

Commercialisation of Air Navigation Service Providers

The key to success is the development of an effective governance structure that ensures cost efficient service provision.

SITUATION

Air Navigation Services (ANS) have a large impact on the air transportation sector that includes both direct costs through charges and indirect costs through service quality. An increasing number of governments are commercialising their air navigation services. This trend is changing the relationship between the airline operators and the providers of ANS infrastructure.

Over forty countries have commercialised their air navigation service providers, including Australia, Canada and the UK. Other countries such as the US, with the largest and most complex Air Traffic Control organisation in the world, have maintained this function within a government department.

IATA POSITION

IATA and the airlines support the trend towards creating greater autonomy for ANSPs and having their management using best practice to operate as efficiently as possible. Undertaken in the right way, ANSP commercialisation can support these objectives. Commercialisation can have a negative outcome when the principal objective is to maximise shareholder profits or income to the government. IATA's experience is that, in many cases, commercialisation has resulted in significant increases in the ANS cost base and therefore charges. In addition, the promised increases in efficiency and productivity have not always materialised.

Users should be involved in the commercialisation process from the outset. Furthermore, the cost base and charging structure resulting from commercialisation should be agreed through consultation with airlines (the service customers). ANS charges for airlines should be:

- Related to the cost of providing services to the commercial users and not include any cross subsidy for services to general aviation, the Military, the State or exempted traffic.
- Based on meaningful consultation with users on cost efficiency and longer-term performance targets.
- In full alignment with international agreements and ICAO Policies¹.
- Subject to robust economic oversight through an independent and neutral body.

KEY DRIVERS FOR SUCCESSFUL ANSP COMMERCIALISATION

- 1** An ANS commercialisation policy must be defined and agreed with its customers. A culture change programme within the ANSP should be established to deliver a stronger customer focused approach.
- 2** A clear institutional environment needs to be created before the commercialisation takes place. Independent safety and economic regulation, tailored to the needs of customers, as well as an effective and representative government office of airspace regulation are necessary.
- 3** The authority and responsibilities of all participants need to be clarified. ANSPs need to have control over their service levels and their resources. They should also be encouraged to cooperate with neighbouring ANSPs and have a mandate to seek continuous performance and cost efficiency improvements.
- 4** The financial model needs to be determined. ANSPs should be given access to capital markets and not need to compete with other government programs. The fees collected from ANSPs must be cost-related, non-discriminatory and correspond to the quality of service.
- 5** Full transparency is required for ANSPs as they are granted a monopoly service offering. The ANSP should be enforced to ensure the necessary breakdown of budgets and expenditure is available.
- 6** Systematic performance review through benchmarking to promote continuous improvements should be a standard process for ANSP management. The Government should monitor the process and users should be consulted to ensure commercialisation delivers necessary improvements in ANS performance and cost efficiency.

¹ ICAO Doc 9082/7