- c) ICAO should provide guidance to States on financing of general aviation infrastructure;
- d) States should enable and encourage airports and air navigation service providers to implement innovative financing plans aimed at modernizing their infrastructure and enhancing/increasing their capacity and efficiency; and
- e) States should continue to implement, as appropriate, and bearing in mind national contexts, ICAO policies on the financing of air transport infrastructure through airport and air navigation services charges.

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