

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

(Montreal, 19 - 28 June 2000)

DRAFT REPORT ON AGENDA ITEM 1

Draft

Agenda Item 1: Economic situation of airports, air navigation service providers and their financial relationships with air carriers and other users

1.1 Documentation

Secretariat (WP/3) presented a study on the financial situation of airports and air navigation services, based on data for the year 1998, with comparisons with 1989 where relevant and possible. The analysis of airport financial data covered 271 airports or groups of airports in 88 States, covering 86 per cent of international passenger traffic but only about a quarter of the 1 178 airports open to international traffic in 1998. The analysis showed that there has been a clear improvement in the financial situation of airports over the last decade. In 1998, for three quarters of the airports covered by the analysis income exceeded expenses. However, the extent of cost recovery may have been overstated because the expense data were incomplete in many instances, for example with regard to depreciation and other capital costs. Also, expenses for areas such as approach and aerodrome control and meteorological services were frequently not reported. Taking that into account, it could be assumed that the majority of international airports for which no data were reported and which generally have low volumes of traffic, still operate at a loss. From the analysis there was some evidence that airports operated by autonomous entities had lower expenses per traffic unit than other airports of comparable size.

As regards air navigation services data were provided by 71 States. The analysis indicated that the financial situation of air navigation services has shown considerable improvement in the last decade. In 1998, income equalled or exceeded expenses in 49 of the 62 States reporting both income and expense data. This was primarily explained by the growing emphasis by States to recover their costs for air navigation services and an increase in the number of States levying approach and aerodrome control charges. However, major cost components such as depreciation or amortization and meteorological services were frequently not included. Bearing this in mind it may be assumed that the majority of States for which no data were reported and which generally have low volumes of traffic, do not recover the full costs of providing air navigation services.

Regarding the impact of airport and air navigation services charges on the financial situation of the world's scheduled airlines, landing and associated airport charges as a proportion of total operating expenses rose steadily from 3.7 per cent in 1989 to 4.5 per cent in 1995 and subsequently declined to 3.9 per cent in 1998 while en route charges increased from 1.5 per cent in 1989 to 2.8 per cent in 1995 and thereafter stabilized, being 2.6 per cent in 1998.

Secretariat (WP/58) presented for information advance data from the next edition of an annual circular entitled *The World of Civil Aviation*, a compilation of the main events in civil aviation in 1999 and passenger traffic forecasts through to 2002.

Secretariat (WP/13) introduced longer term traffic forecasts indicating, *inter alia*, that air transport is projected to increase by a factor of 2.7 during the period 1997-2020 in terms of passenger-kilometres, resulting in a doubling of aircraft movements and number of aircraft with consequent implications for the provision and management of capacity.

Georgia (WP/105) presented for information the trends of development of air traffic in Georgian airspace.

Listed for reference purposes under this item for later substantive consideration were working papers presented by the Secretariat (WP/18) addressed under item 2; International Business Aviation Council (IBAC) (WPs 36 and 37) and International Transport Workers' Federation (ITF) (WPs 34 and 35) all addressed under item 4; and Airports Council International (ACI)/International Air Transport Association (IATA) (WP/24) addressed under item 5.2.

1.2 **Discussion**

1.2.1 The Conference agreed that the study by the Secretariat would provide valuable background and reference during the consideration of subsequent agenda items. The study also had value in its own right and the Secretariat should continue to monitor and analyse the economic situation of airports and air navigation services providers as and when required and in the light of the various comments of delegates regarding the need for study of some aspects in greater depth.
