



SAFE SKIES.
**SUSTAINABLE
FUTURE.**



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Aviation Satellite Account

Aviation Satellite Account

A methodological framework to measure-

Direct economic contribution from civil aviation

Includes contributions from air transport and related services

Supports policy and decision-making with data insights

Economic Contribution and GDP

- Economic contribution is synonymous with GDP
- GDP: Gross Domestic Product
- Measures the total value of finished goods and services produced
- A key indicator of economic performance

Practical Means to Measure Economic Contribution

- Measures the economic contribution from civil aviation
- Focus on the Output of final services (passenger and cargo services) delivered

The \$\$ of the Output from final services (passenger and cargo services) delivered is one way to measure the direct economic contribution of civil aviation

Process to Arrive at Direct Economic Contribution (DEC)

- The Direct Economic Contribution (DEC) from Civil Aviation is the sum of (a+b):
- Value added by intermediary producers: Inputs used to deliver services, such as fuel suppliers, airport services like landing charges, and route navigation charges. (a)
- Value added by the airline delivering the final product (passenger and cargo transportation). (b)

Note

1. This approach will give same results as the Value of final output explained in the earlier slide.
2. Intermediary goods/services are the inputs required to produce the final transportation services but exclude wages and salaries.

Illustrative Table: Cost and Value Added

Header	Intermediate Costs	Revenues	Value Added
Fuel (Raw material)		100	100
Refinery	100	120	20
Airline	120	200	80

The Value Added approach focuses on the sum of value added in the final column which is the Value of the final output/service.

Illustrative Table: Cost and Value Added - Tax Consideration

Header	Intermediate Costs	Revenues	Value Added
Fuel (Raw material)		100	100
Refinery	100	120	20
Airline	120	200	80

Output approach: The value of the final goods/service must include taxes.

Value-added approach: Taxes should be included at each stage of Value creation

Revenues are therefore gross revenues inclusive of taxes.

Vetting and Validity Check of Numbers (Expenditure Approach)

Reconcile the final spend of \$200 (Output) with spendings from

- Household (Consumption) H
- Business spending B
- Government spending G
- Exports (Foreign spending) E
- Less Imports if Household includes spendings on foreign carriers I

$$O=E=H+B+G+E-I$$

Vetting the Value-Added Approach

- Reconcile the value added with spendings on
 - Wages
 - Retained earnings (R)
 - Capital expenditures (C)
 - Financing costs (F)
 - Investments (I)

$$V=O=E=W+R+C+F+I$$

Important Caveats

If a fuel supplier sells fuel to a foreign operator:

- Not included in the VA approach as there is no direct economic contribution from civil aviation from foreign operator.
- It will be included as export value-added of the fuel product

Final revenues of foreign airlines operating in your country:

- Should not be included in the calculation.
- If included, they must be excluded as imports under the expenditure approach.

Relationship with Operating costs and Revenues from Income Statement of Air Carriers

The Value added in each stage of the production/service process not including the process of final transportation service is equal to -

- Operating costs less noncash items like depreciation, maintenance reserves and wages. (A)

(A)+Value added from final Stage of transportation service by the airline

= Output revenue from delivery of final transportation service by the airline or DEC from civil Aviation

The Value-Added Approach

- The value-added approach is more rigorous.
- It provides a detailed breakdown of value-added contributions.
- Explains the percentage of value-added generated at each stage relative to the total value-added from civil aviation.
- Analyzing value added from civil aviation at each stage is important for policy makers as the weak and strong links can be identified for informed interventions by policy makers

Analyzing VALUE ADDED SPENDS

- Identifies how much value-added is retained domestically.
- Highlights contributions to generating local jobs and income.
- Determines how much is spent on CAPEX, such as aircraft purchases.
- Tracks jobs and spending abroad resulting from CAPEX investments.

What else is included in DEC from Civil Aviation

The Final Pax and Cargo transportation service is the most important DEC from Civil Aviation to this the following can be included

- Provision of non aeronautical services by airports
- Exports of civil aviation Capex goods related to aircraft manufacturing

Thank You

