

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

(Montreal, 19 - 28 June 2000)

Agenda Item 3: Funding issues

FINANCING CNS/ATM

(Presented by the International Air Transport Association)

SUMMARY

CNS/ATM offers great potential for increasing the efficiency of airline operations and for safety enhancement on a global scale, whilst in the longer term reducing costs overall to the benefit of all stakeholders. Proper cost recovery mechanisms are essential to States securing financing for its implementation.

1. Introduction

1.1 World-wide demand for air transport doubles every ten years. CNS/ATM is a very important element in ensuring that expected future growth can be accommodated. It offers potential major cost savings, increased system capacity and safety, and environmental benefits.

2. Current Situation

2.1 CNS/ATM implementation is proceeding. However, the financial benefits will only flow if the transition process is kept as short as possible and equipment duplication or redundancy is minimised.

2.2 Financing will be required to introduce a global CNS/ATM programme. If States applied business-like management to the operation of their air navigation facilities and services, generally they should not have problems in getting financing for necessary infrastructure.

2.3 Air navigation services provision is a monopoly and, if it is managed efficiently, States can fully recover the costs they incur. States that have proper cost recovery mechanisms should have no problems financing CNS/ATM implementation on a commercial or quasi-commercial basis.

2.4 The capability of States to finance CNS/ATM can be further enhanced if they collaborate on a regional basis to establish the required infrastructure. In some regions, such collaboration is a necessary pre-requisite to obtaining financing. ICAO has pointed out the benefits of a multi-national approach and IATA supports this.

2.5 Where cost recovery is inefficient or ineffective, or where revenues are simply redirected to other uses, no loan authority will offer to finance CNS/ATM, or any other air transport infrastructure. Efficient cost recovery requires:

- Accounting systems that adhere to internationally accepted standards to identify the costs of providing service.
- An effective system for the recovery of charges.
- Monies collected to be fully reinvested in infrastructure.

2.6 ICAO, in its role as a neutral advisor, has an obligation to ensure that States are familiar with all options available for cost recovery and also the need to ensure user participation in any dialogue that will affect the levels of user charges.

3. **Action by the Conference**

3.1 The Conference is invited to:

- a) request the Secretariat to institute a programme to assist States in determining the true costs of operating ANS services in order to enable them to maintain adequate, transparent accounts in accordance with these principles; and
- (b) promote regional co-operation in financing the implementation of CNS/ATM and in efficiently regrouping ANS services.