



Agenda Item 6

Financial Management of Air Navigation Services





W
A
N
S
E

2008

Overview

- ICAO's Policies on Charges (Doc 9082)
- Manual on Air Navigation Services Economics (Doc 9161)
 - Chapter 4: Financial management
 - Chapter 6: Determining the cost basis
 - Chapter 7: air navigation services charges and their collection





W
A
N
S
E

2008



ICAO's Policies on Charges (Doc 9082)

- International civil aviation should not be asked to meet costs which are not properly allocable to it [§42]
- States to maintain accounts in a manner that ensures that charges levied on international civil aviation are properly cost-based [§42]
- Internationally accepted accounting standards should be applied [§43]



W
A
N
S
E

2008



ICAO's Policies on Charges (Doc 9082)

- The cost basis for air navigation services charges [§42-45]
- Allocation of costs of air navigation services among aeronautical users [§46]
- Air navigation services charging systems [§47]



W
A
N
S
E

2008

Cost basis

- Full cost
- Only facilities and services in Regional Air Navigation Plan(s)
- Reasonable return on assets
- Recover less than full cost
- Costs of approach and aerodrome control separate
- Developing regions
- Gradual progression





W
A
N
S
E

2008



Allocation of costs

- Equitable to all categories of users
- No users paying for others
- Relevant data necessary for appropriate allocation



W
A
N
S
E

2008



Air Navigation Services Charging Systems

- Charging system to be simple, equitable and suitable for general application
- Do not discourage use of facilities and services necessary for safety
- Charges to be determined on basis of sound accounting principles
- May reflect other economic principles



W
A
N
S
E

2008



Air Navigation Services Charging Systems (cont.)

- System must be non-discriminatory
- Differential charges must be transparent
- System should take into account cost of providing services and effectiveness of services rendered



W
A
N
S
E

2008



Air Navigation Services Charging Systems (cont.)

- No facility or service to be charged for twice with respect to the same utilization
- Charges for general aviation, including business aviation, to be reasonable
- No segmentation of Flight Information Regions solely for generating revenue



W
A
N
S
E

2008



En route charges

- The issue of weight factor in charging formulae discussed at CEANS
- As revised: more flexibility in the use of weight and distance factors



W
A
N
S
E

2008



Basic characteristics of Air Navigation Services

- Five components: ATM, CNS, MET, AIS (AIM), SAR
- Normally provided by more than one entity
- All the costs may not be fully accounted for (e.g. depreciation or amortization and MET services)



W
A
N
S
E

2008



Financial Management

- Application of best practices
- Management tools:
 - Accounting system and financial control
 - Business plan
 - Budget
 - Financing and cash management

(same as for airports)



W
A
N
S
E

2008



Revenues for ANSPs

- Air traffic operations
- Ancillary activities
- Bank and cash management revenues
- Grants and subsidies
- Other revenues
- Total revenues



W
A
N
S
E

2008



Expenses of ANSPs

- Accounting by category of expense (personnel, operation, maintenance, administration, capital expenses)
- Accounting by activity and/or location (ATS, engineering/maintenance, administration, etc.)



W
A
N
S
E

2008



Reporting Financial Performance

- Revenue and expense statement
- Balance sheet
- Cash flow statement



W
A
N
S
E

2008



Economic Performance

- Assessment of ANSP performance can assist to improve, for example:
 - safety
 - quality of services
 - productivity
 - cost-efficiency



W
A
N
S
E

2008



Economic Performance (cont.)

- A tool for service providers, regulators and users
- States to ensure within their economic oversight responsibilities that performance management systems are developed and implemented by their ANSPs



W
A
N
S
E

2008



Economic Performance (cont.)

- ANSPs should establish performance objectives in, at least, four KPAs:
 1. Safety
 2. Quality of service
 3. Productivity
 4. Cost-effectiveness
- States may choose additional KPAs



W
A
N
S
E

2008



Economic Performance (cont.)

- States should ensure their service providers:
 - select and report at least one relevant performance indicator and its target for each of the key performance areas selected
 - use the results to evaluate and improve performance



W
A
N
S
E

2008



Economic Performance (cont.)

- States should ensure that their service providers:
 - undertake consultations with users and other interested parties to achieve mutual understanding and consensus on performance objectives, level of performance targets and plans to achieve the targets



W
A
N
S
E

2008



Performance Indicators (Doc 9161 – Table 4.3)

Examples:

- Safety: separation minima violations per million flights
- Quality of service: percentage of flights delayed
- Productivity: average number of aircraft handled per centre
- Cost-effectiveness: average cost per aircraft handled



W
A
N
S
E

2008



Process for setting air navigation services charges

- Inventory of facilities and services
- Determining the cost basis
- Allocating costs
- Establishing the cost basis for individual charges



W
A
N
S
E

2008



Inventory of Facilities and Services

- Provided for and implemented under ICAO Regional Air Navigation Plans
- Guidance on facilities and services to take into account when determining air navigation services costs:
Appendix 2 of Doc 9082



W
A
N
S
E

2008



Determining the cost basis

1. Full costs for provider
2. Transfer costs from/to others (+/-)
3. Depreciation/interest (+/-)
4. Non-aeronautical utilization (-)
5. Exempted flights (-)
6. Adjusted costs = basis for charges



W
A
N
S
E

2008



Allocation of costs

- Non-aeronautical utilization
- En-route and aerodrome/approach control
- Facilities serving both airports and en-route requirements



W
A
N
S
E

2008



Allocation of costs (cont.)

- Allocation of en-route costs among Flight Information Regions (FIRs)
- Allocation of en-route and approach/aerodrome costs among categories of users



W
A
N
S
E

2008



GNSS cost allocation policy

Provisional policy:

- Basic GNSS services free of charge
- Incremental costs for more advanced services to be allocated to all users at a regional level
- Transparent negotiations between GNSS service provider and all users
- Civil aviation to pay its fair share only
- Allocation among States and on phases of flight according to ICAO's policies on charges



W
A
N
S
E

2008



Setting individual charges

- Cost basis for the next financial year
- Traffic forecast
 - Number of aircraft movements
 - Distance flown
 - Aircraft weight
- Unit costs/unit rates



W
A
N
S
E

2008



Charges collection policy

- National legislation in place
- Precise and correct accounting
- Transparent cost-recovery system
- Comprehensive databases on airlines
- Credit control
- Accurate invoicing
- Enforced recovery procedures



W
A
N
S
E

2008



Collection of charges

- Charges levied directly on users
- No segmentation of FIRs
- Cooperation encouraged (multilateral systems)
- Collection problems



W
A
N
S
E

2008



The EUROCONTROL Route Charges System and its compliance with ICAO's recommendations

Presentation by
EUROCONTROL/CRCO



W
A
N
S
E

2008

Discussion

- Have you experienced any collection problems at your ANSPs (and airports)?





W
A
N
S
E

2008

Discussion

- How should GNSS and Galileo be financed?

