



Global Aviation Cooperation Symposium

30 September to 3 October 2014

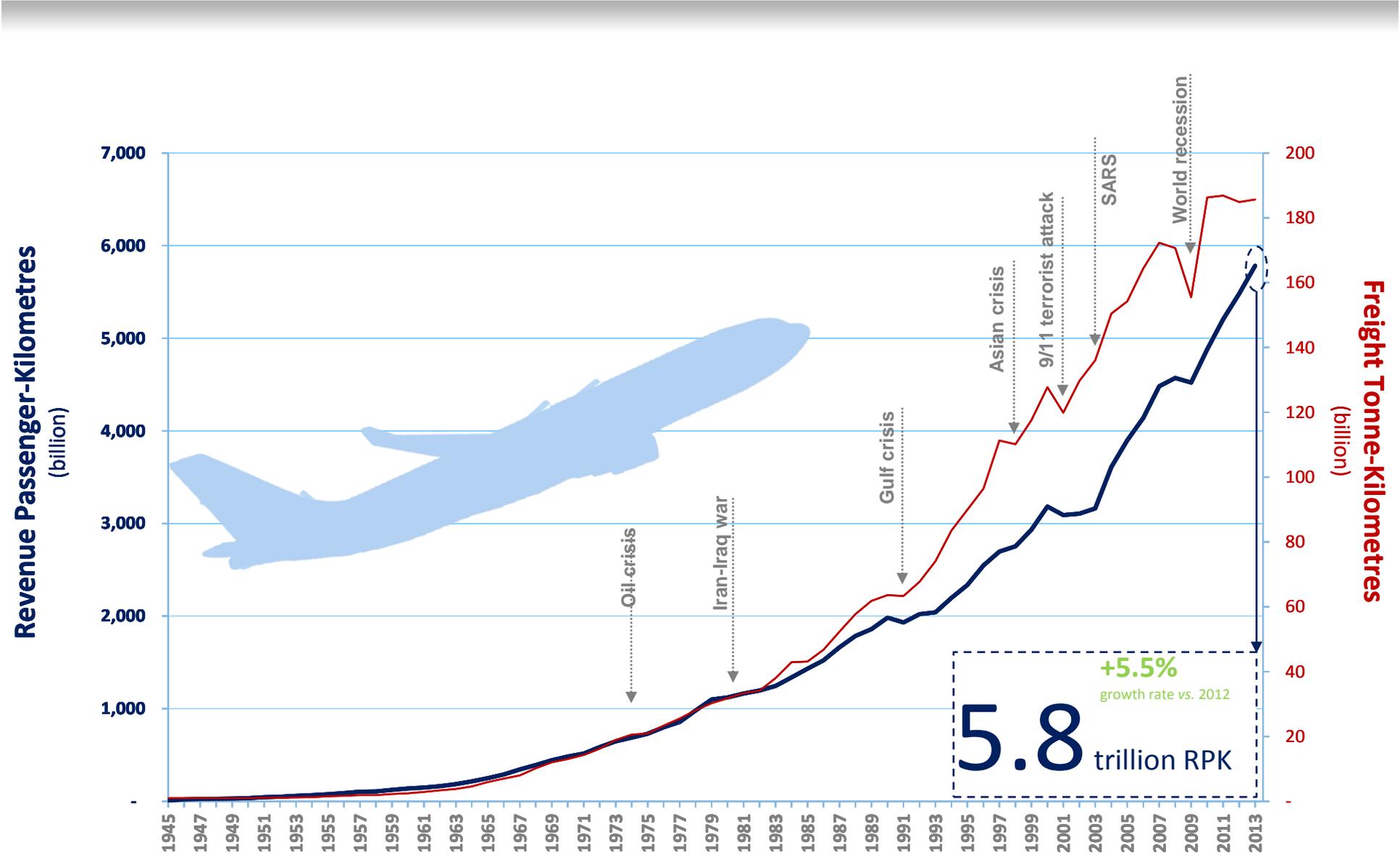
Economic Growth and Financing of the Air Transport

3 October 2014

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Air Transport Development





3.1 billion **+4.5%**
vs. 2012

Passengers carried

32 million **+1.2%**
vs. 2012

Commercial flights performed

5.8 trillion **+5.5%**
vs. 2012

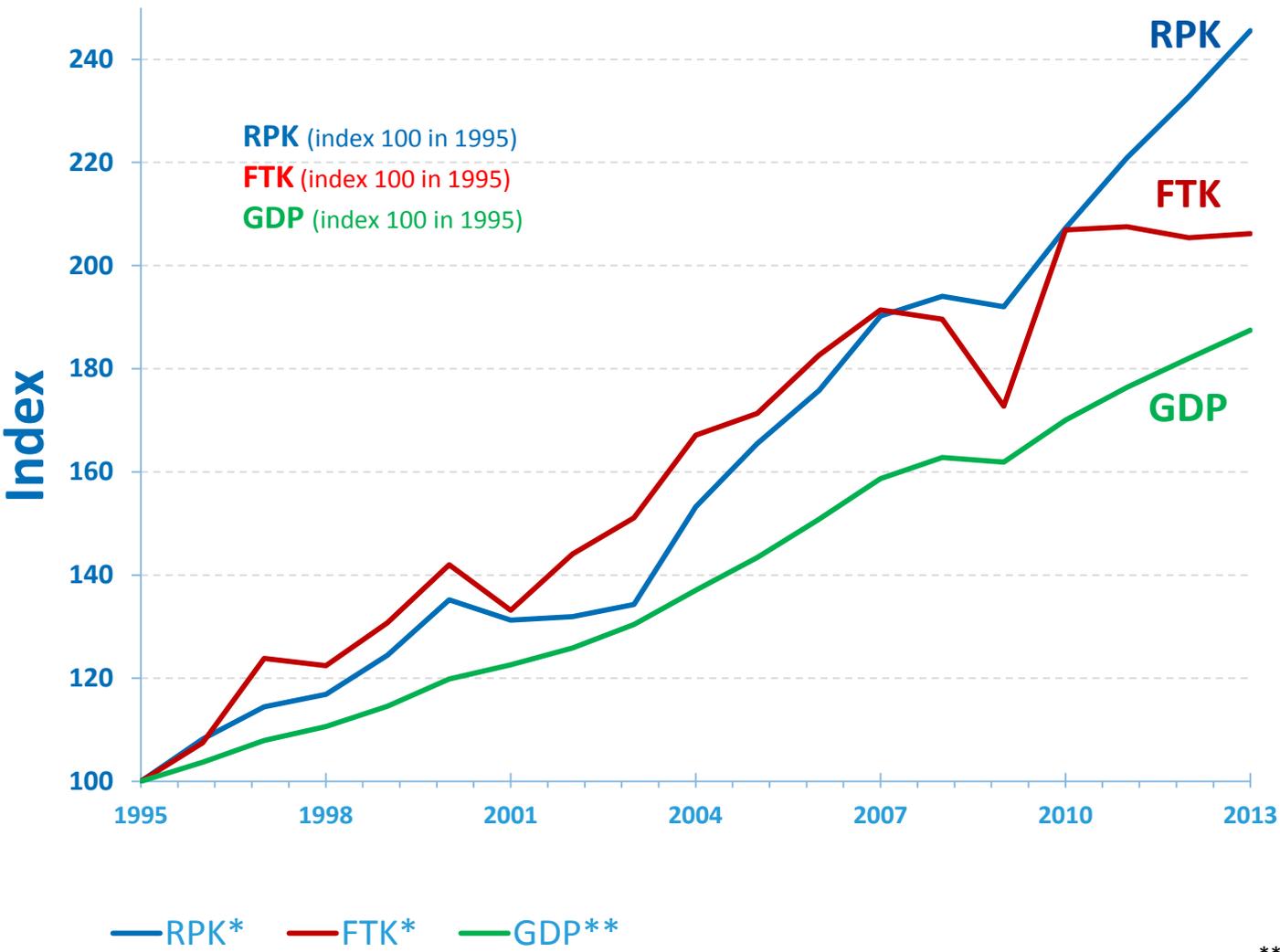
Revenue Passenger-Kilometres

186 billion **+0.4%**
vs. 2012

Freight Tonne-Kilometres



World economy vs. passenger and cargo traffic: 1995 - 2013



A relationship that expresses **traffic in terms of GDP** closely replicates the historical traffic.

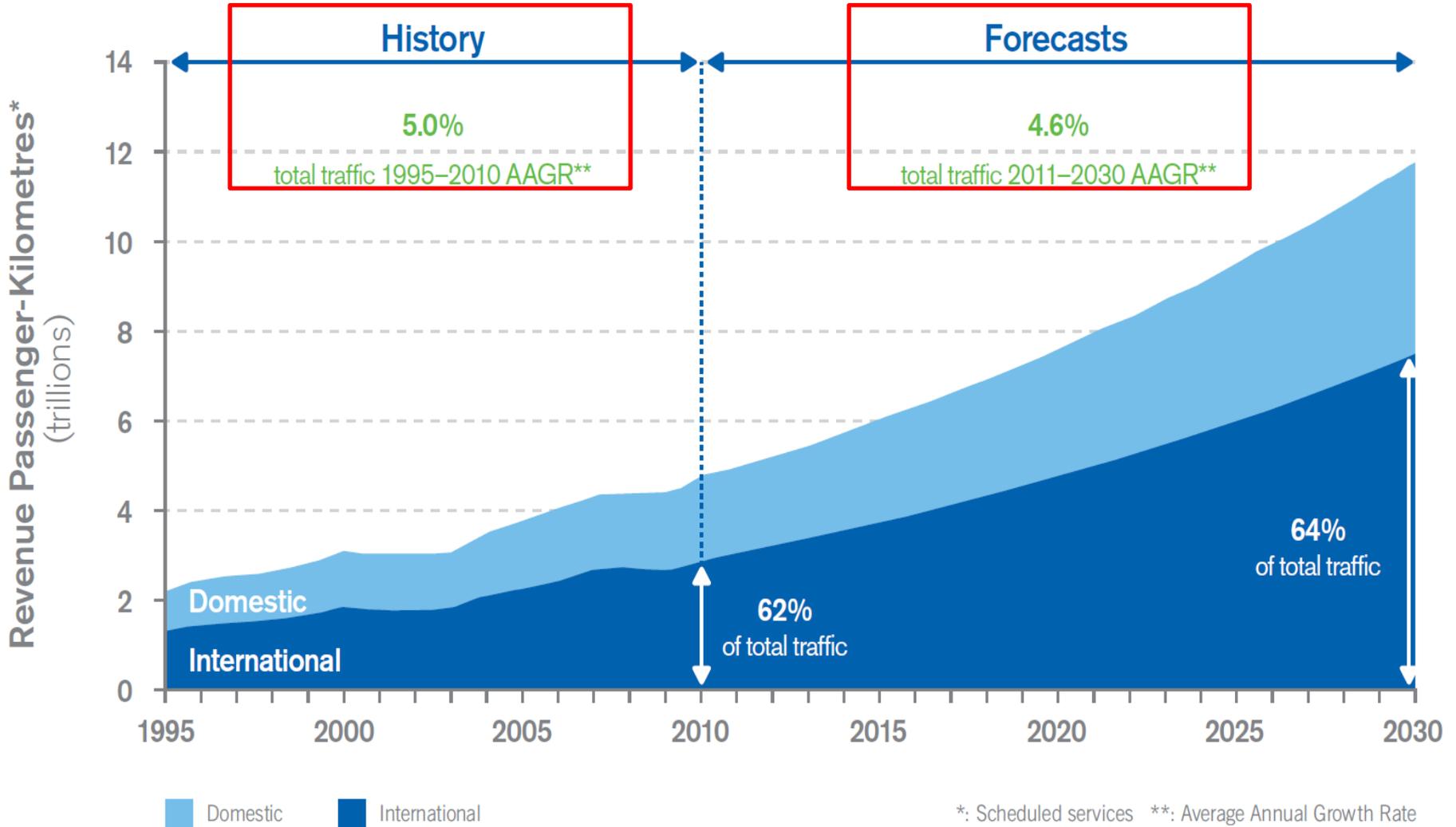


Traffic Forecasts

*: World total scheduled services
**: World Real GDP at Purchasing Power Parity

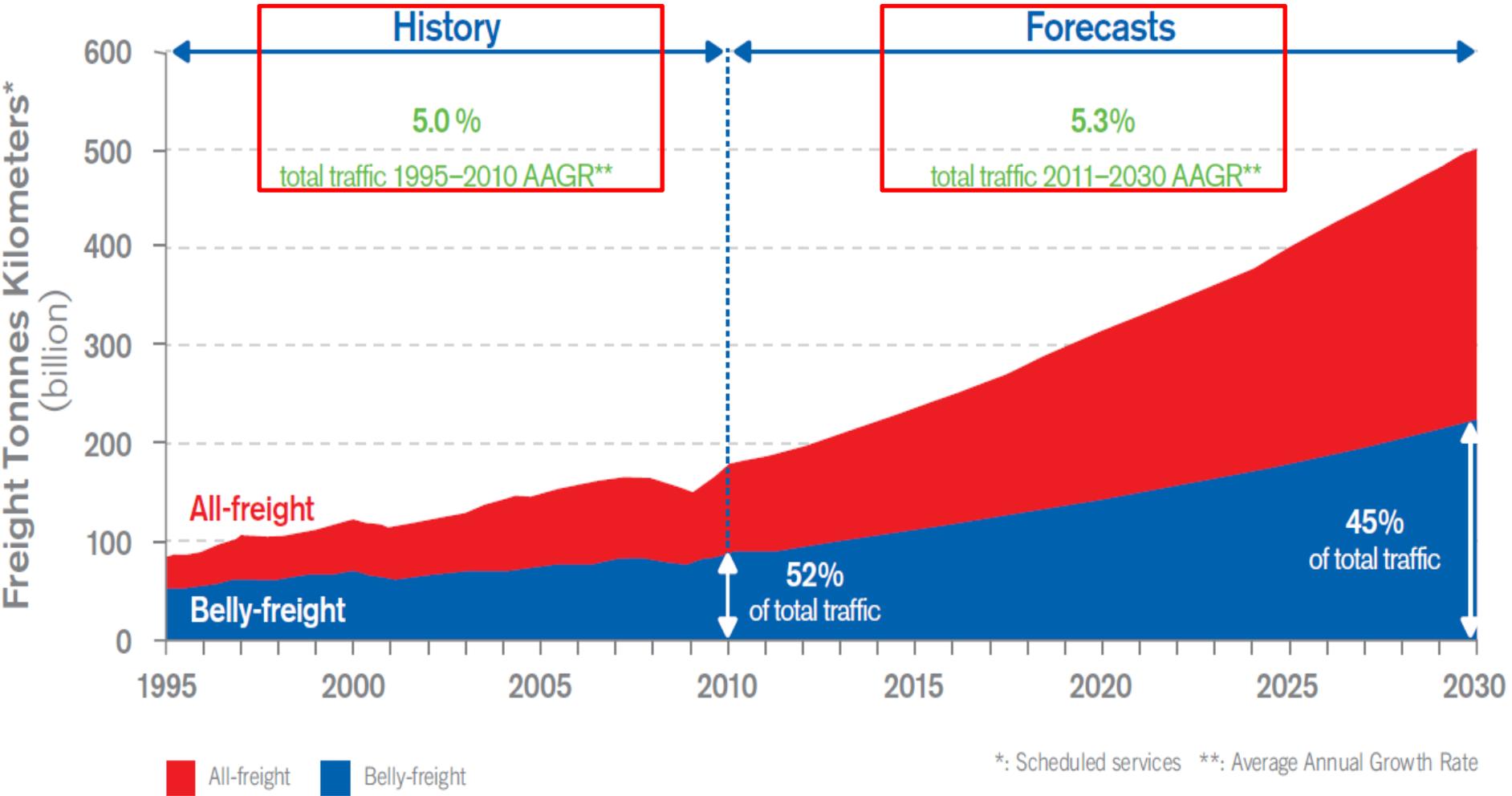


Long-term air traffic forecasts: "GATO" Scheduled passenger traffic





Long-term air traffic forecasts: "GATO" Scheduled freight traffic



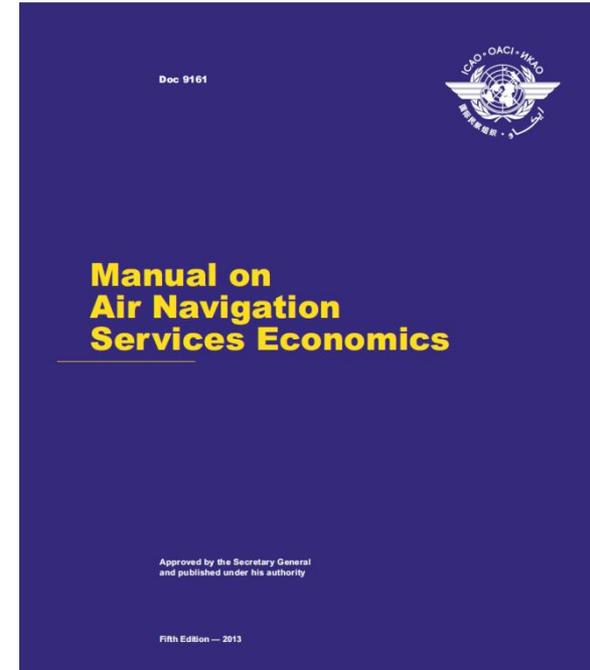
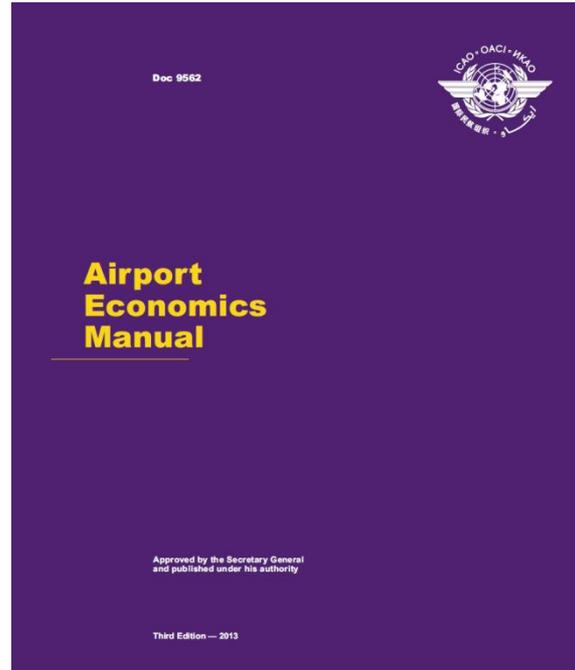
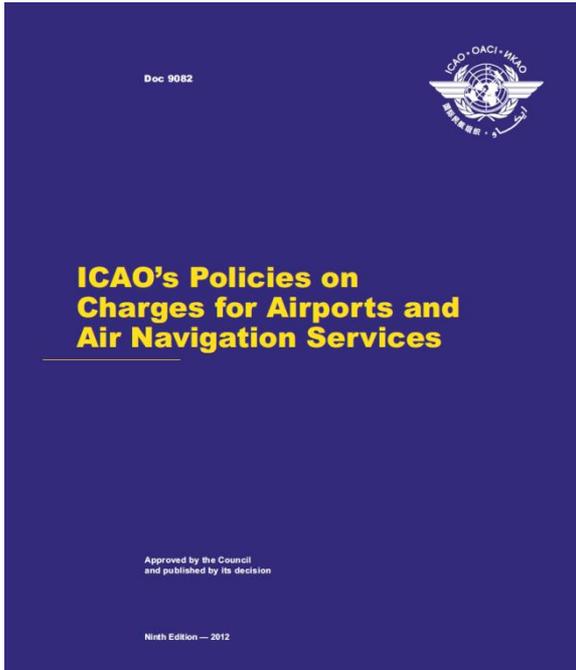


32 *31 million
in 2012*
millions
*Aircraft departures
in 2013*



59 millions
*Estimation of aircraft departures in
2030*

**Need for achieving the modernization of
the aviation system**



ICAO's documents have been updated with new editions of:

- **Doc 9082**, *ICAO's Policies on Charges for Airports and Air Navigation Services* (Ninth Edition in 2012)
- **Doc 9562**, *Airport Economics Manual* (Third Edition in 2013)
- **Doc 9161**, *Manual on Air Navigation Services Economics* (Fifth Edition in 2013)



Private ownership and participation/involvement

- Management contract
- Lease or concession
- Transfer of minority ownership
- Private sector ownership and control
- Private sector ownership and/or operation of parts of the activities of an airport / ANSP

Ownership and management options

- Government ownership
- Management contract
- Lease or concession
- Transfer of minority ownership
- Public-private partnerships
- Private sector ownership and control



4 forms of private participation



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- Management contract

A system of management by which an entity (usually private) takes over the management of a facility for a fixed period on the basis of predetermined payment terms.



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- Lease or concession

The right to occupy certain defined premises or possess some equipment for a **fixed period**, which may be used for business purposes.

The premises or equipment are returned to the owner on expiry of the lease, generally without paying any compensation.



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- **Transfer of minority ownership**

Private participation through **transfer of minority ownership** has taken place either through the **sale of shares to a strategic partner** or through **share flotation**.



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- **Public-private partnerships**
- Private sector ownership and control

- **Public-private partnerships (PPP)**
 - Private and public sectors both participate.
 - Private sector supplies infrastructure assets and services that traditionally have been provided by the government
 - This technique provides private financing for infrastructure investment without immediately adding to government borrowing and debt, and can be a source of government revenue.
 - PPPs also present business opportunities for the private sector in areas from which it was in many cases previously excluded.



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Commercialization or privatization of Infrastructures

- When considering the commercialization or privatization of airports and ANSPs, States should bear in mind that they are ultimately responsible for safety, security and economic oversight of these entities.

Sources of financing

- Domestic sources
- Foreign sources
 - Bilateral institutions
 - Development banks and funds
 - United Nations Development Programme
 - Commercial sources
- Debt financing
 - Credit rating
- Pre-funding of projects through airport or air navigation services charges
- Other sources



- Existing ICAO policies for Infrastructures (airports and Air Navigation Service Providers)
- No policies for airlines nor aircraft manufacturers
- Implementation of the Aviation System Block Upgrade (ASBUs):
 - economic and operational challenges associated with the air navigation services upgrades in particular, and with financing the air transport system in general.



- Twelfth Air Navigation Conference (**AN-Conf/12**), in November 2012,
- Sixth Worldwide Air Transport Conference (**ATConf/6**), in March 2013.
- The **Council, approved recommendations** ATConf/6, at the 9th Meeting of its 199th Session,
- Establishment of a multi-disciplinary working group linked to the implementation of the aviation system block upgrades (**MDWG-ASBUs**).

- First meeting of **MDWG-ASBUs** in February 2014
- 2 Co-Secretaries:
 - 1 from the Air Transport Bureau
 - 1 from the Air Navigation Bureau
- Members, advisors and observers of:
 - **13 Member States**
 - **12 international and regional organizations.**
- **51 participants**

4 sub-working groups

- **WG1:** Identification of **best practices for incentives** (including operational and financial incentives) supporting the implementation of ASBUS
- **WG2:** **Business cases and Cost-Benefit Analysis (CBA)** for ASBUs implementation
- **WG3:** **Schemes to finance** the ASBUs implementation
- **WG4: ICAO Policies:** consider how the findings of MDWG-ASBUs are impacting ICAO policies

Tasks for the MDWG-ASBUs

- a) establish an inventory of **best practices** in existing **operational and financial incentives**;
- b) determine the **parameters and definitions** of, for example, service priority policies;
- c) establish **an inventory of existing financing schemes**;
- d) evaluate to the extent possible the **effectiveness** of the afore-mentioned;
- e) develop **guidance material for business cases and CBA**;
- f) consider **how the policies might be applied** in practice at a State level or regional level; and
- g) consider **how the findings could be reflected** in existing ICAO policies, guidance material and GANP as well as in coordination mechanisms.



→ Airport Economics Panel (AEP) → Air Navigation Services Economics Panel (ANSEP)

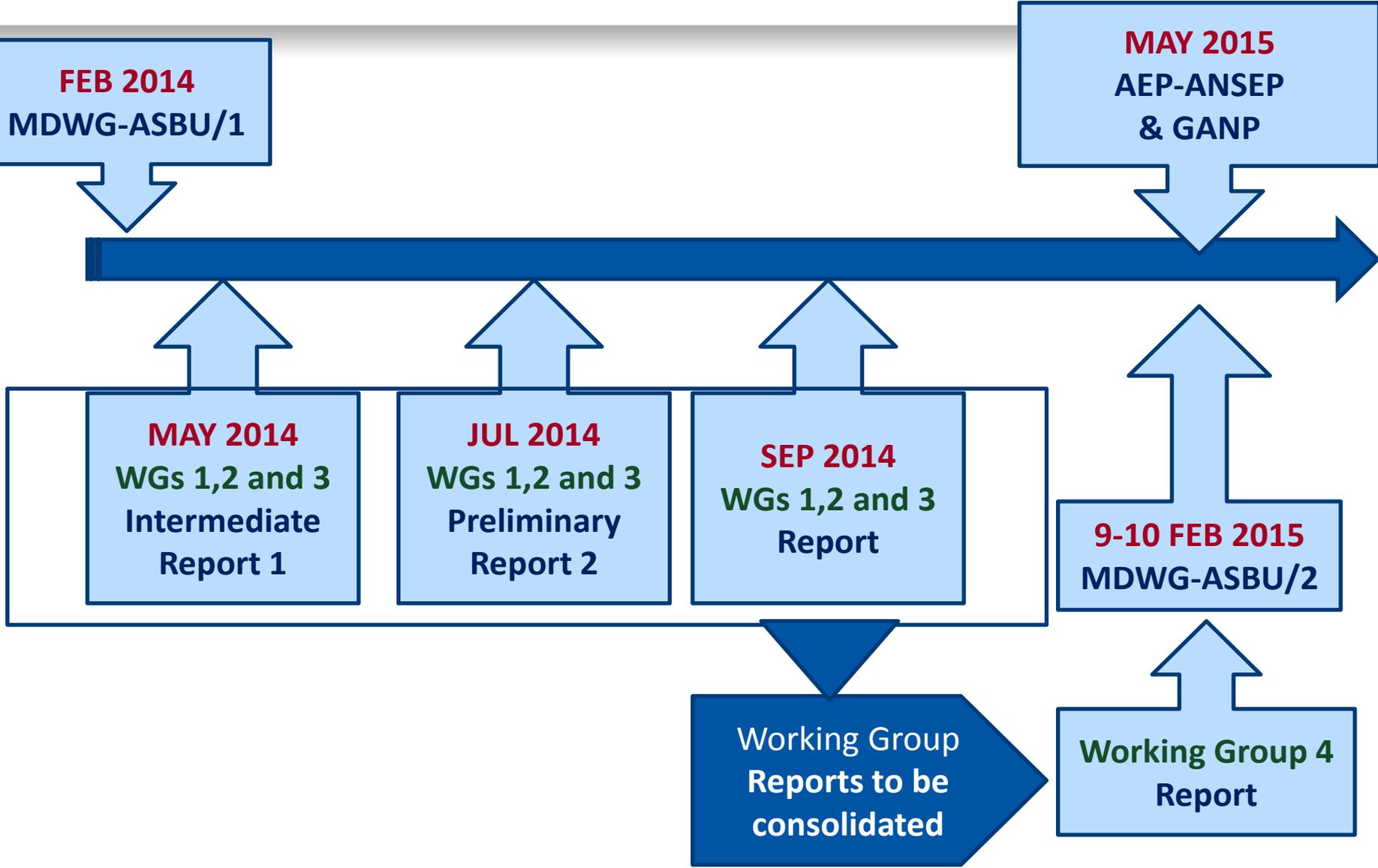
determine if and how the existing guidance could be amended to incorporate the findings of the working group

→ Global Air Navigation Plan (GANP)

determine what, if any, information should be included in the next edition of the Global Air Navigation Plan



Time-Frame



To be ready for the updated GANP for A39



Expected decision on the need to:

- Complement the existing ICAO Documents (Doc 9082, Doc 9161 and Doc 9562) and other operational material
- Develop a new **Manual on Incentives** with the findings of the working groups
- Develop a guidance document for the principles to be used to develop Business cases and CBA
- Add cross-references in the updated version of the **GANP** to be ready for A39

Preparation of the report to be presented to AEP/ANSEP meeting in May 2015
Proposals for amendments to the GANP to be presented in May 2015

Any **preferential charges, rebates, discounts or other reductions** in the charges normally payable for the use of airport and air navigation facilities and services.

*ICAO's Policies on Charges for
Airport and Air Navigation Services (Doc 9082)*

For safeguarding users against potential **negative effects** of differential charges can be derived:

- non-discrimination**
- transparency**
- non-cross subsidization**
- time-limitation**

Incentive:

an instrument that incites a particular course of action

- **financial reward (or penalty) or a change in operational efficiency.**
- through **charging scheme** to encourage users to act in ways that will lead to the desired outcome.
- States should ensure that **the incentive schemes** meet the **principles** set out in Doc 9082:
 - Non-discrimination, cost-relatedness, transparency, consultation with users

Incentive would affect users' decisions on fleet renewal or on the selection of types of aircraft used

- **ICAO has existing policies on financing / funding for airports and ANSPs**
- **Incentives** for economic pricing are defined in ICAO policies

- **In the context of the ASBUs implementation:**
 - **Enlarge the scope of the analysis to other aviation stakeholders** (such as aircraft operators and manufacturers)
 - **How operational and financial incentives** can encourage the financing of the air transport system
 - Business Cases and Cost-Benefit Analysis to the different stakeholders to assess the **investments that aviation stakeholders should finance** in order to implement the **ASBUs**