



## **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**

#### **SINGLE AIR NAVIGATION SERVICES PROVIDER OF INDONESIA**

(Presented by Indonesia)

#### **1. INTRODUCTION**

1.1 In the past, air navigation services were provided by three agencies in Indonesia. In order to move towards a seamless service and to remove the risk of inefficiency of air navigation services delivery, the Government of Indonesia is currently setting up a single air navigation service provider (ANSP) for Indonesia in order to integrate all air navigation services within Indonesian airspace.

#### **2. IMPLEMENTATION**

2.1 Taking into account various aspects regarding the form of the agency, the Government of Indonesia issued Government Regulation No. 77 of 2012 on the Public Corporation for ANSP of Indonesia, approved on 13 September 2012, as the basis for the establishment of the ANSP, and established the Agency as a 100 per cent government-owned public corporation in 2012.

2.2 With the establishment of Indonesia's ANSP as a corporatized operator, the roles of regulator and operator will be separated, in line with ICAO's policies and guidance. The role of the Directorate General for Civil Aviation (DGCA) as regulator will be more focused, and the implementation of air navigation services by the ANSP will be more efficient and effective.

2.3 The current Board of Directors of Indonesia's ANSP was inaugurated in early January 2013, in line with the provision of Government Regulation No. 77 of 2012 on Public Corporation for ANSP of Indonesia.

2.4 In February 2013, a Memorandum of Understanding (MoU) regarding the transfer of air navigation services provision to the ANSP of Indonesia was signed by:

- a) Director General of Civil Aviation;

- b) Deputy Director of Infrastructure and Logistics of the Ministry of State Owned Enterprises;
- c) Chief Executive Officer (CEO) of PT. Angkasa Pura I (airports);
- d) CEO of PT. Angkasa Pura II (airports); and
- e) CEO of Air Navigation Services Provider.

2.5 There are many important tasks to be completed for a successful transition :

- a) sufficient human resources are needed for the new corporate entity to undertake the operational tasks and also support functions such as maintenance, security, finance, pay, training, property management and so on;
- b) among the tasks required to establish the future financial systems for the ANSP, two tasks in particular warrant special attention. The first is ensuring the valuation of assets transferring to the ANSP, the second is constructing a future air navigation charges system which is accurate, justifiable and appropriate to generate sufficient revenue to sustain operating and capital costs in the long term; and
- c) establishing the regulatory regime within DGCA, and preparing the ANSP for the certification process.

2.6 Currently the team is working to develop the transition scenario, including a risk analysis to ensure that the transfer of air navigation services will be safe and secure.

### 3. REVIEW OF AIR NAVIGATION CHARGES

3.1 With the establishment of a single ANSP for Indonesia, the Indonesian air navigation charges system will be reviewed in light of Aviation Law No. 1 of 2009 and ICAO's policies on charges as well as best practices. Air Navigation Indonesia is to be self-funding on a cost-recovery basis. This means that any previous explicit or implicit subsidization from the government or other functions will not be available in the future. The current arrangement falls short of the ICAO policies on charges, which state that charges should recover all costs, including capital and depreciation as well as operating costs.

3.2 Indonesian air navigation charges currently comprise a distance based en-route charge, which has not been reviewed for more than 10 years. The charge is levied on the basis of a formula comprising an aircraft weight factor, a distance factor and a unit price. The composition of the formula is comparable with those applied in many other countries, and in terms of meeting ICAO's guidance. The issue for Indonesia is that the charges are not covering all cost as presented in the formula. With the establishment of a modern single ANSP in the form of Air Navigation Indonesia, there are compelling arguments to review the basis for levying charges on the aviation operators.

3.3 In many other countries, particularly those with financially self-sufficient charters, a range of user charges are levied. These are based on recovering the reasonable operating, capital and depreciation costs of the air navigation system through 'user pay' principles. In other words, wherever possible it is desirable to segment charges so that the customers pay an equitable charge for the services they use. This can range from high capacity airliners equipped with sophisticated on board navigational equipment using capital city airports and controlled airspace to small non-commercial general aviation

(GA) operations equipped only with a radio using regional airfields. The air navigation charges system needs to accommodate the whole range of services. Three types of charges can adequately cater for this complexity:

- a) an en-route charge which recovers the cost of separating instrument flight rules (IFR) aircraft and providing traffic information services to IFR aircraft operating in controlled/uncontrolled airspace using very high frequency/high frequency (VHF/HF) communications, radar or automatic dependent surveillance (ADS/B) data feeds or procedural air traffic control services (only in controlled airspace). The charges must also recover the costs of non-terminal area infrastructure and associated services such as navigational aids, search and rescue (SAR) times, alerting, flight planning, flight briefing, aeronautical information services (AIS), and meteorology information;
- b) terminal charges which recover the costs of separation services for IFR and visual flight rules (VFR) operations in tower and approach airspace and for surface movements. The charges also recover the costs of associated airport navigational aids such as instrument landing system (ILS), VHF omnidirectional radio range (VOR), distance measuring equipment (DME), non-directional radio beacon (NDB), and services such as traffic information, automatic terminal information, briefing, AIS and meteorology information;
- c) GA operations at secondary or remote aerodromes are usually levied a flat charge based on full stop landings (training circuits usually only involve one full stop landing).

#### 4. CONCLUSIONS

4.1 The Indonesian Government is in the process of unifying the provision of air navigation services in the hands of a new single corporatized government-owned provider, the ANSP Indonesia, in order to improve efficiency and increase flight safety. The unification is also aimed at supporting a seamless sky program and the integration and harmonization of implementation of air navigation services with the adjacent flight information regions (FIRs) and the Regional Plan.

4.2 With the establishment of ANSP Indonesia, the Indonesian air navigation charges will be reviewed in light of Law No. 1 of 2009 and ICAO's policies on charges as well as best practices. The current arrangement falls short of the ICAO principle that charges should recover all costs including capital and depreciation as well as operating costs.

4.3 The Conference is invited to note the information provided in this paper.