

Agenda Item 5

Infrastructure Financing

Overview

- ◆ ICAO's Policies on Charges (Doc 9082)
- ◆ Chapter 7 of the Airport Economics Manual (Doc 9562)
- ◆ Chapter 5 of the Manual on Air Navigation Services Economics (Doc 9161)
- ◆ GNSS (Doc 9660)
- ◆ IFFAS

ICAO's Policies

- ◆ Reasonable return on assets [§§ 22 vii) and 38 iv)]
- ◆ Pre-funding of projects [§§ 24 and 42]
- ◆ Consultations with users before finalization of plans for projects [§§ 32 and 50)
 - The needs of users
 - Financial implications in terms of charges
 - Air carriers to provide planning data

Pre-funding of projects

ICAO's Policies [§§ 24 and 42]

- ◆ May be accepted in specific circumstances involving long-term large-scale investments
- ◆ Safeguards required
 - ◆ economic regulation
 - ◆ transparent accounting
 - ◆ consultations with users
 - ◆ application for a limited period of time

Doc 9562/2, Chapter 7

Financing Airport Infrastructure

Chapter 7 – Key Issues

- ◆ General issues including traffic forecasts
- ◆ Use of experts
- ◆ Financial and economic analyses
- ◆ Financing plan
- ◆ Sources of funds

Differences between airports and air navigation services

- ◆ ANS provided by more than one entity
- ◆ International or multinational dimension
- ◆ Overflights

General issues to consider

- ◆ Traffic forecasts
- ◆ Use of experts

Economic and financial analyses

- ◆ Economic impact analysis
- ◆ Cost/benefit analysis
- ◆ Business case study
- ◆ Financial analysis

Use of the various studies

1. The economic viability of the project – cost/benefit analysis, economic impact study
2. To select among options – cost/benefit analysis
3. The financial viability and the search for funding – financial analysis and business case study

Economic impact analysis

Direct, indirect and induced effects

Indicators

- ◆ Employment
- ◆ Personal income
- ◆ Business revenues
- ◆ Tax revenues
- ◆ Capital investment

Negative effects

Cost/benefit analysis

- ◆ Benefits and costs of all parties
- ◆ Investment expenses in future years
- ◆ Social and environmental effects
- ◆ Safety
- ◆ Cost and benefits as annual net amounts
- ◆ Net present value

Business case study

- ◆ Sets out context
- ◆ Identifies issue
- ◆ Describes option selected
- ◆ Rationale for selection
- ◆ Risk analysis
- ◆ Impact analysis

Financial analysis

- ◆ Complete assessment of cash-flows
- ◆ Assistance in selecting between options
- ◆ Calculation of NPV, IRR, Payback periods
- ◆ Preparation of statements

Financing plan

- ◆ Estimates of component costs
- ◆ Funds required
- ◆ Currency aspects
- ◆ Repayment of loans – sources
 - Self-generated
 - Other

SOURCES OF FINANCING

- ◆ Domestic
- ◆ Foreign
- ◆ Debt financing
- ◆ Pre-funding
- ◆ Other

Domestic Sources of Financing

- ◆ Government sources
- ◆ Domestic banks
- ◆ Credit extended by contractors
- ◆ Sale of airport land

Foreign Sources of Financing

- ◆ Bilateral institutions
- ◆ Development banks and funds
- ◆ United Nations Development Programme
- ◆ Commercial sources

Debt Financing

- ◆ Long-term/Short-term
- ◆ Credit rating, interest cost, tax exemption

Other Means of Financing

- ◆ Pre-funding
- ◆ B.O.T.
- ◆ Share capital
- ◆ Leasing

Funding GNSS

- ◆ Direct contributions from government(s)
- ◆ Debt financing
- ◆ Internally generated resources
- ◆ Equity financing
- ◆ Leasing

International Financial Facility for Aviation Safety (IFFAS)

- ◆ Concept endorsed by 33rd Session of Assembly
- ◆ Objective to finance safety related projects for which States cannot obtain resources, principal area of application being safety related deficiencies identified through the ICAO Universal Safety Oversight Audit Programme (USOAP)
- ◆ Implemented since June 2003

Conclusion – prerequisites

- ◆ Recognition of international cost recovery policy
- ◆ Existence of an effective cost and revenue accounting system
- ◆ A sound methodology for determining the cost basis for charges
- ◆ An effective mechanism for the collection of charges

What documents the financial institutions would like to see

- ◆ Business case study
- ◆ Economic impact study
- ◆ Financing plan
- ◆ Business plan
- ◆ Financial statements
- ◆ Financial situation historically and forecast for debt repayment period

Discussion

- ◆ What source(s) of financing do you use for airports in your State?
- ◆ and for air navigation services?