



ASSEMBLY — 39TH SESSION

ECONOMIC COMMISSION

Agenda Item 39: Economic Regulation of International Air Transport – Policy

REPATRIATION OF AIRLINES' OVERSEAS REVENUES

(Presented by the International Air Transport Association (IATA))

EXECUTIVE SUMMARY

Airlines typically price and sell tickets in the currency of the country in which they are being sold. Then they need to convert those local currency revenues into their main operating currencies before they can be repatriated. Due to a drop in oil and other commodity prices, and a general slowdown in the global economy, some governments around the world are experiencing a reduction in foreign exchange inflows. This means that in certain markets airlines are unable to source the foreign exchange they need to convert their local currency revenues, and thus their funds become 'blocked' overseas. Such an inability to access and use overseas revenues often makes it unsustainable for airlines to maintain service to such countries. As a consequence of this, aviation's ability to drive social and economic development is impacted at the time that it is most needed.

Action: The Assembly is invited to:

- a) urge Member States to recognize the social and economic value of aviation and air transport activity;
- b) urge Member States to prioritize the aviation sector when allocating scarce foreign exchange and to work collaboratively with airlines to find innovative solutions to 'blocked funds' problems when they occur; and
- c) urge Member States to carefully observe existing provisions in Air Service Agreements that promote the repatriation of overseas balances and include such provisions in new Air Service Agreements.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective D — Economic development of air transport
<i>Financial implications:</i>	None
<i>References:</i>	None

¹ English, Arabic, Chinese, French, Russian and Spanish versions provided by IATA.

1. INTRODUCTION

1.1 Aviation provides a vital engine of the global economy. The industry flies a third of world trade by value. It transports over half of international tourists. It supports nearly 63 million jobs and \$2.7 trillion in global GDP and is integral to the proper functioning of other economic sectors like oil and gas, agriculture and tourism. Aviation is also a connector of nations, families and business. In short, air transport has the potential to deliver significant social and economic benefits to a wide range of consumers and stakeholders.

1.2 A critical way of unlocking these benefits is to ensure that obstacles or inhibitors are avoided or removed as quickly as possible. One such obstacle is when airlines are unable to repatriate their overseas revenues from countries experiencing foreign exchange shortages. This is particularly a problem for airlines as the majority of their costs is in their home markets, so being unable to repatriate their funds often results in airlines having to reduce or completely stop their services to affected countries. This in turn has a significant negative effect on the economies and the peoples of the affected countries, and thus represents a 'lose-lose' situation for airlines, consumers, businesses and governments.

2. DISCUSSION

2.1 States and the airline industry have a long history of working collaboratively to meet the many challenges that could potentially inhibit the ability of airlines to maximize their contribution to social and economic development. Whether this is in the field of safety, security, the environment or any of the other myriad of issues, the need for partnership, often through the invaluable work of ICAO, is critical.

2.2 As the number of States experiencing foreign exchange shortages increases, there is another opportunity for States and the industry to work in partnership to make sure that currency repatriation issues do not lead to reduced connectivity to and from affected States:

2.2.1 When foreign exchange shortages occur, States have to make some very difficult decisions in terms of how to allocate limited foreign exchange resources. Understanding the critical role that air transport can play in helping to drive the economic activity needed to alleviate the economic downturn that could be causing foreign exchange shortages in the first place, it is important that the aviation industry is regarded as a priority when scarce foreign exchange is allocated. If aviation is not regarded as a priority recipient, air transport connectivity could decrease, thus decreasing economic activity and ultimately making a bad situation even worse.

2.2.2 Where airlines do have significant local currency amounts that they are unable to convert and repatriate, they seek innovative ways to use those funds. For example, by finding local organizations that might wish to buy some of the airlines' local funds, allowing airlines to sell their services in freely convertible currencies and looking for opportunities to pay local expenses such as airport fees, ATC charges, fuel charges, ground handling, catering, etc. In such situations, it would be advantageous if airlines and States could work collaboratively to identify and facilitate the use of such innovative solutions.

2.3 While the initiatives suggested above would assist in the management of existing repatriation problems, careful observance of funds repatriation provisions in Air Service Agreements (ASA) (which generally set out a right for air carriers to remit their overseas balances in a timely manner

without restrictions in freely convertible currency), and the inclusion of such provisions in new Air Service Agreements, could help prevent such problems in the first place.

3. **CONCLUSIONS**

3.1 The Assembly is invited to:

- a) urge Member States to recognize the social and economic value of aviation and air transport activity;
- b) urge Member States to prioritize the aviation sector when allocating scarce foreign exchange and to work collaboratively with airlines to find innovative solutions to 'blocked funds' problems when they occur; and
- c) urge Member States to carefully observe existing provisions in Air Service Agreements that promote the repatriation of overseas balances and include such provisions in new Air Service Agreements.

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