

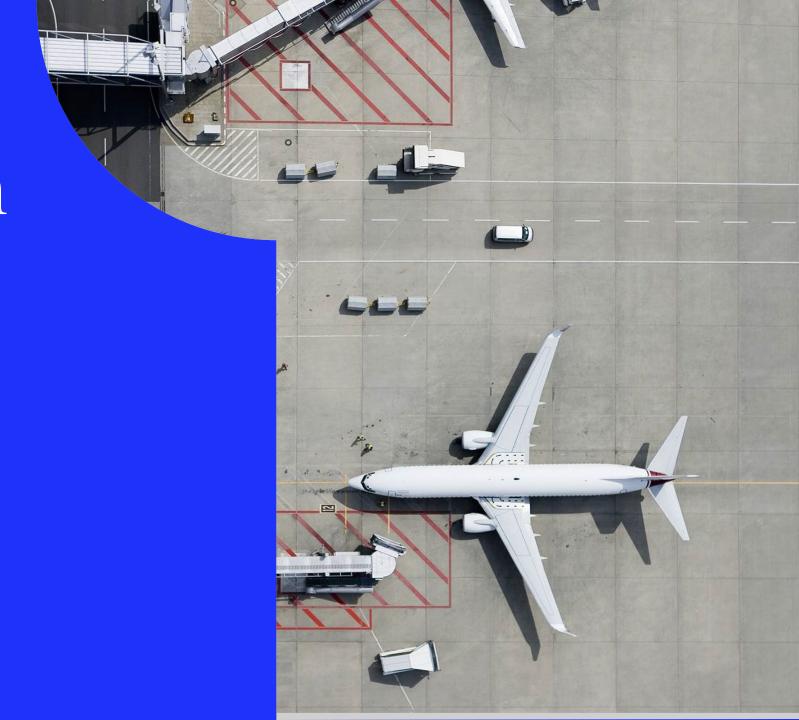
Rose Al Osta

Regional Manager, Charges & Infrastructure

28 – 29 October 2024 Doha, Qatar

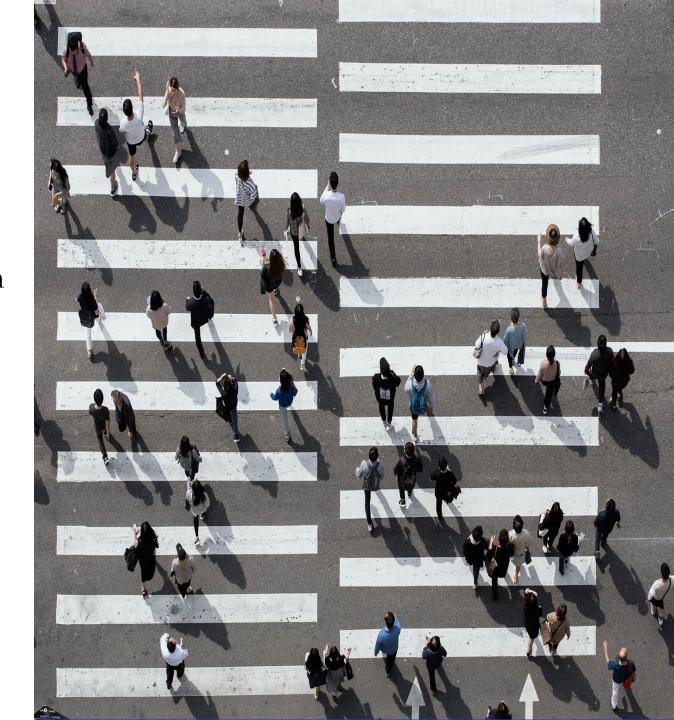


Introduction



Session Outline

- ✓ User charges | An industry priority
- ✓ Airlines perspective on the topic of user charges
- ✓ Value of aviation | A call for collaboration
- ✓ IATA's role | Governance | References | Guidance material
- ✓ Regional challenges
- ✓ Airlines expectations for a meaningful consultation
- ✓ Positive regional developments | KSA



The global trade association of the world's airlines

Founded in Havana, Cuba in April 1945

IATA in Brief

330 passenger and cargo member airlines, representing **80%** of global air traffic

Vision

Working together to shape the future growth of a safe, secure and sustainable air transport industry that connects and enriches our world

Mission

To Represent, Lead, & Serve the airline industry

User Charges | An industry priority

- ✓ IATA supports many areas of aviation activity and helps formulate industry policy on critical aviation issues
- ✓ Our mandates come from our Member Airlines steered through the Board of Governance (BoG)
- ✓ User charges is a top priority for our member airlines
- ✓ Global & regional working groups driven by our member airlines formulate our strategy for Airport and ANS charges

Safety

Security

AIM

AT(F)M, Flight, & Fuel Efficiency

User Charges

Quality & Auditing

Passenger, Baggage, & Facilitation Cargo & Ground operations

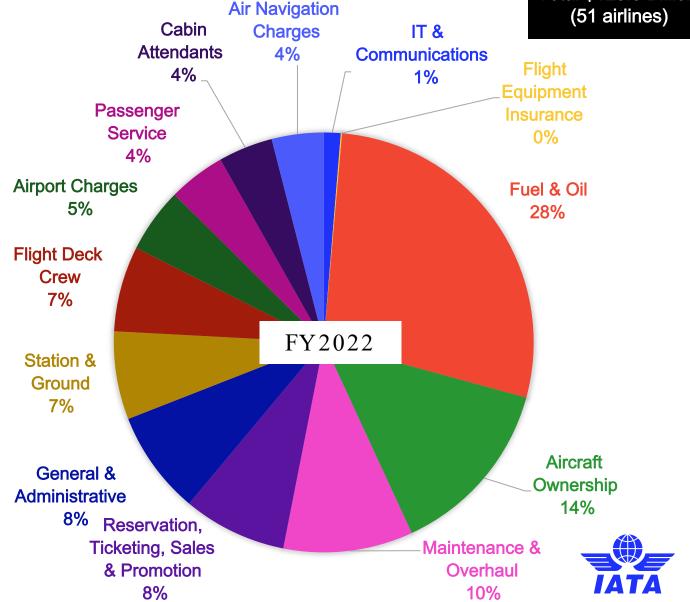
Fuel



Airlines' Operational Cost

From a charges/service provider perspective, the impact/cost is at two folds:

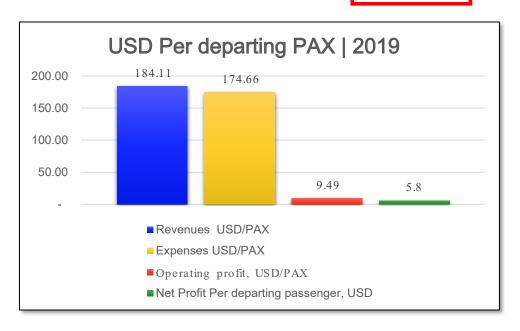
- 1. Direct impact: a significant contribution of 9% to airlines' operational costs (combined for both ANSPs & airports)
- 2. Indirect impact: directly related to the service levels. An inefficient infrastructure will reduce operational efficiency & increase the contribution to airlines costs (e.g. more fuel burn = a higher cost)

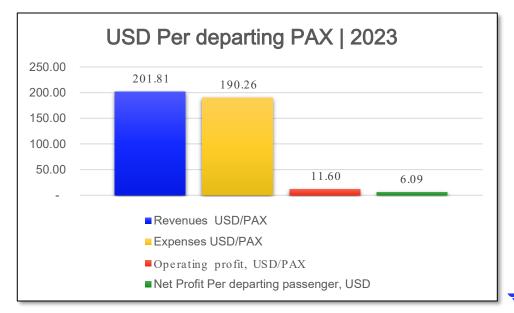


Total \$123.8 Billion

Airlines Financial Performance

Global airline industry	2019	2020	2021	2022	2023	2024F
Revenues, USD billion	838	384	513	738	908	996
Expenses, USD billion	-795	-495	-556	-727	-856	-936
Operating profit, USD billion	43.2	-110.8	-43.5	11.2	52.2	59.9
Net profit, USD billion	26.4	-137.7	-40.4	-3.5	27.4	30.5
Per departing passenger, USD	5.8	-78.38	-17.63	-0.99	6.09	6.14







Unjustified charges prevent the aviation industry from flying



Value of aviation in Middle East

Jobs supported by aviation

Total GDP supported by aviation

Tourism catalytic GDP supported

Annualpassengers

% of global passenger traffic

Annual air freight

Source: IATA / ATAG ABBB Report

3.4 million jobs

\$213 billion

\$87 billion

206 million

4.6%

6.6 million tonnes



Common Interests Across the Value Chain

- Key interests are widely the same. Yet they need to be aligned and dimensioned.
- What everyone wants: Make money, good infrastructure, & independence.

Government

- Long term wealth growth
- Happy public
- Good infrastructure
- Someone else to pay for investments
- Connectivity
- Funding

Passenger

- Wide choice of destinations
- Affordable and safe travel
- Good and accessible infrastructure

Regulator

- Independence from government interference
- Sufficient staffing and competence
- The means to regulate

Concessionaire

- To make money (to receive the best return on investment)
- Little to **no** interference

Airports / ANSPs

- To receive the **funds** to invest and to grow
- To deliver the concessionaire's expectations and more (money)
- Be free from interference

Airlines

- Good, safe and re liable infrastructure
- Low charges
- Strong regulator with independent oversight
- Efficient airport/ANSP management

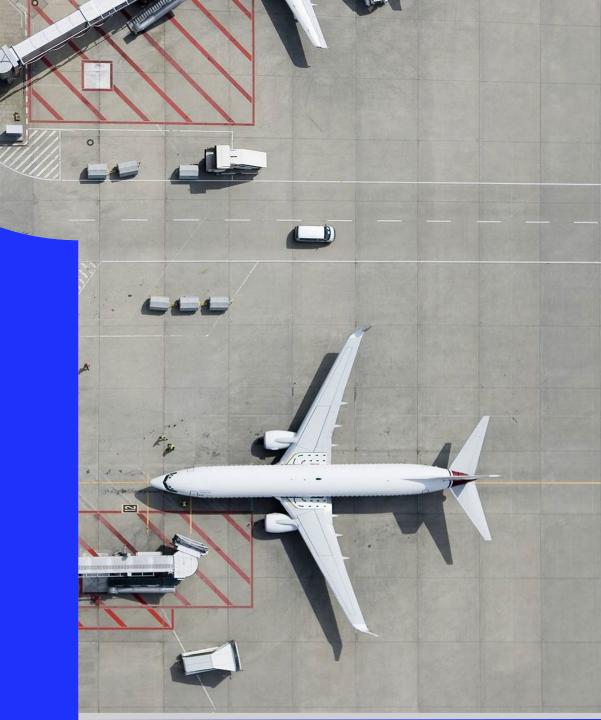


Collaboration is Key

- Each side has an interest in the financial well-being of the other.
- Understanding each other's perspective develops trust.
- It is not about who takes the bigger piece of the cake but to increase the size of the overall cake.
- Partnership will be tested in rough times. Good partnerships will always survive and grow.



IATA's Role in User Charges



What we do . . .

Airport & ANSP Charges

- Facilitate and represent member airlines in charges consultations (financial & operational)
- Assess cost increases &coordinate airlines feedback &user requirements
- Advocate for good economic regulatory practices

Infrastructure Development

- <u>Objectives</u>: Ensure that airport/ANSP projects gain early airline community involvement and produce facilities that are demand-led, fit-for-purpose and cost effective to develop and operate
- <u>Scope:</u> Airport/ANSP Campaigns (ACCs, consultations, peer reviews); Standard Setting (ADRM, ICAO, Position Papers); Technical Support (IATA Training, Consulting)
- <u>Impact</u>: Capex has a strong influence on airport/ANSP charges, passenger/airline experience, service quality and operational efficiency

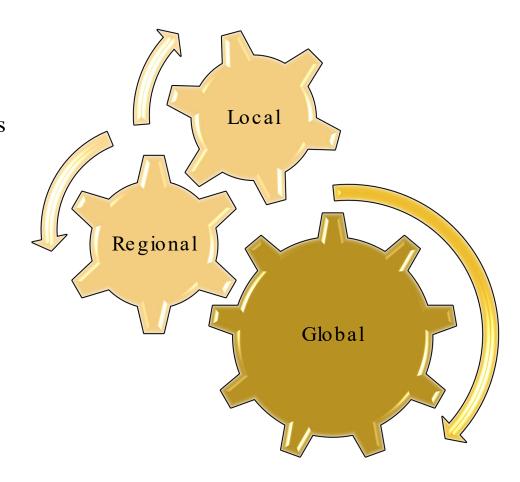
Our Governance Structure

Global Airports & ANSP Charges Working Group

- ✓ 15 members nominated by airlines
- ✓ An advisor to Operations Advisory Council which reports to BoG
- ✓ Develops global policies & decides on approach, direction, & prioritization of campaigns related to user charges, infrastructure developments, economic regulations, privatization, & operational improvements

Regional Groups

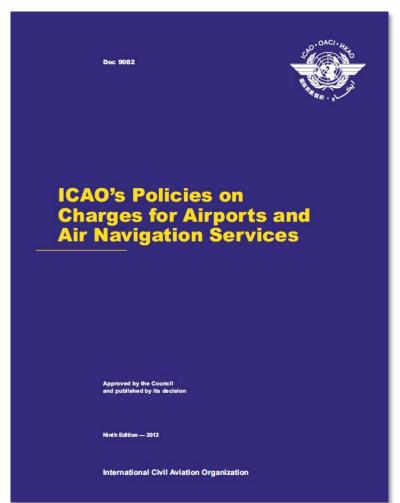
- ✓ Two working groups (Airports, ANSP)
- ✓ Open attendance to all airlines
- ✓ Reviews regional/country specific issues based on airlines priorities & feedback.
- ✓ Acts as advisor to AAWG in case of required changes in global policy





Our References

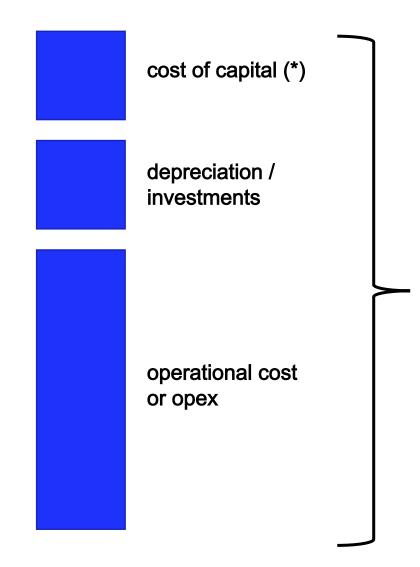
- ✓ ICAO Article 15 of the Chicago Convention represents the foundation of the charges framework
- ✓ Airports and ATC companies fall under the scope of the ICAO policies guidance & framework.
 - ➤ ICAO Doc 9082
 - > ICAO Doc 9161, Doc 9562
- ✓ Four key charging principles:
 - 1. Cost relatedness
 - 2. Transparency
 - 3. Non Discrimination
 - 4. Meaningful user consultation with 4 month notice
- ✓ Building block methodology for determining user charges





Building Block Methodology

- ✓ The building blocks define the total cost of the company related to chargeable services
- ✓ This concept is applied by many regulators when determining the overall charges level
- ✓ The company needs to be able to recover its reasonable cost and generate cash flow for investments
- ✓ Many ANSPs/Airports in the Middle East support the aviation sector and don't go for a full cost recovery model due to government subsidies. User consultations still take place to showcase the Governments' support for the aviation sector in full transparency.





Information Requirements | ICAO

Worksheet

- ✓ Traffic forecasts & assumptions
- ✓ Operating expenses
- ✓ Capital expenditure, asset value & depreciation
- ✓ Rate of return
- ✓ Planned investments & improvements
- ✓ Charging scheme, unit rate calculations
- To facilitate & ensure effective discussions, IATA created a template to be provided prior to user consultation meetings

-	Financial Information	TRAFFIC						
		Actuals	Actuals	Actuals	Actuals	Actual	Plan	PI
		2019	2020	2021	2022	2023	2024	20
	Traffic development NUMBERS							
	International Traffic (# passengers)							
	International Traffic (#Movements)							
	Domestic Traffic							
	Traffic development ANNUAL GROWTH RATE							
	International Traffic (# passengers)							1
	International Traffic (#Movements)							
	Domestic Traffic							
	Traffic development REVENUES							
	International Traffic							
	Domestic Traffic							
	Notes:							
2	For 2023 please provide the most recent traffic actuals and Please indicate if traffic for which payment is not received (I Please indicate the traffic figures per category where paym	bad debt) is included						
								1



Available guidance & tools

- Position papers & guidance available to airlines and external stakeholders
- Available on:

www.iata.org/airport-charges

www.iata.org/airport-development

www.iata.org/en/programs/ops-infra/airtraffic-management/air-navigation-servicecharges/



Potential financial and operational measures to mitigate COVID-19 impact related to Airports and ANSPs

Purpose and recommended approil IATA regions have been active to reach out to go irlines and to ask for relief measures / packages Rel tentified in the Financial Health Artino Plan

For any follow up engagement with selected governous measures to be raised to help mitigating the financia is not applicable to all airports/ANSPs and governme be selected when engaging the stakeholders (also for ATMAND).

· Pre-funding is unreasonable as there is n





7.2.3) RAB/Assetbase... 7.2.4) Depreciation...... 7.2.5) WACC....

7.3. Charges based on cash flows.....

7.4. Charges under Concession contract
Dealing with Capex.

8.1 General guidance – Capital Investmer
8.2 General guidance – beyond 2020 Cac

8.3 General guidance - all projects.....

8.4 Capex Reviews – what to expect and it.

8. What to do with airports that don't h

7.2.6) Til......

Deloitte.

Airport Governance

December 2020



Border control costs

nacional border control is a State responsibility and provided directly to citizens. As such, State implement processes and provide resources to support their national legislations, principal hydrogens and provide adequate funding of the control appropriate provide adequate funding of the control appropriate.

SITUATION

National governments are responsible for State border control functions such as passport control, immigration, quarantine, customs, and obserance functions irrespective of the mode of transport. Dates around the world are reviewing their processes, notably using rever tools and systems to improve the effectiveness of these controls while simultaneously working forword to facilitating passenger while simultaneously working forword to facilitating passenger and extensive their processing. Different jurisdictions have diverse needs in this respect, and States balance there needs with

I some countries, nowever, aviation has been single of an dialrines or their customers are being asked to cover the losts of State public functions, which is not the case for their modes of transport, where the national budget is in dequacy with national ambitions. Thereas all rilines and their customers benefit from other this captions involved the novemberatal authorities.

ereas airlines and their customers benefit from other bodies services provided by governmental authorities actly on their behalf, as e.g. passenger and luggage curry screening, they do not have a benefit from the igation that their customer need to go through passport troo, immigration etc. This obligation is imposed directly serds the individual citizens.

INTERNATIONAL PRINCIPLES

'Each contracting State agrees to adopt all practicable measures, through the issuance of special regulations on otherwise, to facilitate and expedite marigation by aircraft between the territories of contracting States, and to part unnecessary delays to aircraft, crieve, passengers an acraps, expecially in the administration of the laws relating to immigration, quarantitine, customs and clearance." — Obego Convention

ould be incurred for more general security functions informed by States, such as general policing, intelligence thering and national security." CAD Policies on things for Alpotts and Air Navigation Services*

"Contracting States shall develop effet technology to increase the efficiency and their procedures at airports." I DIA terms

IATA POSITION

It would violate fundamental prin discriminatory if airlines and their custom border control measures or other c responsibilities, especially when no equit levied on other forms of transportation.

hurt States by negatively impact attractiveness of the country, and the so benefits of aviation, international air can travel are enablers of economic growth a smooth crossing of national borders. Staequip national border facilities at airports efficiently to provide a reasonable experience and maintain connectivity.

processes, it is not the role of ca passengers, or airlines to fund these fat the role of other bodies, such as airport airlines to pay. Border control is not the safety role of airlines.

States aim to ensure their facilities a effective in their primary border control or efficient. Technologies automating bord States by leading to lower processin importantly, allocating border staff to tasks such as secondary inspections, it charge cargo, passengers, airlines, or improvements.

to find the most a circumstances.



Executive Summary - Covid-19
Terminal Capacity Impact Analysis

1.Introduction

IATA's Airport Development Issum for COVID-19 on existing airport termina that may be implemented at accord-

The purpose of this analysis is to unde identifying terminal capacity constrain of measures being imposed at airport conclusions based on defined plannin advise on IATA policy.

> To conduct this analysis IATA has de the recommended methodology dec

The model is designed to calculate ap parameters and compares those outg measures. The model can also be app processing units are known. It should that emerge whether hypothetical or

An important point to note is that existed and queueing remains unchanged to outputs are presented as capacity to the results for each scenario are disp

- Red indicates severe capacity consistency immediately after restart.
- Amber indicates significant capac to manage them with reduced trail
- measures.

 Dark green indicates the optim

REPORTANT NOTE

between industry stakel

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Funding of health measures at airports

Governments must abide by existing guidance related to health-related infrastructure at airport from the World Health Organization (WHO) and International Civil Aviation Organization (ICAO)

SITUATION

Following the 2019-2020 outbreak of COVID-19, several countries or authorities have either introduced or are contemplating additional somening measures at airports. Some measures are also being considered to prevent the second of communications.

Without clear guidance for the global industry, there is a risk that a variety of different measures and funding

IATA POSITION

inth emooraging ingentments to contribute the dipolyment of health-related infrastructure and measures at alposts. This must be done not only rationally but internationally. A patchnoish of different frameworks risks confusing travelers, introducing inefficiencies and cassing unnecessary additional compliance costs on alports and affines. Artifines and airport operators should be included in discussions to assess the practiculies of implementing assess the practiculies of implementing

Ultimately, the goal of public health measures is to protect the general population, in many cases beyond passengers and employees working at airports and on aircraft. As such, these measures should be funded by the general public health husband.

Actiole 40 of the WHO International Health Regulations' states that there should not be any charge related to medical examination, vaccinations, insiderol/quarantiehealth measures applied to baggage or insuance of health coefficiates. Accordingly, there should be no charge to passengers for these services, infrastructure and equipment either directly or indirectly through charges to antiens not through tases on passengers.

Through its Doo. 8632, ICAO urges Member States to follow the ICAO policies on taustion and to not impose taxes on the sale or use of international air transport, noted that anything contrary to this could create impediments to the sound recovery and development of air travel and the Istate's economy a large.

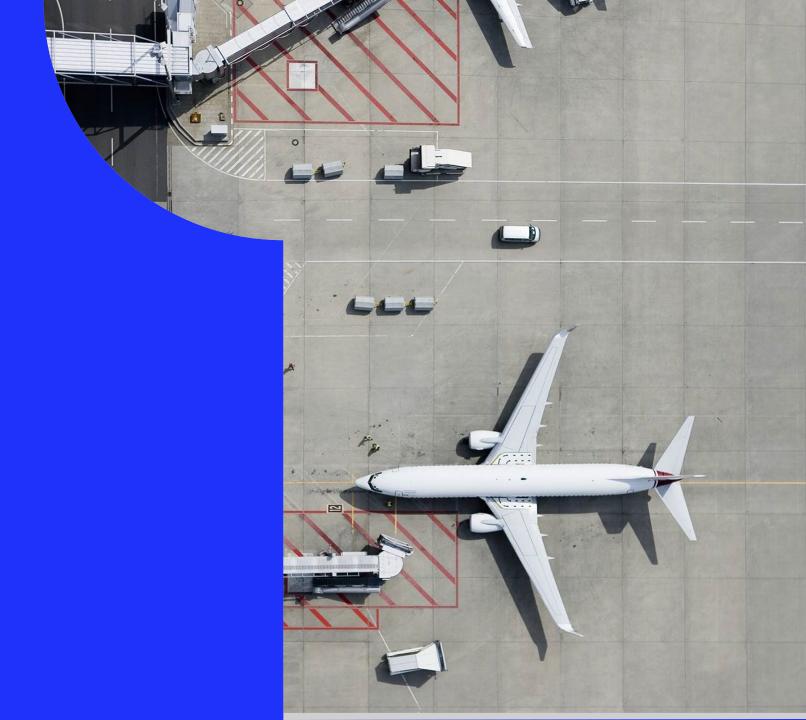
described above should comply with the principles of the WHO regarding non-discriminatory cost-recovery are read populates. Health-enibed infrastructure for screening of crew should be adapted to limit the impact on aircraft the operation.

ing gringer or inconstructions should apply up on operational and financial aspects of health-relat measures, while recognizing the need to vary the measures based on risk category international brueilers alinines should not be aliked to subsidize a country's hea measures in the same way as domestic passengers airlines should not subsidize measures for internation travelers.

All efforts should be made to accommodate healt screening measures within the existing infrastructure. While airlines should not be required to perform tasks of behalf of government authorities or airports, if this is don for practical reasons any associated costs incurred should be covered by the State and reimbursect to airlines.

Operational disruption should be minimized while eff passenger flows and level of service are maintained si infrastructure projects for temporary requirements be avoided to minimize unnecessary expenditu infrastructure. To the extent possible, me me implemented should be temporary in nature and nem once no longer needed.

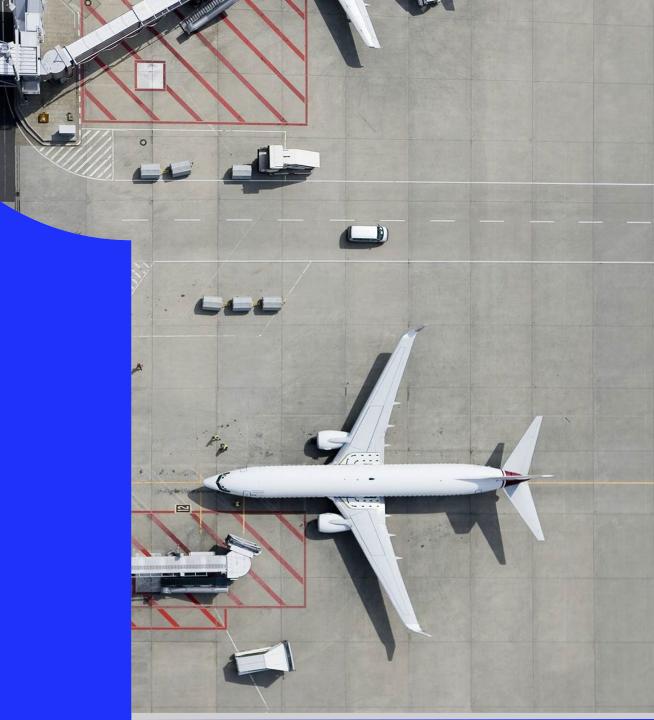
Regional Challenges



Challenges often faced in MENA

- o Sanctioned countries.
- o Complex decision making process (MoF, MoT involved).
- Lack of economic regulations & regulatory oversight.
- o CAA playing a dual role. A service provider & a regulator.
- Lack of adherence to ICAO process standards:
 - No user consultations (Surprise!)
 - User consultations of poor quality
 - A tick in the box, no meaningful consultation
 - Limited transparency
 - Not cost related (cross subsidization)
 - Discriminatory
 - Done when it is too late
- Lack of understanding of the airlines business which results in implementation challenges (ex. Passenger fees &charges)

Airlines
Expectations
for Meaningful
Consultations



Expectation 1 | A regulated environment

- ✓ An independent regulator
- ✓ Robust economic regulations for setting airports & ANSP charges inline with ICAO Doc 9082
- ✓ A clear & neutral dispute settlement mechanism for appeals

Economic oversight

- 12. States' exercise of their economic oversight responsibilities should be clearly separated from the operation and provision of airports and air navigation services, with roles and powers clearly defined for each function.
- 13. The main purpose of economic oversight should be to achieve a balance between the interests of airports and ANSPs, including government-operated providers, and those public policy objectives that include, but are not limited to, the following:
 - Minimize the risk of airports and ANSPs engaging in anti-competitive practices or abusing any dominant position they may have;
 - Ensure non-discrimination and transparency in the application of charges;
 - iii) Ascertain that investments in capacity meet current and future demand in a cost-effective manner; and
 - iv) Protect the interests of passengers and other end-users.

To promote these objectives, consistent with the form of economic oversight adopted, States should ensure that airports and ANSPs consult with users and that appropriate performance management systems are in place.



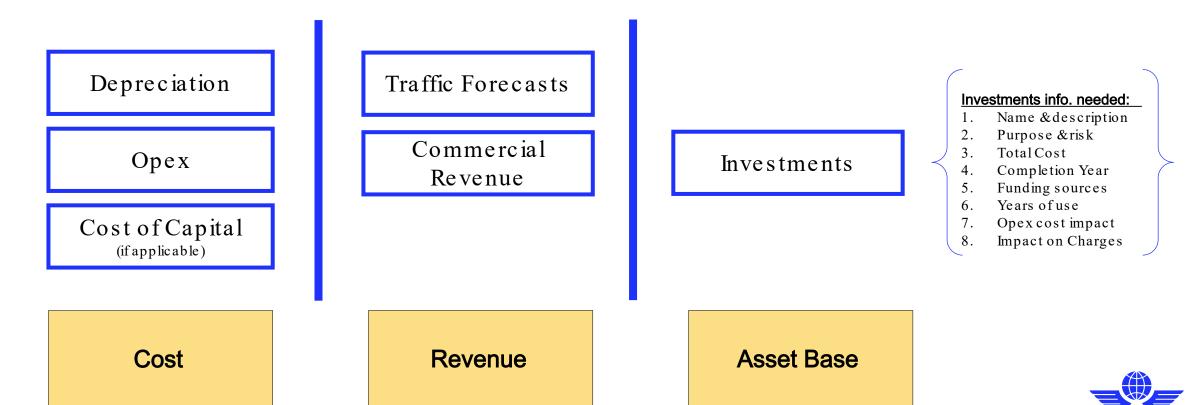
Expectation 2 | Transparency

- ✓ Transparency is an integral aspect of any progressive commercial relationship between a provider and its customers.
- ✓ Airlines need adequate information on major developments at airports/ANSPs, the rationale for any charge proposal, charge setting formula, and the methods used to establish values used in the formula.
- ✓ Key reasons why transparency is important:
 - ✓ An ICAO requirement.
 - ✓ Airlines need to know exactly for what they are paying for.
 - ✓ Providers & regulators need to justify the charges structure & demonstrate that the charges are cost-based and non-discriminatory in line with ICAO Policies.
 - ✓ A meaningful and productive consultation can only take place if airlines have enough detailed information to analyze.
 - ✓ Airlines need adequate information to evaluate the providers' future operational plans to ensure that the investment is cost effective and meets future requirements.



What is Transparency?

- ✓ Transparency can be seen as by how much does the provided information enable airlines to understand the proposal on prices/charges.
- ✓ IATA developed a simplified template with minimum data requirements to facilitate discussions.
- ✓ Transparency for financial, operational, and planning parameters is important.



Expectation 3 | Cost Relatedness

Airports / ANSPs should:

- o maintain accounts that provide a satisfactory basis for determining and allocating the costs to be recovered,
- o publish their financial statements on a regular basis,
- o provide appropriate financial information to users in consultations.

States should ensure that Airports / ANSPs maintain their accounts, where appropriate in accordance with internationally accepted accounting standards, in a manner that ensures that airport/ANS charges levied on international civil aviation are properly calculated

Identification of facilities & services related to charges

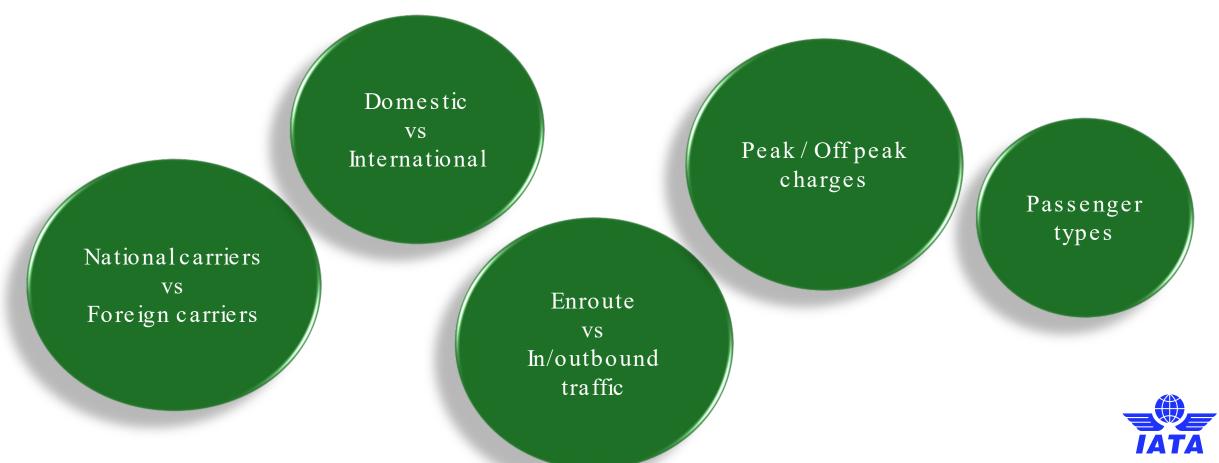
Separate accounts per line of business/ service Fair allocation of shared costs

Pay as you use (no cross subsidization, no prefunding)



Expectation 4 | Non Discrimination

- ✓ Airlines / Passengers should pay their fair share for using a service
- ✓ Discrimination distorts competition as one group of airline users is subsidizing another group of airlines engaged in similar air operations.



Expectation 5 | Meaningful Consultation

- ✓ Multiple meetings (not a one-way informative session)
- ✓ Information shared ahead of time
- ✓ Consultative nature
 - ✓ Timing: Early before a proposal is made to decision makers
 - ✓ Responsiveness: Addresses raised concerns, implementation challenges..etc
 - ✓ Openness: Room for negotiations



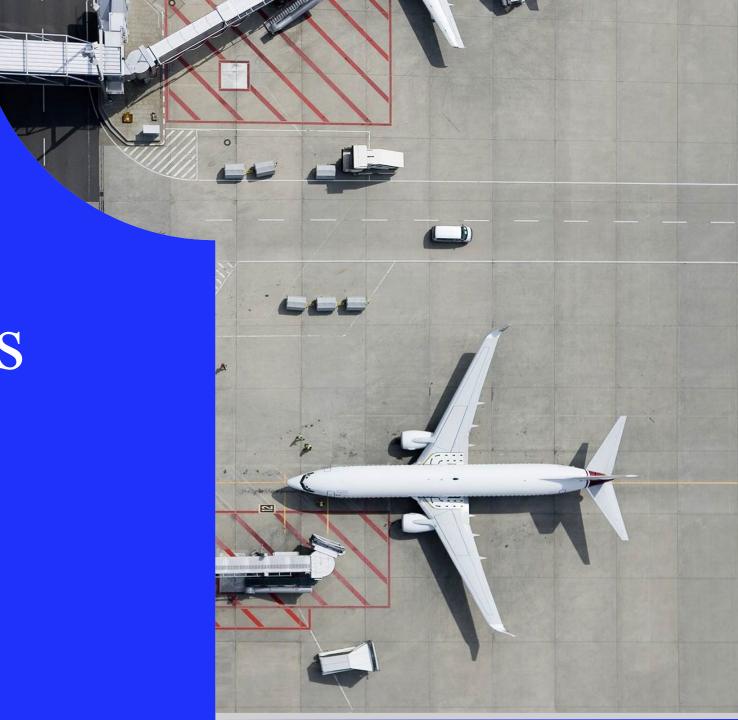


Expectation 6 | Sufficient Notice

- Meaningful consultations are normally exhaustive and require adequate time.
- o The minimum time frame recommended by ICAO for a meaning ful consultation is 4 months.
- Airlines budgeting cycle is usually in Q4
 each year. Any unplanned charge increases
 would negatively affect their financial
 performance.
- As airlines sell tickets ahead of time, passenger related charges are very difficult to recover & airlines end up bearing the cost.



Positive Regional Developments



KSA | Introduction of Economic Regulations

- ✓ Strong leadership at State level.
- ✓ Vision 2030 with very ambitious targets for the aviation sector.
- ✓ The introduction of economic regulations was a regional breakthrough. The first and only State in MENA to regulate airport charges.
- ✓ Key features of the regulation:
 - ✓ A mandate to consult with airlines on airport charges AND on airport infrastructure investments.
 - ✓ Introduction of service of quality regulation.
- ✓ The effectiveness of the regulation will be tested upon implementation.



