

Financing ATM: Is there a need for a new regulatory approach?

Raine Luojus



What happened during pandemic and after pandemic?

- Traffic reduction on 2020-2021 was 60-80 % and consequently incomes were reduced 50%.
- At the same time there was the requirement for the State to maintain capability for the services of public interest.
- That is challenging at the times when you have no income!
- When we thought that pandemic with its consequences starts to be over the Ukrainian conflict expanded to war!
- Sanctions decided in EU caused traffic ban to Russia and vice versa Russia banned flights to European Union.
- As a peripheral country neighboring to Russia Finland lost practically all its overflights to and from Far East. That caused again a radical drop in incomes.



- ***How we survived?***

- Thanks to flexible Finnish labor law there is the possibility to lay off staff temporarily.
- Investments were put on hold as much as possible.
- Significant savings were achieved by those.
- But even that was not enough!
- There was need to have additional financing by loans with reasonable terms from the owner.



Problems related to Performance and Charging scheme?

- ANSP incomes are regulated based on traffic forecast. When traffic deviates downwards radically from the forecast, ANSP will not have incomes as predicted but ANSP has neither been able to be prepared by financial buffer – thanks to Performance and Charging scheme
- On the other hand (in good times) Performance scheme does not give room to move enough to prepare for forecasted traffic growth by recruiting additional staff well ahead the need is there.
- The result is known – lack of capacity. If the traffic risk is to be held accountable to ANSP, then the cost and capacity requirements must be forgotten?
- The incurred costs must be covered timely – not to be balanced after several years.
- *Is the current EU regulations with its Performance and Charging scheme best suited for its purpose?*



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

- ANSP should be paid for the traffic it prepares to control.
- When there is the State obligation to maintain service capability, that shall be guaranteed by State funding (although there would be no commercial flights).
- If there are investments required by EU regulation, those shall be given EU funding to ensure timely implementation in schedule.
- Performance and charging scheme is not best suited for limited company business model.
- Limited company needs to have predictable controlled cashflow to run its business!



Is there a need for a change in approach?

- My conclusion is:
 - ANSPs should be regarded to be service companies.
 - They are to be financially compensated timely for the services they are expected to deliver! Otherwise, this (system) does not work.
 - Radical renewal of ATM financing principles should be considered.
- *Why not to move from the current form of regulation to more business-oriented approach? This could be a form of contract to deliver the capacity requested (user pays principle).*



Thank you!

raine.luojus@fintraffic.fi

