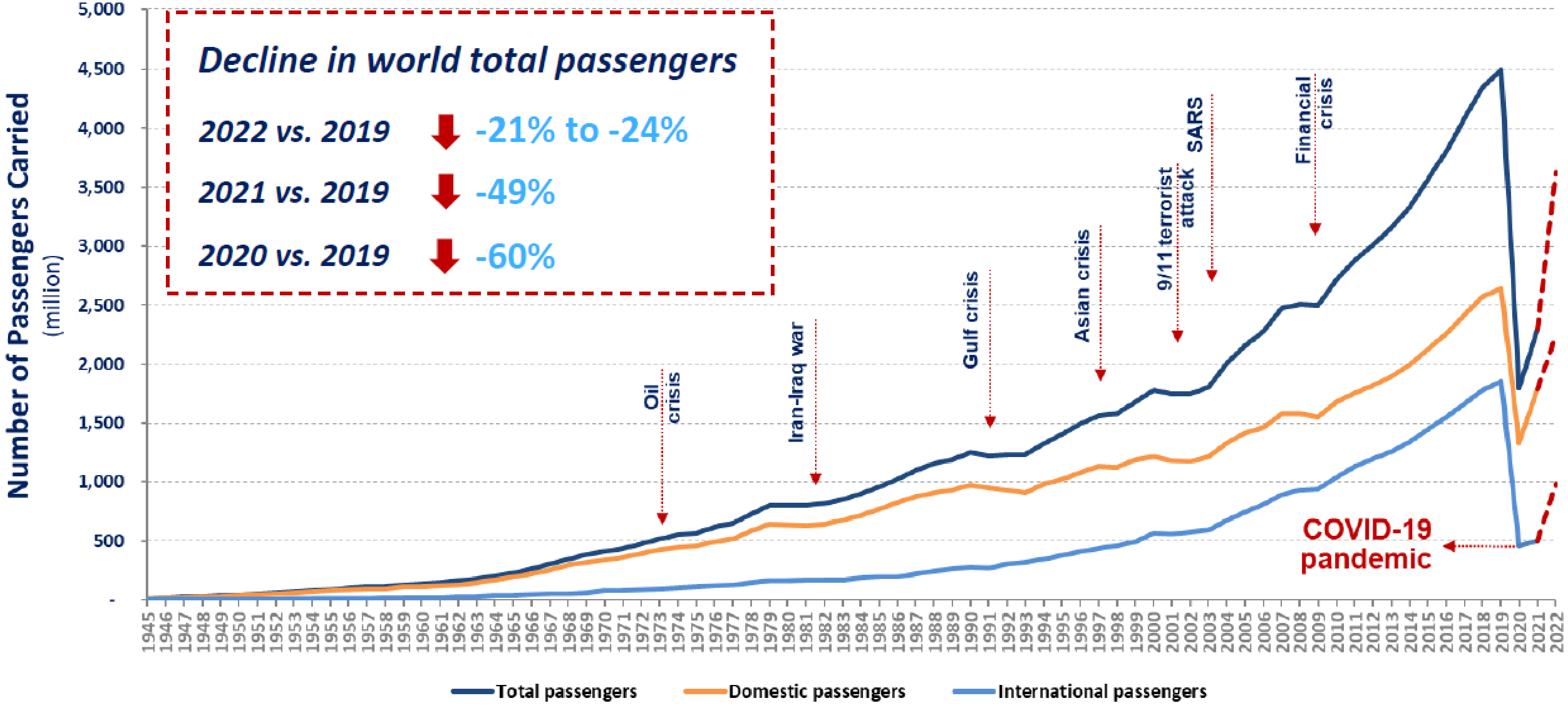
Could part of ATM be financed publically and if so under what conditions?

19th Florence Air Forum

Achim Baumann, Policy Director A4E

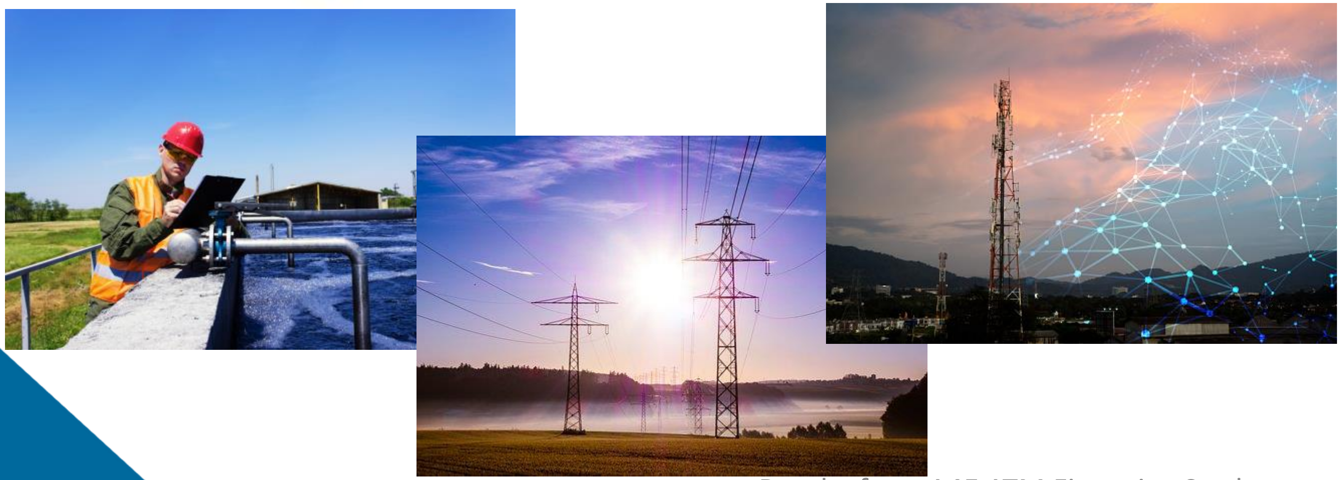
Background

Commercial airlines fully liable for gaps in funding



Review of financing models

A4E AIRLINES FOR EUROPE



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Comparison between financing models

Area/Industry	Financing	Remark
Europe	100% paid by users on cost recovery (cost plus) principles	National regulated government corporations or private.
FAA	Paid by AATF: a government trust fund financed by charges on air tickets and excise taxes.	National (US level) public monopoly. Congress regulates cost and approves budget.
Canada (NAV CANADA)	100% paid by users largely on cost plus principle.	Privatised regulated monopoly.
Air services Australia	In principle 100% cost recovery, but more government support than in Europe.	Government owned public monopoly.
Airways New Zealand	100% paid by users with a minimum profit requirement.	Government owned corporation providing services on commercial basis.
DECEA (Brazil)	Public funding & navigational charges	Government department. Integrated civil and military oversight. No commercialisation or privatisation
Rail	Large part of infrastructure financed by public budgets and EU grants. Movement towards 100% user-pays principle or marginal cost pricing principles.	Either independent public monopolies or regulated private corporation
Road	Tolls generally finance about 50% of the infrastructure cost in countries with motorway tolling.	Many local and national infrastructure managers that bid for road concessions
Inland waterways and Maritime Transport	Payments to use port facilities are generally not covering all costs. Governments provide substantial support for ports. The charges of MPS are based on cost recovery.	Port Authorities are generally government or mixed-ownership organisations.
Electricity transmission	User-pays principle on cost-plus recovery through unitary tariff. Government support for large infrastructure investments. EU grants for cross-border investment.	Either public or mixed-public companies on Member State level with service obligations under National Regulatory Framework
Telecom	Infrastructure managers manage and maintain own network and are obliged to open up network for other providers.	Large private companies (often former state monopoly) and many small providers.
Drinking water	Only partially paid by user Cost-plus – subsidy recovery. Financing of network through general taxation or tariffs imposed users.	Public companies on national or local level.

Air Navigation Services as a public good

	Drinking water provision	Public transport	ANS
Excludable?	Beyond basic provision	YES	YES
Rivalry?	Limited in normal circumstances	Limited, depends on demand	Depends on demand
National interest?	YES	YES	YES
	Public good	Public good	???

Arguments for public good:

- Maintaining and operating of expensive infrastructure for everybody's use
- National interests to provide services during crisis or for national obligations

Roadmap

SHORT TERM

Adapt risk mechanism

Remove exemptions

MIDDLE TERM

Threshold funding

Reform of implementation

LONG TERM

Tendering of ANS

Increase scale efficiency

Identified Models

- Remove exemptions: apply user pays principle for everybody
- Adapt risk sharing model: include states in the risk sharing for crisis like situations
- Threshold funding: States finance public good share of ATM

Outlook

- **Introduce structural changes:** go for full ‘service oriented’ ANS/ATM with tendering of services to (multi)national ANSP.

Conclusion

- Pandemic and geopolitical unrest has exposed inherent flaws in ATM financing
- Main principles are seen as sound, but implementation and lack of incentives for cost-efficiency
- Additionally ATM has public good characteristics that merit direct contributions from the general budget, similar to other sectors
- We propose two alternatives: ‘threshold funding’ and ‘adapted risk sharing’
- In both alternatives user-based financing principles are maintained, but are supplemented with state contributions to the CSGI (Core Services of General Interest)
- Long-term sustainability of financing requires structural changes that would increase competition between ANSPs.
- Increased use of tendering is a viable option that would be compatible with the proposed financing mechanisms

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Thank you

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