



FAI FINANCES – Review, BUDGET 2020 and outlook

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1 Introduction

This paper has been written to provide a review of the background to the FAI financial planning over the past decade and to identify the initiatives, opportunities and financial pressures that have taken place during that time.

The FAI is on track to achieve a small net positive financial outcome for FY2019. However, numerous factors have combined, including the termination of the Red Bull Air Race and delays with the World Drone Racing Championship (WDRC) impacting on a commercial opportunity. These factors require significant thought to be placed on how to achieve a balanced budget for FY2020. This paper explores and explains the various options that the EB has considered to attain this objective.

These measures for 2020 are temporary. They are, in the opinion of the EB, necessary to enable the organisation to function for FY2020, albeit with some significant reductions in activity compared to recent years. This will provide the necessary time to review the overall structure of the FAI and to propose a revised structure that aligns finances, decision-making, accountability and responsibility, and ensures the efficient delivery of services and activities as required by the Members and Commissions.

The FAI World Air Games 2022 and the FAI World Drone Racing Championship are unique in the FAI financial considerations since the funding required to support the activities for these events is generated by the sanction fees and organisational costs agreed with the host. The WAG and WDRC events are, therefore, self-sustaining from a financial perspective.

2 Overview

- The FAI financial records show two streams of financial activity: one related to the activities of the FAI Head Office (HO) in Lausanne; and, one related to the activities of the Commissions. Legally FAI is a single organisation, and both streams of the financial activity are, from a reporting and accounting perspective, part of a single structure.

2.1 FAI Head Office

- The work of the FAI Head Office is defined in the FAI Constitution, and is focused on providing services to the air sports community. The support to the air sports community and air sports persons (ASPs) is achieved through the Commissions and their direct involvement in FAI activities. HO activities also include providing the presentation of events, records and championship results to the interested public, and meetings, General Conference organisation, travel and Executive Board expenses.
- The work in the HO has grown in volume over the years, mostly due to increasing activity across all areas in FAI. The core work in this area for the HO involves the respective administration of activities related directly to air sport persons (for example: the number of events sanctioned by Commissions have increased by 54%

from 466 in 2005 to 718 in 2015; and, the number of record claims by 139% from 163 in 2011 to 391 in 2015).

- The HO budget has historically been financed through Membership subscriptions. In the past decade this subscription income has been augmented by income generated through events like the FAI World Air Games, sponsorships and partnerships.
- HO costs have exceeded the income from Membership subscriptions since at least 2010 (prior to 2010 the finance reports had a different structure). Rather than increase subscriptions during this period additional income, generated through sponsorships and partnerships, has been used to close the gap.
- Additionally, Membership subscriptions have not been increased in value since 2010; not in real terms and, in fact, they have not even been adjusted to reflect the rate of inflation. The only real growth in subscriptions has been through that paid by additional members.
- The Air Games project, approved by the FAI General Conference in 2015, was financed by reserves and provisions. HO operations, at the same time, remained financed through membership subscriptions and sponsorship/partnership income. Had the Air Games project not occurred, these reserves might be being used now to close the gap arising from the current financial pressures (Red Bull etc).
- The audited financial reports have shown that the commercial revenues have been necessary to close the gap, for some time, between Membership income and the funding required to enable the HO to comply with its statutory obligations as defined in the FAI Constitution. This also has been documented and communicated to the General Conference on a regular basis, including, for example, at the General Conference in 2015.

2.2 FAI Commissions

- The Commissions are Permanent Bodies established by the FAI General Conference. The FAI Air Sport Commissions administer air sports, astronautics and related matters. The FAI Technical Commissions administer non-sporting activities such as Environment, Medical matters and Education. There are 15 Commissions in total.
- The FAI Air Sport Commissions, as per FAI Statutes, shall perform assigned tasks within the scope of FAI activities, conduct studies and make recommendations on designated subjects or matters of interest. They also shall submit recommendations to the Executive Board for decision, and the EB can submit such recommendations to the General Conference if they are beyond the limits of the EB's competence.
- The FAI Air Sport General Commission (CASI) keeps current the General Section of the FAI Sporting Code and shall specifically advise the General Conference on appropriate measures to develop and encourage air sports which appear to be outside of the mandate of existing FAI Commissions.

- All Air Sports Commissions, including CASI, shall promote FAI aims and objectives in their special fields and shall seek to further the unity of all air sports within the FAI through implementation of the FAI Statutes, By-Laws, Sporting Code and Anti-Doping Rules. The specialised Air Sport Commissions shall keep current their specific sections of the Sporting Code and deal with all technical problems that concern flight safety and further matters, such as records and sporting events. They exercise delegated executive powers in regard to their respective air sports and technical matters, and in regard to promotional and financial rights relating to FAI events.
- CASI and the specialised Air Sports Commissions shall carry out such other tasks as assigned by the General Conference or the Executive Board.
- The Commissions exercise their Statutory roles, to a large extent, through volunteers. Across all Commissions, 2,500 volunteers are registered in the central database as delegates, technical experts, officials, event organisers and other functions as described in the General Section of the FAI Sporting Code and the 13 Specialised Sections of this Sporting Code.
- The Commissions define their sports in regard to international events, records and achievements. The Specialised Sections and respective annexes of the Sporting Code lay out the framework to allow the best air sports persons to be identified and recognised. Overall, there are 40+ disciplines across 11 air sports (including astronautics) and thousands of different record opportunities.
- The link between Commissions and HO is defined in the Constitution of FAI, describing the services that HO must provide. That includes, for example, the provision of an international sporting calendar, the publication of record achievements, and the maintenance of a central Officials, Delegates and FAI Sporting Licence database.
- Commissions generate revenue mainly from sanction fees and their expenditures are mostly for travel costs for officials, meetings, and selected projects like loggers for FAI events, live tracking etc. Each Commission has historically developed its own way of calculating sanction fees, awarding events and reimbursing officials.
- Since 2018, the net financial result across all Commissions has been negative. The deficit for each Commission has always been covered by the Special Reserves allocated to that Commission, generated by previous annual surpluses being allocated to these Reserves.
- In 2011 a Finance Review Task Force (FRTF) presented its analysis of the finances of FAI. The mission of the task force was to provide solutions for consolidating all income and expenses into an overall FAI account statement; implementing comprehensive control systems; introducing an approval process for expenditure commitments; and, elaborating on principles of resource sharing thereby *“Accounting for each stakeholder’s contribution to FAI results; Potential resource sharing mechanisms, Strategic Plan, Vision, Missions.”* Some tasks have been achieved,

such as a common budget structure and approval process across all Commissions. Others remain to be achieved, such as reaching a common understanding of the structure of finances of FAI as a whole.

- The FRTF also recommended that potential economies of scale could be achieved with the Commissions identifying and coordinating projects with common elements and potential synergies thus achieving better cooperation between them regarding the use of Special Reserves. There have been successful joint initiatives between Commissions and with HO and further opportunities exist to achieve economies of scale.
- The FRTF also emphasised that the Commissions are not separate legal entities, rather they are integral parts of FAI. Commissions are not expected or required to exercise financial expertise; they are established for and expected to focus on sporting matters. The Commissions do have responsibilities to produce planned income and expenditure cash flows annually which are integrated into the FAI budget which is approved by the GC. They also are responsible for managing their expenditures in support of their events.
- In 2012, as part of the outcome of the FRTF, FAI began to show separate revenue and expense streams for HO and the Commissions.
- A common understanding on the finance reporting in FAI is still work in progress. And perhaps, due to the complexity of the FAI finances, some misunderstandings have arisen. For example:
 - In 2015, on request of some Commissions, dedicated bank accounts were opened which allowed these Commissions to track cash movements, for example from Local Organising Committees (LOCs) paying deposits or sanction fees or outgoing payments. Independent of that, the Special Reserves recorded in the audited FAI financial report are the result of the annual Commission related activities and are not represented in these dedicated bank accounts. This situation has been repeatedly misunderstood and both elements mixed.
 - The use of EUR and CHF adds to the complexity as historical exchange rates, which are not equivalent to the current exchange rates (see further below), have been recorded in the FAI statements. A move to use only one currency is being reviewed to avoid this problem in the future.
- FAI HO registers FAI events sanctioned by the Commissions on the FAI International Sporting Calendar as required by the FAI Constitution. Approximately 700 events are registered every year, with between 45 to 60 of them being Category 1 and the rest Category 2.
 - The administrative work in the HO around Category 1 events includes: preliminary note of events sanctioned by Commissions; issuing and receiving

signed Organiser Agreements; publication of the events; collecting and managing payments and deposits as per the respective procedures of the Commission; providing information material to Local Organisers; managing medals and diplomas depending on the respective procedures of the Commission; receiving Jury reports; publishing results; and, administering appeals, if any.

- Category 2 events mainly originate from the CIAM and CIVL Commissions, plus a number of events from IGC, IPC and CIA. These events can be published if certain conditions are met, which results in administrative work, including putting the information into the calendar database and registering payment of sanction fees for these events so that they can be published.
- FAI HO, CIVL and CIAM have joined forces to establish an online event sanctioning system that should facilitate the workflow for event organisers, Commissions, NACs and HO. Implementation is now underway with CIVL events, the effects of the complete implementation for all Cat 2 events, including CIAM and others, should be visible in 2020.

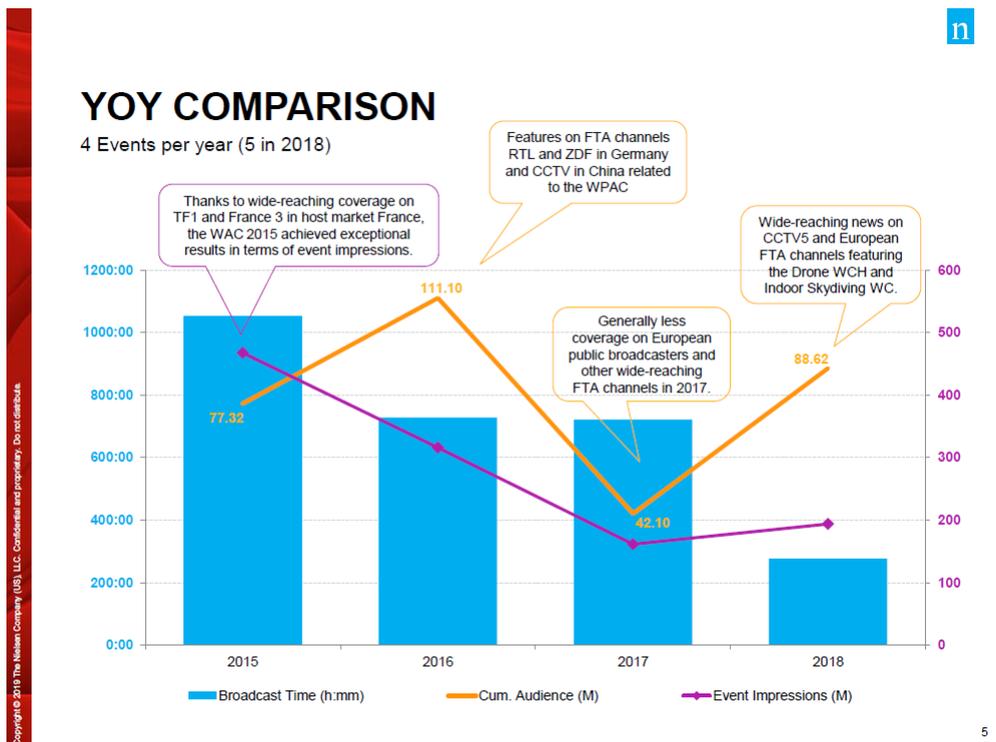
2.3 Efforts to raise additional revenue for FAI

- Over the past decade, numerous efforts have been undertaken to secure additional income for FAI (cooperation with Flying Aces, FAME, IPETA as an FAI-IPC project etc). These efforts have been a learning opportunity for the FAI regarding how to present a proposal and the expectations of potential investors as to the required standard, quality and branding of events.

2.3.1 The Air Games project

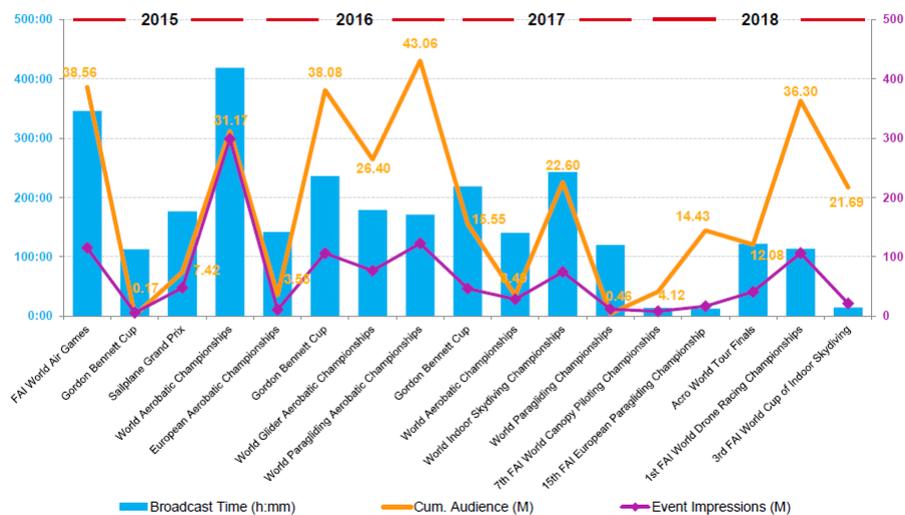
- The investment in the FAI Air Games project, which was developed based on this learning experience and was approved by the FAI General Conference, has supported the acquisition of new funds (sanction fees, organisational cost contributions) through the FAI WAG 2022, WDRC and Wuhan Flying Expo in China. The investments in media production and evaluation have also led to opportunities to generate sponsorship income through the events concerned. The continued development of these opportunities is work in progress.
- The investments have specifically included:
 - Marketing and commercial consultancy on multi-sport events, host city and commercial concepts (mainly 2016 and 2017).
 - World Games 2017 (cross air sports preparation workshop with the Commissions concerned in 2016).
 - FAI World Air Games 2015 follow up (e.g. Sportcal Global Sports Events Impact study, photobook, workshop with NACs and ASCs April 2016).
 - IT workshop across air sports (2016).

- Social media editors, photographers, media production/distribution/evaluation, FAI branding material at selected premier Cat 1 events relevant for the Air Games concept (2016-2018).
- In 2018 the focus remained on Communication activities to ensure that potential revenues can still be secured.
- Communication activities: The two graphical extracts below are drawn from Nielsen's evaluation of FAI Events 2015-2018 that had specific media production and distribution:



EVENT COMPARISON 2015-2018

All events

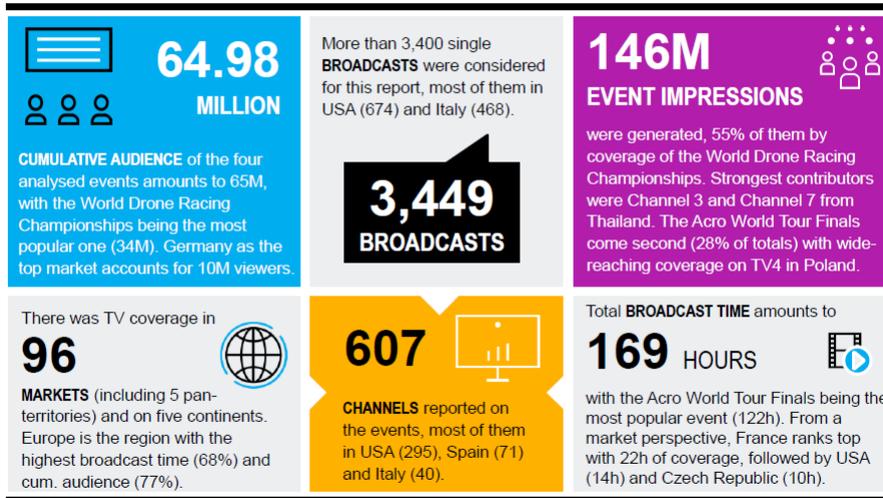


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- The slightly reduced numbers for 2017 and 2018 were due to reduced production of 25-minute Highlight shows with only news/clips of three minutes being distributed (due to budget restrictions).
- The evaluation report includes recommendations for improved branding at FAI events, implementation of which should be organised by FAI HO in conjunction with the LOCs and Commissions. For example, there are still FAI World Championships where no FAI branding is visible – not even in the logos of the events. For the success of sponsorship acquisition at FAI events, such implementation is crucial.
- For 2018, the 100% Media Equivalency reached across all events and for the brands FAI, DJI and Noosphere was 395,316 EUR. (“Media Equivalency” is the visibility generated by a sponsor, expressed in equivalence to cost to advertise in the programme in which exposure was generated.)
- The management summary from Nielsen, for TV media monitoring for the 2018 coverage, is shown below:

MANAGEMENT SUMMARY

TV Media Monitoring



- In 2019 and 2020, selected events which are due to be held in the FAI World Air Games 2022 and that have significant interest from global broadcasting networks, will be covered through the FAI WAG 2022 budget.

- Budget details on the Air Games project (as per audited reports) and approved by the GC 2015 are shown below.

		2016	2017	2018
REVENUE				
Use of Provisions and Reserves (Related to Air Games)				
	Dissolution Special Reserves			
	WAG Reserve	134,000	100,000	100,000
	Olympic Movement Fund	25,000	62,000	25,000
	Dissolution Development and Innovation Fund	300,133	200,187	30,000
	Allocation to WAG Reserve		- 100,000	- 100,000
	Dissolution Provision - Sport Development	21,529	28,471	
	TOTAL	480,662	290,658	55,000
EXPENDITURE				
670000	Air Games Event Series general	1,288	450	-
670100	Workforce	70,977	128,673	938
670110	Workforce (incl travel and acc.)	17,071	33,462	5,493
670120	Workforce - Acquisition	-	14,008	-
670130	Workforce - Quality control of Events	40,554	765	-
	Total Workforce	129,891	177,357	6,432
670210	Marketing/Brand development - Agency Fee	85,360	3,378	8,254
670220	Marketing/Brand development - Agency services	24,763	-	2,853
	Total Marketing / Brand Development	110,123	3,378	11,107
670300	Communication (material)	-	2,324	-
670310	Communication(materials) - FAI Branding	5,575	4,182	2,334
670320	Communication (materials) - Other Hardware	23,818	335	-
	Total Communication (materials)	29,393	6,841	2,334
670400	Communication (IT, Electronic channels)	250	1,397	-
670410	Communication (IT, Electronic channels) - Advertising	2,539	711	19,226
670420	Communication (IT, Electronic channels) - Editors/Photographers	33,375	21,182	5,742
670430	Communication (IT, Electronic channels) - Gen.IT Strategy	17,546	-	984
	Total Communication (IT, Electronic, Channels)	53,710	23,290	25,952
670510	Media Production - Audio visual Strategy	17,974	2,342	-
670520	Media Production - TV prod. & Distribution	140,012	96,263	71,154
670530	Media Production - Documentation/Evaluation	14,204	6,537	941
	Total Media Production	172,190	105,143	72,095
	TOTAL	495,306	316,009	117,919
	BUDGETED	475,000	553,500	527,500

- The concept of the Air Games, to be held between FAI World Air Games, was endorsed by the FAI General Conference. The idea was to showcase different air sports in one venue at one place in a format affordable by hosts. When the organisational and budget implications became clearer it was apparent that not enough traction could be achieved in FAI to put together a comprehensive model that would be appealing enough to potential hosts. External air sports event organisers are, however, interested and FAI HO is in contact with them. There is at least one host still inspired by the concept, and work is in progress to organise a multi-air-sports event at that venue in 2020 or later.

2.3.2 FAI Global sponsor- and partnerships

- FAI has, in the last seven years, secured two important partnerships: Breitling in 2012 and the Red Bull Air Race after its relaunch at the end of 2013. Both have been terminated due to different reasons. The new owners of Breitling decided to end all major involvement in the aviation and air sports sector. The relationship with Breitling had already become difficult prior to the company changing ownership – expectations between the luxury watch brand and the organisers and participants of FAI events were not well aligned, even from the start. End of May 2019, the owner of Red Bull, without any prior indications, decided to not continue funding the Red Bull Air Race from the end of the 2019 season. Despite the Red Bull Air Race being a long-standing FAI World Championship, no warning of this decision to terminate the event was given.
- Additional sponsorship and partnership income have been generated since 2016, namely with DHL (ending in 2019), Leaseweb, Noosphere, and through a bi-annual cooperation with the Wuhan Fly-In Expo in the People's Republic of China.
- A longer-term perspective has been developed by the FAI EB and HO through conversations with external investors, aiming for an annual global Drone Racing Series initially funded by external investors, as reported to the FAI General Conference in 2018. This cooperation ended in 2019, without a formal MoU being signed, because of significant difficulties arising around the securing of the new World Drone Racing Championship for more than one year.
- In addition, work is being done on further projects targeted at raising external revenue for FAI including:
 - Sponsorship revenue generation in conjunction with media production and distribution at selected Cat 1 events. This is based on the investments for media production/ distribution/ evaluation made within the Air Games project. Potential revenue will be used for a closer cooperation with and mutual benefit for LOCs (in return for the sponsorship branding opportunities) and HO working with the appropriate Commission. Fees for sponsorship acquisition will only be charged when income is secured (commission basis).
 - Revenue generation through sponsors within the business aviation sector and individuals affiliated to aviation in general who wish to be visible at FAI overall and at FAI events. Investments will be necessary to finance promotional material and fees for booths and staffing at the respective events like air shows. Income will be, if related to sponsorship of FAI events, in part allocated to the LOCs in return for the sponsor branding opportunities.

2.4 Overview Summary

- The FAI Executive Board decision, taken at its meeting in December 2018, was:

The Budget 2019 has several assumptions on the income, and accordingly expenses. For planning the expenses 2019, the total budget will differentiate between

- a) the core budget with secured income and related expenses;*
- b) income and expenses through organisational cost contributions from the FAI World Drone Racing Championship 2019 as well as FAI WAG 2022;*
- c) budget including income through a potential newco (new company) on Drones (or Indoor Skydiving for example).*

In 2019, budget planned expenditures in b) and c) will only be released if the income is considered to be secured.

- The Budget for 2019, which was presented to the FAI General Conference in 2018, was subsequently adjusted by the FAI Executive Board throughout 2019 with the goal of a delivering a balanced overall result for this year, and you can see that this aim has been achieved.
- Overall, except for the FAI World Air Games and FAI World Drone Racing Championships, no additional income has yet been secured to assist in achieving a balanced budget for FAI for 2020 and beyond. It should also be noted that both these events are self-sustaining financially.
- Consequently, several interim measures must be taken to raise the necessary revenue and reduce expenses to secure the operation of FAI in 2020. Details are given below in Part 3 of this paper.

3 **Budget 2020 – Main assumptions**

- No central FAI reserves are to be used and no allowance is to be made for future income through sponsorship acquisition which is not yet secured by a signed contract.
- The finance streams (income and expenditure) generated by Commissions is presented as proposed by the Commissions. Those related to HO operations undergo scrutiny in order to arrive at a balanced budget. There are overlaps with the Commission activities and vice versa.
- Any additional activities of FAI HO beyond the statutory requirements must be covered by external income, eg, through events like the FAI World Air Games or WDRC.

3.1 Executive Board proposals to generate additional revenues and to reduce expenses

3.1.1 Items proposed for improving revenue included in the draft budget 2020

Budget section “FAI’s activities” – Membership subscriptions

- It is compulsory for any air sports person (ASP) participating in FAI events to have a valid FAI Sporting Licence. In order to be valid, the licence must be included in the FAI Sporting Licence database. NACs exercise the delegated right to issue FAI Sporting Licences to their individual members. Currently there are 33,000 ASPs registered in the database. Some 18,000 ASPs participated in FAI Cat 1 and Cat 2 events and record attempts in 2018. It is assumed that at least 17,000 ASPs will (re-)register throughout the next year.
- It is proposed to introduce an annual fee of CHF 15 for each person registering or being re-registered in the FAI Sporting Licence database. NACs will be asked to include this fee as part of the process for issuing Sporting Licences to their ASPs, and FAI HO will invoice the respective amounts to the NACs on a quarterly basis.

Item	Revenue 2020
Annual registration fee of CHF 15 for each person (re-)registered in the FAI SL database	CHF 255,000

Budget section “FAI’s activities” – Commercial Revenues – Merchandising

- Increase the administration fee for FAI Air Sport Medals from CHF 100 to CHF 200. Annually an average of 50 medals are ordered.

Item	Revenue 2020
Increase of fee for FAI Air Sport Medal from CHF 100 to CHF 200	CHF 5000

Budget section “FAI’s Competitions” – Sanction fees – FAI World Air Games 2022

- Adjust the payment schedule for the last part of the sanction fee for the FAI WAG 2022 from a one-time payment of CHF 150,000 in 2022 to three annual payments of CHF 50,000 in 2020, 2021 and 2022.

Item	Revenue 2020
Sanction fee FAI World Air Games – change of payment schedule	CHF 50,000

Budget section “FAI’s Competitions” – Sanction fees – World Championships/Continental Championships

- The proposal is to introduce a FAI HO administration fee for FAI Cat 1 events in addition to the sanction fees currently charged by the Commissions to the Local Organisers. This will be a fee of 20% of the amount currently charged by Commissions as sanction fees. These fees would only apply to events that have yet

to be sanctioned: all events that have already been sanctioned would be excluded. For 2020 it is expected that 20 Cat 1 events remain to be sanctioned. For budget planning, the average amount per Cat 1 event is assumed as CHF 1000. It is at the discretion of the Commissions as to how to levy this fee. Avoiding unintended consequences or administration difficulties for all, including also organisers and ASPs, should be taken into consideration.

Item	Revenue 2020
FAI HO administration fee for - Cat 1 events (20 events in 2020)	CHF 20,000

Budget section “FAI’s Other Activities” – Other Income – Homologation of Records

- Increase FAI HO administration fees for performance records from CHF 200 to:
 - CHF 300 for “classic” air sports (Rotorcraft, Gliding, Ballooning, General Aviation)
 - CHF 1000 for General Aviation above 3000kg as per Sporting Code
 - CHF 2000 for Commercial Aircraft as per Sporting Code
- Based on the type of record dossiers received in 2018, the total amount of revenue increase is expected to be around CHF 82,600. Between 250 and 300 record dossiers arrive in FAI Head Office every year. Around 25% of them require further communication with the claimants, Official Observers, NACs or Commissions because the dossiers are not complete or are not clear. In relation to commercial records, the increased fee reflects the value the records create for the claimant.

Item	Revenue 2020
Increase of FAI HO administration fees for records in selected air sports and disciplines	CHF 82,600

Budget section “FAI’s Other Activities” – Financial income – Revenue from Shares

- Stop reinvesting part of the share dividends in new shares.

Item	Revenue 2020
Stop reinvesting part of the share dividends in new shares	CHF 10,000

Subtotal of proposals for increasing revenues for 2020:	CHF 422,600
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3.1.2 Items for reducing FAI HO related expenses, included in the draft budget 2020

Budget section "FAI's Activities" – Operating Expenses – General Conference & NAC meetings

- Reduce travel/accommodation expenses related to GC and NAC meetings (used to be the informal mid-year meeting). If NAC meetings are held, they must be financed through registration fees.

Item	Reduction of Expenses
Remove budget allocation for expenses related to GC and NAC meetings.	- CHF 26,500

Budget section "FAI's Activities" – Operating Expenses – Executive Board and ASCP

- Reduce FAI EB general expenses to 0, and travel/accommodation expenses for FAI EB from 40,000 to 10,000. The EB meetings will normally now be via online teleconference.

Item	Reduction of Expenses
Remove budget allocation for general expenses related to EB/ASCP.	- CHF 46,000

Budget section "FAI's Activities" – Operating Expenses – ASC Plenaries, Meetings & WGs

- Organisers of Commission Plenary meetings are required to invite a staff member from FAI Head Office. FAI Head Office has in some cases been present with a second person. Only one FAI staff member will attend Plenary meetings for 2020. In addition, the FAI HO subsidy of meeting costs will cease for Commission Plenaries held in Lausanne. (Note, the meeting rooms for smaller Commission meetings at MSI are free of charge.)

Item	Reduction of Expenses
Remove budget allocation for expenses/travel/accommodation costs for FAI HO related to ASC meetings and subsidy for Commission meetings in Lausanne	- CHF 16,640

Budget section "FAI's Activities" – Operating Expenses – Expert Groups/ Tech. Commissions /RVP

- Reduce FAI HO expenses for meetings of Technical Commissions and support for RVPs.

Item	Reduction of Expenses
Remove budget allocation related to Technical Commissions/RVPs.	- CHF 7600

Budget section “FAI’s Activities” – Operating Expenses – Other FAI Bodies

- Reduce FAI HO expenses from CHF 1600 to CHF 0.

Item	Reduction of Expenses
Remove budget allocation related to Other FAI Bodies	- CHF 1600

Budget section “FAI’s Activities” – Operating Expenses – Development programmes

- Stop FAI HO expenses on Technology and Sports Development (in the past used, for example, for initial support for Drones projects).

Item	Reduction of Expenses
Remove budget allocation related to Technology and Sports Development.	- CHF 24,000

Budget section “FAI’s Activities” – Marketing/Communication Expenses – Printing/Advertising/News and PR

- Stop providing a print version of FAI annual report and only publish an electronic version. Reallocate expenses for news editors to WAG project as appropriate.
- Reduce PR Expenses/Representation to 0.

Item	Reduction of Expenses
Remove budget allocation for print version of FAI annual report, expenses for news editors moved to WAG project.	- CHF 29,857
PR Expenses/Representation from CHF 2400 to CHF 0.	- CHF 2400

Budget section “FAI’s Activities” – Marketing/Communication Expenses – Communication & Marketing

- End occasional Marketing Consultancy.
- Reallocate expenses for media production/distribution and evaluation at selected Cat 1 events to WAG 2022 project as appropriate. No budget for events that are not at WAG 2022.
- Stop budget for audio-visual strategy.

Item	Reduction of Expenses
End occasional Marketing Consultancy	- CHF 6,000
Reallocate media prod/dist./evaluation to WAG as appropriate	- CHF 68,150
Stop budget for audio-visual strategy	- CHF 2,704

Budget section “FAI’s Activities” – Administration Expenses – Salaries & Social charges

- Reallocate about 0.15 FTE in HO to WAG 2022 project as it relates to resources dedicated to this project, eg, FAI Coordinator(s). Update overall staff budget.

Item	Reduction of Expenses
Reallocation 0.15 FTE to WAG project.	- CHF 21,600
Update/reduction overall FAI staff budget	- CHF 38,400

Budget section “FAI’s Activities” – Administration Expenses – General Administration and Special Projects

- Update/reduction maintenance and development costs for IT tools.

Item	Reduction of Expenses
Reduction maintenance/development costs for IT tools	- CHF 22,000

Subtotal reducing/reallocating expenses:	- CHF 313,451
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Overall FAI Budget

Finally, it is recommended to introduce one currency only, namely CHF, in order to reduce complexity in the FAI organisation.

3.1.3 Commission Budgets and Projects 2019 and 2020

- The Commissions provide budgets in their respective working currencies (EUR or CHF) that are included in CHF in the FAI budget. The budgets are mostly balanced when income from sanction fees and expenses for Officials at events and meetings are considered.
- FAI HO produces finance reports (balance sheet, P&L) by Commission for their annual Plenary meetings in their respective currency (EUR or CHF).
- Budgets and projects are required to be sent to FAI HO based on guidelines from the FAI Secretary General and Finance Director. This process was developed by the FRTF. The Approval process depends on the volume of the project:

Amount	Approval Required	Approval From
Non-budgeted expenses < CHF 4000	Yes	FAI Secretary General
Expenses > CHF 4000 & < CHF 10,000	Yes	FAI Finance Director FAI Secretary General
Expenses ≥ CHF 10,000	Yes	Executive Board

- For 2018 the combined Commissions overall result was negative and for 2019 and for 2020 the Commissions overall result, across all Commissions, is budgeted to be negative:

Year	Overall result across all Commissions
2018	- CHF 36,615 CHF (actual)
2019	- CHF 127,276 CHF (budget)
2020	- CHF 74,944 CHF (budget)

- The biggest two elements of expenses for Commissions for 2020, that are not related to sanction fees and officials, are development programmes and management fees. The details are provided in the table below.
 - FAI's Activities – Operating Expenses – Development Programmes CHF - 92,950
 - FAI's Activities – Administration Expenses – Management Fees CHF - 35,075

Commission	Projects 2019 / 2020	Total Cost
IAM	Production of World Cup medals Production of World Cup diplomas	No amounts provided
IVL	CIVL Administrator and Competition Coordinator Training/Tuition of Judges IT Development – Event Management System CIVL Scoring Software	20,400 EUR 5,000 EUR 60,000 EUR 30,000 EUR
IA	Live Tracking	No amounts provided
BC	Sailplane Racing Portal Ranking List FLARM- Based Tracking Units	36,293 EUR 24,476 EUR 20,000 EUR
C	Judge training IT Development IS Global Summit FAI Records Social Media Management	5,000 EUR 5,000 EUR 7,500 EUR 4,000 EUR 6,000 EUR

- The Commission income and expenditure cash flows for 2018 and 2019 have already been approved by the FAI General Conference as part of the overall FAI Budget. This includes the coverage of the negative results for both 2018 and 2019 by drawings from the Special Reserves of the respective Commissions.

4 Additional actions being taken in parallel by the FAI EB

The EB has initiated several actions in parallel to the financial planning. These include:

- A 100% review of the roles, functions and activities undertaken in the HO. The intention is to ensure that staff are well fitted to their positions, responsibilities and activities are well understood and key performance indicators are provided for all.
- Seeking independent financial advice on the overall situation of the organisation. The EB took note of the following advice: *As per income statement analysis, communication, operating and administration expenses are very high compared to membership and commercial revenue. FAI may need to work on increasing revenue and reducing expenses, by signing new contracts, by increasing membership fees and by simplifying the structure of FAI (among others, the way we work with commissions and reserves). Also, to have a more precise picture, it might be that some salaries and other operating expenses should be better allocated to FAI competitions, to identify what is really profitable and what is not. Furthermore these measures should be taken to guarantee the medium/long-term going concern of FAI, whereas there are no issues seen in the short-term.*
- Financial processes are being audited with the objective of ensuring that they are automated to the maximum extent possible.
- Preparation and publication of the Report from the One FAI Working Group to enable review and the potential initiation of planning meetings to look at a substantial re-organisation of the FAI prior to the General Conference.
- Discussion with President of Honour Eilif Ness to understand and learn from the review of the FAI that he led in the 1990s.

5 List of items postponed or not implemented by the FAI EB

The following actions have been postponed by the EB at this stage pending further work:

- Audit of FAI Membership numbers (relevant for determining scale of subscription)
- New FAI Officials ID
- FAI Membership subscription revision, incorporating Sports ID scheme

The following actions have been considered by the EB but are not proposed to be implemented for 2020.

- FAI Membership subscription increase of 10%
- A CHF 50 fee per Cat 2 event
- Sanction fee income from WDRC 2020

- Income through Aeronautical association membership concept
- FAI Space Tourist Diploma, three in 2020, CHF 15,000 each
- Possible continuation of the Red Bull Air Race without Red Bull, fee to maintain relationship
- Release one staff member permanently (may require updated definition of scope of action of FAI HO)
- One-time levy to NACs and ASCs (Proportionate to the use of services of FAI HO (80% ASCs, 20% NACs))

6 Responses to specific questions on budget items

Some questions have been raised in response to the *President's Musings #6*. They are answered here as they may be of interest for everyone.

- *"FAI financial reserves had reduced from CHF 1.741 million in 2011 to CHF 293,000 in 2018"*
 - In this calculation the so-called "MSI reserve" is included, which was set up when FAI acquired the office space in Lausanne. This "reserve" is reduced by CHF 40,000 each year to compensate the annual mortgage. So CHF 280,000 (2011-2018: 7 x CHF 40,000) should be excluded from this calculation if the purpose is to show the use of reserves for air-sports-related investments.
 - The FAI reserves also include the Commission's Special Reserves that have CHF 1.108 million accumulated at the end of 2018 (CHF 998,000 end of 2011) and should be taken into account as well. This is also the case for the reserve "World Grand Prix of Aviation" (CHF 100,931 unchanged since 2008).
 - The total amount of Reserves in FAI at the end of 2011 was: CHF 2,691,467, and at the end of 2018: 1,685,564 CHF. It should be noted that, in the history of FAI, the amount of reserves in the years 2009-2011 were the highest ever recorded.
- *"The ASC reserves generate bank interest (...) it was agreed that the interest would serve to cover FAI overheads and compensate exchange rate risk"*.
 - Current interest rates for cash on bank accounts with fixed terms is around 0.2% to 0.3%, so the amount does not significantly contribute to the budget (CHF 1 million would generate CHF 2000 to CHF 3000 annually). Other options may generate higher interest, but with deposit guarantees limited to CHF 100,000 or EUR per customer per bank.
 - The agreement was that FAI Head Office budget would carry exchange rate gains and losses as well as bank fees. Bank fees are generated because of

transfers between CHF and many different currencies on the request of the Commissions for their Officials, and running various bank accounts, some of them dedicated to Commissions. For the seven years from 2013 to August 2019 these amounts accumulated to:

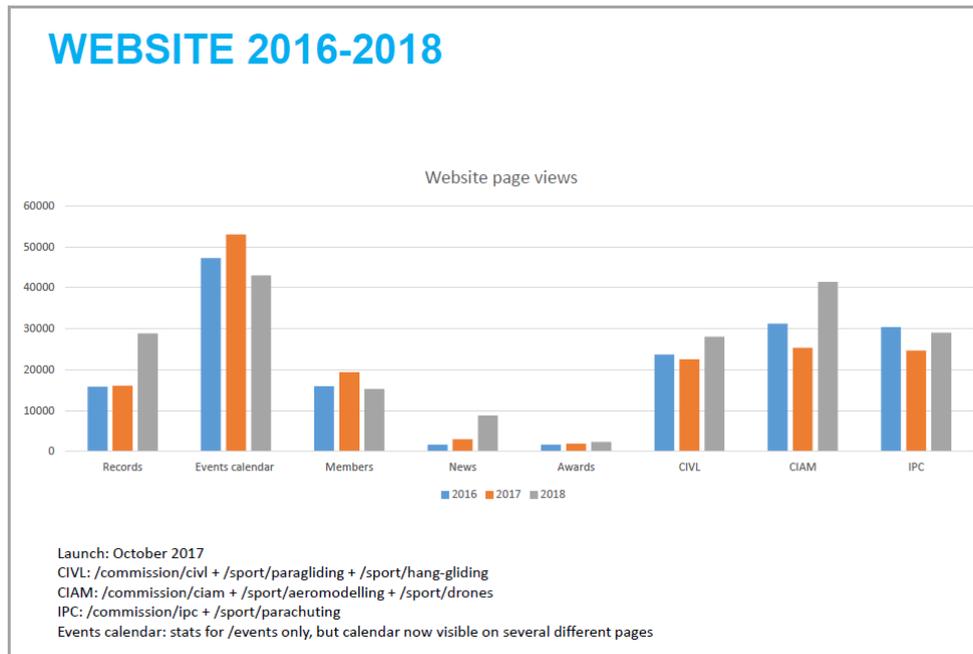
- Exchange rate gains CHF 68,857
 - Exchange rate losses - CHF 119,763
 - Bank fees - CHF 28,983
- As a result, FAI Head Office carried an accumulated loss of CHF 79,889, (an average of 11,412 CHF per annum reduced by any interest income that could be generated). Since 2018 the FAI has been using Western Union to transfer money between accounts and this has resulted in a significant reduction in bank fees.
 - The exchange rate changes and their effects on the actual reserves held in different currencies over the years 1999-2014 was reviewed in 2014 and led to the recording of a “Conversion Reserve” as part of the Special Reserves earmarked for the Commissions. As per the audited financial statement 2015, “the total Reserve amount of CHF 1,002,271” included an amount of “CHF 284,747 as Conversion Reserve”. This is currently under review as the recording of a conversion reserve leads to discrepancies between EUR amounts and CHF amounts recorded in the overall FAI statement for each Commission.
- “What is the current travel budget of the EB and Head Office and what controls are in place to justify the reasons for travel and related expenses”
 - See the table showing the actual 2015–2018 and as of 30 June 2019 below in CHF. The figures in the table do not include Commission expenses.

		2015	2016	2017	2018	as of 30.6.2019
621000	EB & ASCP General Expenses <i>Meeting and accomodation EB</i>	19,704.49	11,487.27	19,526.73	14,900.86	14,810.49
621100	EB & ASCP Expenses of FAI Officers <i>Travel costs EB, and accomodation CPG meeting in 2015</i>	17,925.58	38,803.57	57,307.94	73,391.65	39,826.09
621200	EB & ASCP Expenses of FAI Staff <i>FAI HO staff travel costs</i>	94.44	1,596.49	888.89	991.21	357.12
622000	ASC General Expenses <i>Subsidies FAI HO to meeting costs of ASCs in Lausanne (IGC, CIVL, CIA, CIAM (2018 under 621000))</i>	13,851.66	8,733.15	8,856.35	744.21	6,338.45
622100	ASC Expenses of Officers <i>a.o. attendance EB at ASC Plenary meetings</i>	-	821.59	1,794.22	3,696.60	849.98
622200	ASC Expenses of FAI Officers <i>a.o. attendance EB at ASC Plenary meetings</i>	914.24	4,892.83	6,495.92	5,355.86	-
622300	ASC Expenses of FAI Staff <i>Attendance FAI HO staff at ASC Plenaries (in addition to the HO representative covered by the host)</i>	3,388.52	2,917.03	3,021.84	4,540.91	800.58

- The EB maintains a calendar of events and jointly decides attendance.

- *“What was the cost of the new website that was designed primarily for the general public and not for FAI users? A large part of communication to FAI users is ensured by ASCs at some cost to them. How is this factored in the overall FAI communication budget”*
 - The overall cost of the website was CHF 110,000 and is depreciated over five years. Annual maintenance fees are paid, as is the case with all IT tools, and this covers software adjustments as requested by Commissions and Members as users.
 - The relaunch was prepared from 2016 on, through an initial survey and several and continuous contacts with Commission Presidents and/or their webmasters via email or basecamp.
 - The request for proposals to agencies included a list of features based on the feedback provided by the Commissions and the website relaunch concept was presented in January 2017.
 - Contacts are ongoing on a regular basis from FAI HO with Commission Presidents and/or webmasters.
 - The following graphs show the total page views and page views by activity and Commissions.





7 Outlook FY2021

1. The proposals regarding the budget for 2020 are temporary measures. A number of the measures proposed, both in terms of reducing expenses and providing additional income, can be relatively easily switched on and off.
2. This paper and the proposals, however, are only addressing the immediate financial considerations. It is apparent that the wider perspective that the current situation has identified is that the current FAI structure does not align finances, decision-making, accountability and responsibility.
3. The measures proposed by the EB may not appeal to all and they will result in a loss of capabilities in the short-term. However, the EB believes that the budgetary options presented and the budget achieved will provide the capacity for the FAI to function adequately in 2020. This will provide the time for a wider and more holistic view to be taken of the whole organisation.
4. The proposed budget for 2020 will not sustain the organisation into the future. If we wish to see FAI thrive and develop, we must restructure, and we must secure sustainable new income streams.

8 Summary

- The recent unexpected shortfalls in FAI's financial income require far more than simple expenditure adjustments – the necessary adjustments may fundamentally change the scope of our organisation.
- Such changes are clearly beyond the managerial mandate that the Statutes assigned to the EB and require a wider consultation process among the key FAI stakeholders.
- FAI is also a “victim of its own success”, where new air sports and combinations of air sports may offer a significant commercial potential. However, the current organisational structure is arguably not sufficiently nimble when it comes to grasping and exploiting emerging commercial opportunities.
- A new vision on how FAI should address these opportunities is clearly needed. More than 20 years ago Eilif Ness, proposing to the General Conference the institution of the Executive Board, allowed for a significant acceleration in FAI's decision making process.
- The time has come to consider another profound redesign of FAI's organisation, a redesign that recognizes the growing involvement of Commissions in economic activities and the need to further align Commissions and NACs to efficiently represent so many new air sports in many different countries.
- The planning for this process is occurring now and it should commence prior to this General Conference in December. Further information will be provided to everyone shortly, including the recommended road map on how we should proceed with this evolution of the FAI.



Bob Henderson
FAI President

23 September 2019