

**CONFERENCE ON THE ECONOMICS OF AIRPORTS AND  
AIR NAVIGATION SERVICES**

(Montreal, 19 - 28 June 2000)

**DRAFT REPORT ON AGENDA ITEM 3**

## **Agenda Item 3: Funding Issues**

### **3.1 Documentation**

**Secretariat** (WP/8) presented a review of sources of financing for airports and air navigation services and of new trends in infrastructure funding. The Secretariat estimated that investment requirements for airport and air navigation services between now and the year 2010 would exceed US\$300 billion. The results of a survey of States' practices for financing airport and air navigation services, based on a pre-Conference questionnaire, indicated that self-financing had replaced government financing as the most frequently quoted source, when compared with a similar survey in 1991. The increased use of self-financing and borrowing from the private sector were clearly linked to the growing number of autonomous entities managing airports and air navigation services. One of the results of increasing autonomy was a need for greater accountability. Against this background, the Secretariat proposed that existing guidance on practical aspects of infrastructure financing in the pertinent ICAO Manuals be reviewed and updated to reflect the most current trends and how providers of airports and air navigation services might benefit from them.

**Switzerland** (WP/67) described the organizational and financial aspects of Swiss airports and air navigation services.

**IATA** (WP/32) expressed the view that proper cost recovery mechanisms are essential to States in securing financing for CNS/ATM implementation. IATA called for an ICAO programme to assist States in determining the true costs of operating air navigation services, and for more regional cooperation in financing CNS/ATM implementation.

Listed for reference purposes under this item for later substantive consideration under item 5.2 were working papers presented by the Secretariat (WP/15), the United States (WP/103) and ACI (WPs/ 52 and 55).

### **3.2 Discussion**

3.2.1 The Conference considered the information provided by the Secretariat and endorsed the proposal that the existing guidance material on infrastructure financing should be updated. It was recognized that any new guidance should be flexible, taking into account that each State takes its own decisions in the light of its own circumstances.

3.2.2 Some delegates made suggestions as to where improvements were needed in the existing guidance material. These included guidance on ensuring that all direct and indirect operating costs are included in the cost basis for charges; on paying more attention to the issue of return on capital investment; on justifying capital improvements through proper cost/benefit analyses; on development financing; on funding by municipal governments; and on smaller airports becoming part of a network in order to obtain financing more easily.

3.2.3 The problems faced by some States in obtaining financing for infrastructure development gave rise to general comments, and concerns were expressed that many airports may not be able to generate the necessary revenues to sustain their development. It was suggested that there was a need for the international aviation community to develop a collective responsibility for financing infrastructure development - particularly in connection with implementation of CNS/ATM systems - either through the International Financial Facility for Aviation Safety (IFFAS) concept, which is currently under consideration by the ICAO Council, or through some other mechanism.

3.2.4 The Conference also agreed that ICAO should consider the feasibility of further assisting States in determining the true costs of operating their air navigation services in order to facilitate both cost-recovery and the financing of implementation of new services such as CNS/ATM.

3.2.5 In the light of its discussions, the Conference adopted the following two recommendations:

#### **RECOMMENDATION 3/1**

##### **THE CONFERENCE**

RECOMMENDS that the Council revise and update as required the guidance on infrastructure financing contained in the *Airport Economics Manual* (Doc 9562) and the *Manual on Air Navigation Services Economics* (Doc 9161/3).

#### **RECOMMENDATION 3/2**

##### **THE CONFERENCE**

RECOMMENDS that the Council consider the feasibility of providing assistance to States, where requested, in determining the true costs of operating their air navigation services, in order to facilitate both cost-recovery and the financing of implementation of new services such as CNS/ATM.

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