



WORKING PAPER

WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

Montréal, 18 to 22 March 2013

Agenda Item 2: Examination of key issues and related regulatory framework

Agenda Item 2.1 : Market access

BENEFITS OF AIR SERVICES LIBERALISATION TO THE SINGAPORE ECONOMY

(Presented by Singapore)

EXECUTIVE SUMMARY

This working paper highlights the benefits of a liberal air services policy to Singapore, where air transport contributed nearly S\$20 billion of value-added to the Singapore economy or about 6 per cent of the Singapore GDP in 2011. Recognising ICAO's substantial achievements in facilitating air services liberalisation and promoting market access, including through the annual ICAO Air Services Negotiation Conference, Singapore supports ICAO's continued role in facilitating the liberalisation of air services.

Action: The Conference is invited to consider the recommendations presented in paragraph 6.

References: ATConf/6 reference material is available at www.icao.int/meetings/atconf6.

1. INTRODUCTION

1.1 Over the past thirty years, the global air transport industry has witnessed a rising trend in air services liberalisation, motivated by potential benefits to air passengers via a competitive market, and the wider economy. Studies have found that liberalised air markets can benefit from reduced air fares and more choices for passengers, increased air traffic, and a consequent growth in employment and GDP.

1.2 In support of its economic development, Singapore has also adopted a liberal aviation services policy. To date, Singapore has concluded over 120 air services agreements, of which over 50 involve unlimited 3rd, 4th and 5th freedom traffic rights. Singapore is also a party to several multilateral agreements such as the Multilateral Agreement on the Liberalisation of International Air Transportation (MALIAT) and ASEAN Single Aviation Market-related air services agreements.

2. STRONG PASSENGER TRAFFIC GROWTH AT CHANGI AIRPORT

2.1 A liberal air services policy is a key factor to the growth of Singapore's Changi International Airport ("Changi"). In 2012, more than 80 airlines operated at Changi, connecting Singapore physically to over 150 cities in 52 countries via nearly 6,300 weekly scheduled services. This was an increase from 63 airlines serving some 140 cities in 51 countries via 4,200 weekly services in 2007. According to Airports Council International, Changi was the seventh and eighth busiest airport in terms of international passenger traffic and international air cargo traffic, respectively, in 2012.

2.2 Between 2007 and 2012, passenger movements at Changi grew at a compound annual growth rate of nearly 7.0 per cent, reaching 51.2 million in 2012. As seen from **Exhibit 1**, after a minor setback in 2009 due to the global financial crisis, passenger traffic rebounded strongly and has seen double-digit growth for the past three years. This was predominantly led by the robust growth of low cost carriers (LCCs) in the region driven by air services liberalisation (**Exhibit 2**). Consequently, LCCs' share of passenger traffic at Changi rose from 10 per cent in 2007 to nearly 30 per cent in 2012.

Exhibit 1: Passenger Movements at Changi, 2007-2012

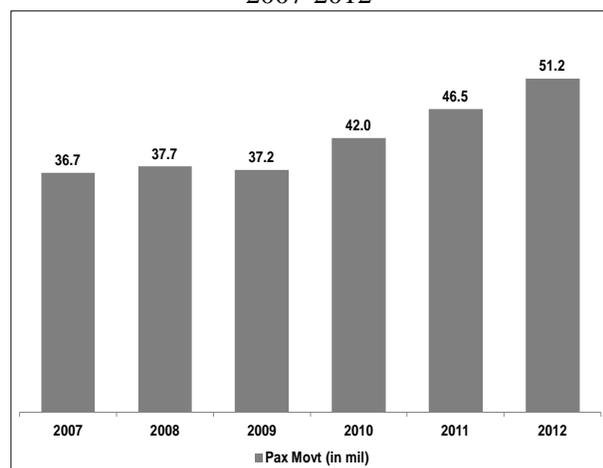
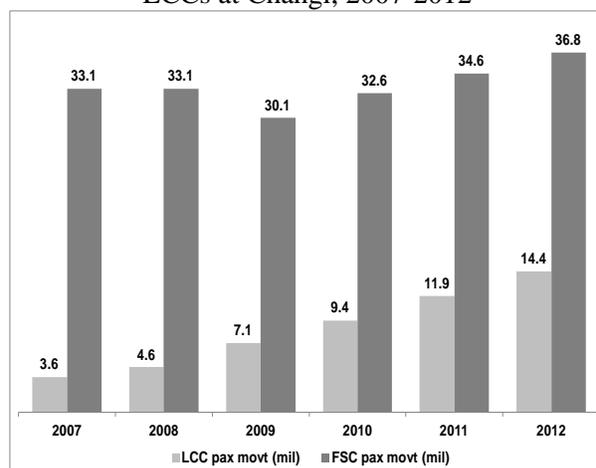


Exhibit 2: Passenger Movements by FSCs and LCCs at Changi, 2007-2012



Source: Civil Aviation Authority of Singapore (CAAS)

2.3 With the growing middle class in Asia and further air services liberalisation in the region, intra-Asia air travel is expected to grow in tandem. One of Singapore's experiences in air services liberalisation, which has resulted in significant benefits to passengers, is that between Singapore and Kuala Lumpur in Malaysia [see **Box 1.1**].

Box 1.1: A Case Study

Air services liberalisation on the Singapore-Kuala Lumpur sector in 2008 saw the entry of five new carriers (Air Asia Malaysia, Firefly, Jetstar Asia, Silkair and Tiger Airways Singapore) to compete with the two incumbents (Malaysia Airlines and Singapore Airlines). The resultant competitive airfares stimulated greater air travel between the two cities, leading to a stepped jump in the number of flights and passenger movements (see **Exhibits A1** and **A2**), with the travelling public benefitting from a wider choice of airfare-service level combinations and flight frequencies.

Exhibit A1: Scheduled Flights between SIN & KUL, Before and After Air Services Liberalisation in 2008

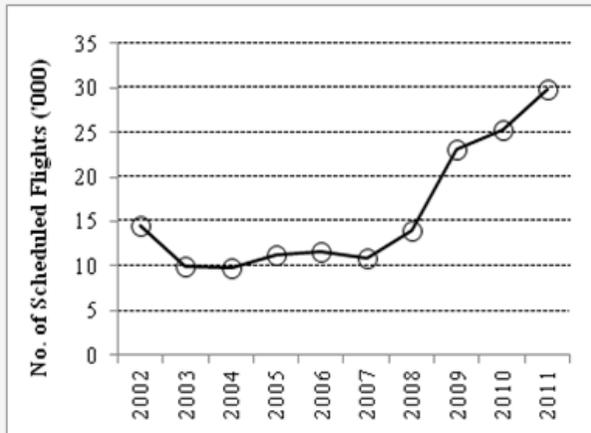
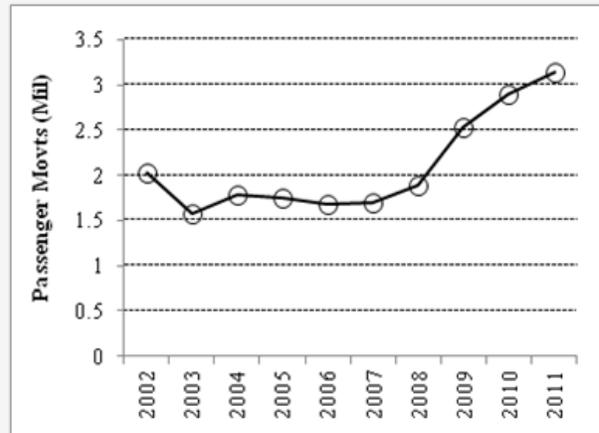


Exhibit A2: Passenger Movements between SIN & KUL, Before and After Air Services Liberalisation in 2008



3. ECONOMIC BENEFITS OF AIR TRANSPORT TO SINGAPORE

3.1 According to a 2012 CAAS-commissioned study, air transport contributed nearly S\$20 billion of value-added (VA) to the Singapore economy or about 6 per cent of Singapore GDP in 2011. Nearly half or 49 per cent of this economic contribution arose directly from activities at Changi, while the remaining was due to indirect (27 per cent) and induced (24 per cent) economic activities¹. In other words, for every dollar of VA generated at Changi, an additional 55 cents of VA were generated indirectly. Similarly, for every dollar of direct and indirect VA from air transport activities in Singapore, an additional 31 cents of VA were produced due to the income multiplying effects of household spending and re-spending.

3.2 The study also estimated that air transport generated and facilitated the creation of about 163,000 jobs (i.e. direct, indirect and induced), or about 5 per cent of Singapore total employment in

¹ There are three types of economic impact generated by air transport namely direct, indirect and induced. Direct impact is generated due to the business activities of firms on-site at the airport and airport-related businesses located elsewhere in Singapore; Indirect impact is generated from downstream industries that supply and support the activities at Changi Airport; Induced impact accounts for economic activities generated by employees of firms which are directly or indirectly linked to Changi Airport, spending their incomes in the Singapore economy.

2011. Of the 77,000 direct jobs created, over 20 per cent were PMET (Professionals, Managers, Executives and Technicians) jobs².

3.3 While air transport is an economic engine by itself, a more important role it plays is as an enabler of the growth of other economic sectors in Singapore, such as tourism and international trade. The existence of a well-connected international airport also adds to the country's attractiveness as a place to do business and as an investment destination. From the study, air transport in Singapore had further enabled an additional S\$43 billion of VA or 13 per cent of Singapore's GDP in 2011 due to tourism, trade and investment and facilitated the creation of an additional 484,000 jobs for the Singapore economy in 2011.

4. SUPPORTING ICAO'S WORK IN AIR TRANSPORT

4.1 Singapore recognises the substantial achievements of ICAO in the area of air transport, particularly in liberalising air services and promoting market access, through policy and guidance material such as Doc 9587, *Policy and Guidance Material on Economic Regulation of International Air Transport* and the ICAO Template Air Services Agreements, and the organisation of the annual ICAO Air Services Negotiation Conference (ICAN). Singapore participates actively in the ICAN, and has successfully concluded and/or expanded over 20 bilateral ASAs at these Conferences since the first ICAN in 2008. To this end, we strongly encourage more States to participate in ICAN, which enhances the efficiency of air services negotiations.

4.2 As highlighted in ATConf/6-WP/13, the ICAO Council has determined that most of the existing ICAO policy guidance remains relevant and valid, although more work can be done in promoting awareness of these guidance materials among States. We support the continued role of ICAO in promoting and updating its policy guidance and in assisting States in the air services liberalisation process, where requested upon.

4.3 Singapore acknowledges the challenges that ICAO will face in assuming a leadership role in developing a multilateral approach to facilitate market access expansion. As a member of MALIAT and other multilateral air services agreements Singapore supports a multilateral approach to air services liberalisation. At the same time, we recognise that States at different stages of air transport market development would be concerned about a one-size-fits-all approach. More consultation by ICAO with States and other stakeholders will need to be done to address such concerns. Where States need more assurances of the benefits of air services liberalisation, Singapore and others that have benefited from such liberalisation would be happy to share experiences and case studies, as we have done in this paper.

5. CONCLUSION

5.1 The Singapore economy has benefited significantly from the good air connectivity forged through Singapore's liberal air services regime. Singapore continues to support ICAO's efforts in facilitating air services liberalisation and promoting market access. ICAO's leadership in this area will continue to be important.

² In accordance to the Ministry of Manpower's Singapore Standard Occupation Codes (2010) classification.

6. **RECOMMENDATIONS**

6.1 The following recommendations are proposed for consideration by the Conference:

- a) note the significant economic benefits of a liberal air services regime;
- b) recognize the substantial achievements of ICAO and its continued role in liberalizing air services and promoting market access, in particular through guidance materials, template ASAs and the organization of ICAN; and
- c) support the leadership of ICAO in developing a multilateral approach to market access expansion, in consultation with States and other stakeholders.

— END —