



INTERNATIONAL CIVIL AVIATION ORGANIZATION

A United Nations Specialized Agency

50th Conference of Directors General of Civil Aviation Asia and Pacific Regions

Economic development of air transport

Current Challenges

2 July 2013

Boubacar Djibo, Director, Air Transport Bureau (ATB)

CHICAGO CONVENTION



Doc 7300/9



Convention on International Civil Aviation

Convention relative à l'aviation civile internationale

Convenio sobre Aviación Civil Internacional

Конвенция о международной гражданской авиации

This document supersedes Doc 7300/8.
Le présent document annule et remplace le Doc 7300/8.
Este documento reemplaza el Doc 7300/8.
Настоящий документ заменяет Doc 7300/8.

Ninth Edition – Neuvième édition – Novena edición – Издание девятое — 2006

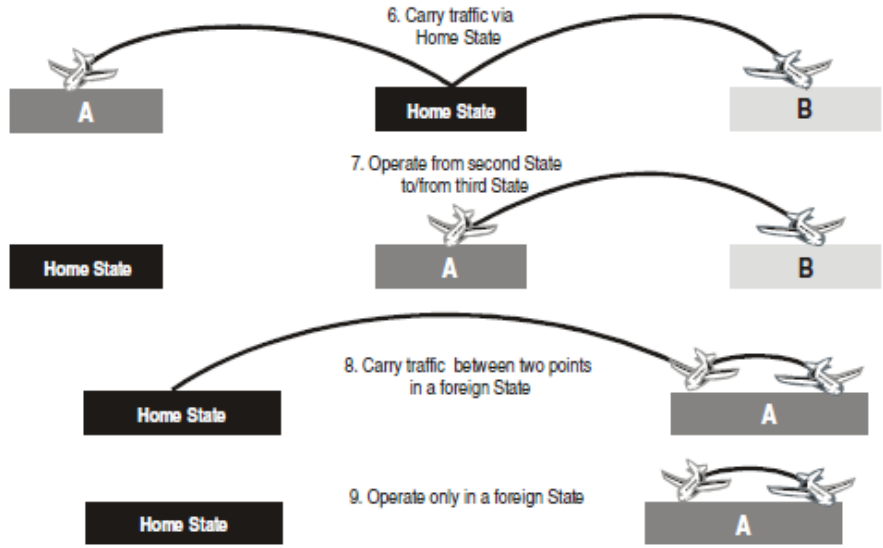
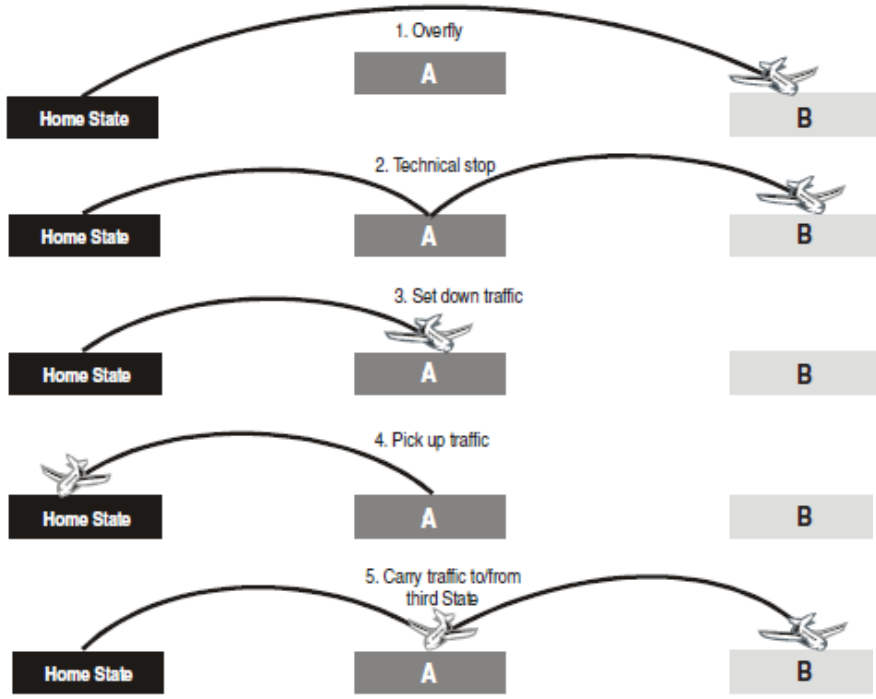
International Civil Aviation Organization
Organisation de l'aviation civile internationale
Organización de Aviación Civil Internacional
Международная организация гражданской авиации

7 December 1944

Preamble

THEREFORE, the undersigned governments having agreed on certain principles and arrangements in order that international civil aviation may be developed in a safe and orderly manner and that international air transport services may be established on the basis of equality of opportunity and operated soundly and economically;

Nine Freedoms of the Air – Doc 9626





2 Technical and 7 Commercial

- 1) *the right to fly over a foreign country, without landing there*^[2]
- 2) *the right to refuel or carry out maintenance in a foreign country on the way to another country*
- 3) **the right to fly from one's own country to another**
- 4) **the right to fly from another country to one's own**
- 5) **the right to fly between two foreign countries during flights while the flight originates or ends in one's own country**
- 6) **the right to fly from a foreign country to another one while stopping in one's own country for non-technical reasons**
- 7) **the right to fly between two foreign countries while not offering flights to one's own country**
- 8) **the right to fly between two or more airports in a foreign country while continuing service to one's own country (referred to as Consecutive Cabotage).**
- 9) **the right to fly inside a foreign country without continuing service to one's own country (referred to as Stand Alone Cabotage).**



INTERNATIONAL CIVIL AVIATION ORGANIZATION

A United Nations Specialized Agency

ICAO Air Services Negotiation Conference (ICAN)

	2008	2009	2010	2011	2012
Number of participating States	27	52	38	64	62
Number of meetings	100	200	200	340	350
Number of Bilateral Agreements	20	60	60	120	130

A place to meet for multiple air services agreement talks

2013: 9 – 13 December, Durban, South Africa

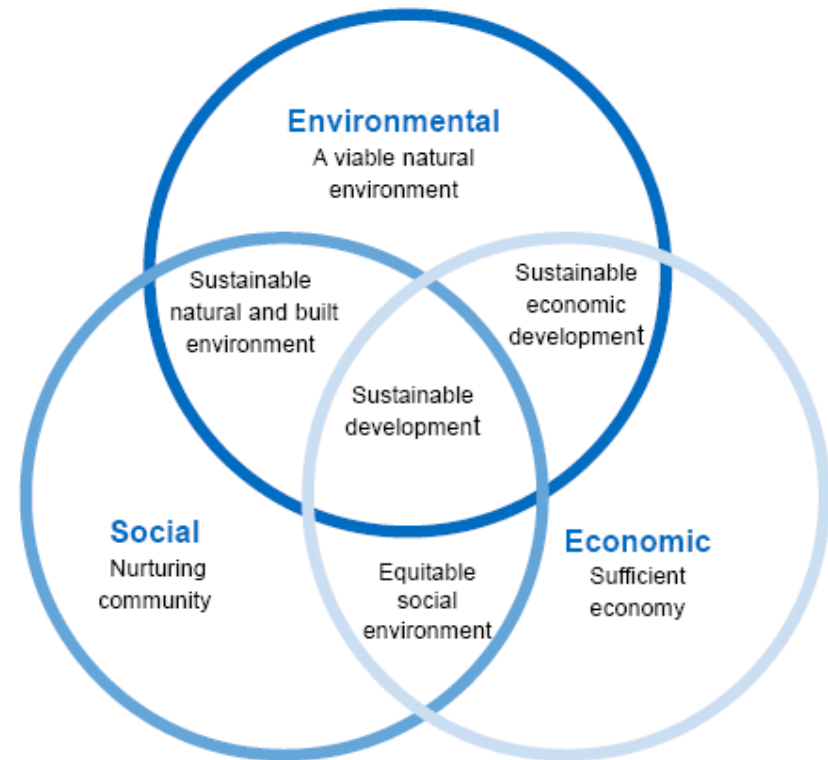
2014: to be confirmed

The three dimensions of sustainability



United Nations: "Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs."

Triple Bottom Line: In business, one approach to sustainability is focusing on the impact of decisions on the environment and the community in addition to profit (traditional single bottom line). The diagram illustrates this idea.



International Aviation

Economic:

5% Contribution to the global economy

Environment:

2% of emissions

ICAO AIR TRANSPORT SYMPOSIUM (IATS)

STRATEGIES AND TOOLS FOR SUSTAINABLE AIR TRANSPORT

Montréal, Canada, 18 to 20 April 2012



Consistent with the goals of ICAO, as set forth in the Chicago Convention, and with ICAO's status as a specialized agency of the United Nations, a sustainable air transport system, I suggest, is one that:

- "Allows the basic access and development needs of individuals, companies and society to be met safely and in a manner consistent with human and ecosystem health, and promotes equity within and between successive generations.
- Is affordable: operates safely, securely, fairly and efficiently, **offers choices of air services and supports a competitive economy as well as balanced regional development.**
- Limits emissions and waste within the planet's ability to absorb them, uses renewable resources at or below their rates of generation and uses non-renewable resources at or below the rates of development of renewable substitutes, while minimizing the impact on the use of land and the generation of noise."

Mr. Raymond Benjamin, Secretary General

ICAO's strategic objectives 2014-2015-2016



Safety: Enhance global civil aviation safety

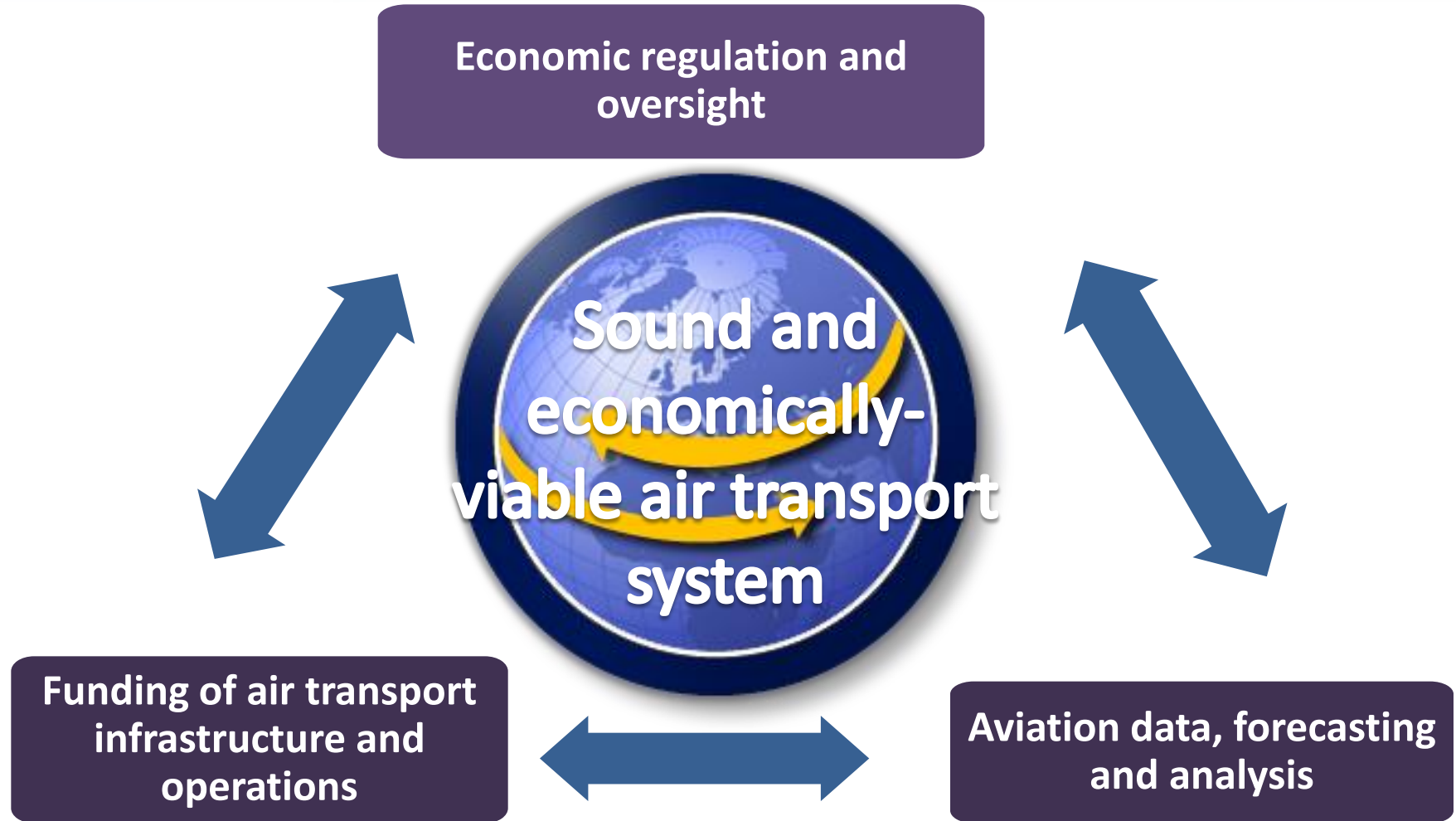
Air Navigation Capacity and Efficiency: Increase capacity and improve efficiency of the global civil aviation system

Security & Facilitation: Enhance global civil aviation security and facilitation

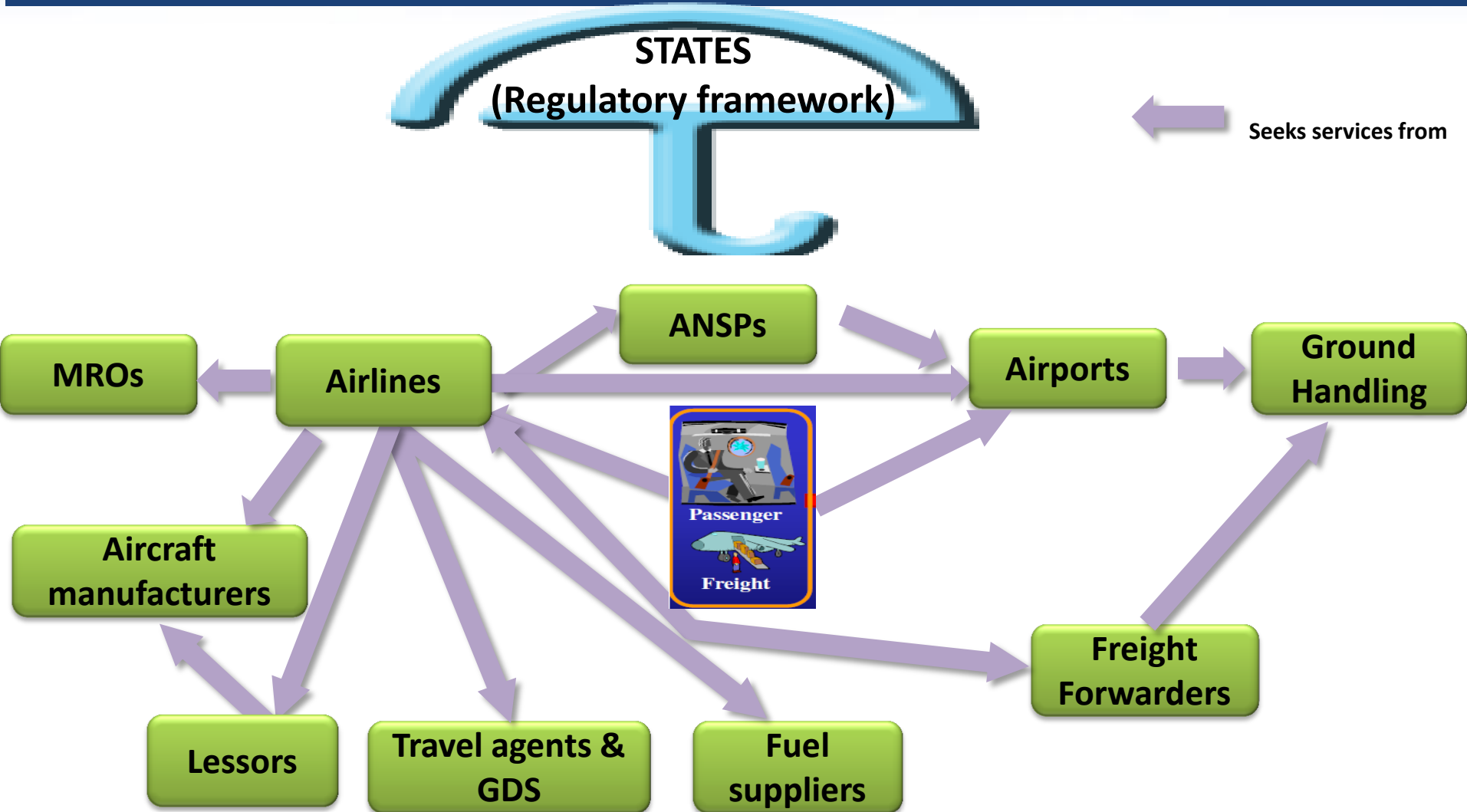
Economic Development of Air Transport: Foster the development of a sound and economically-viable civil aviation system

Environmental Protection: Minimize the adverse environmental effects of civil aviation activities

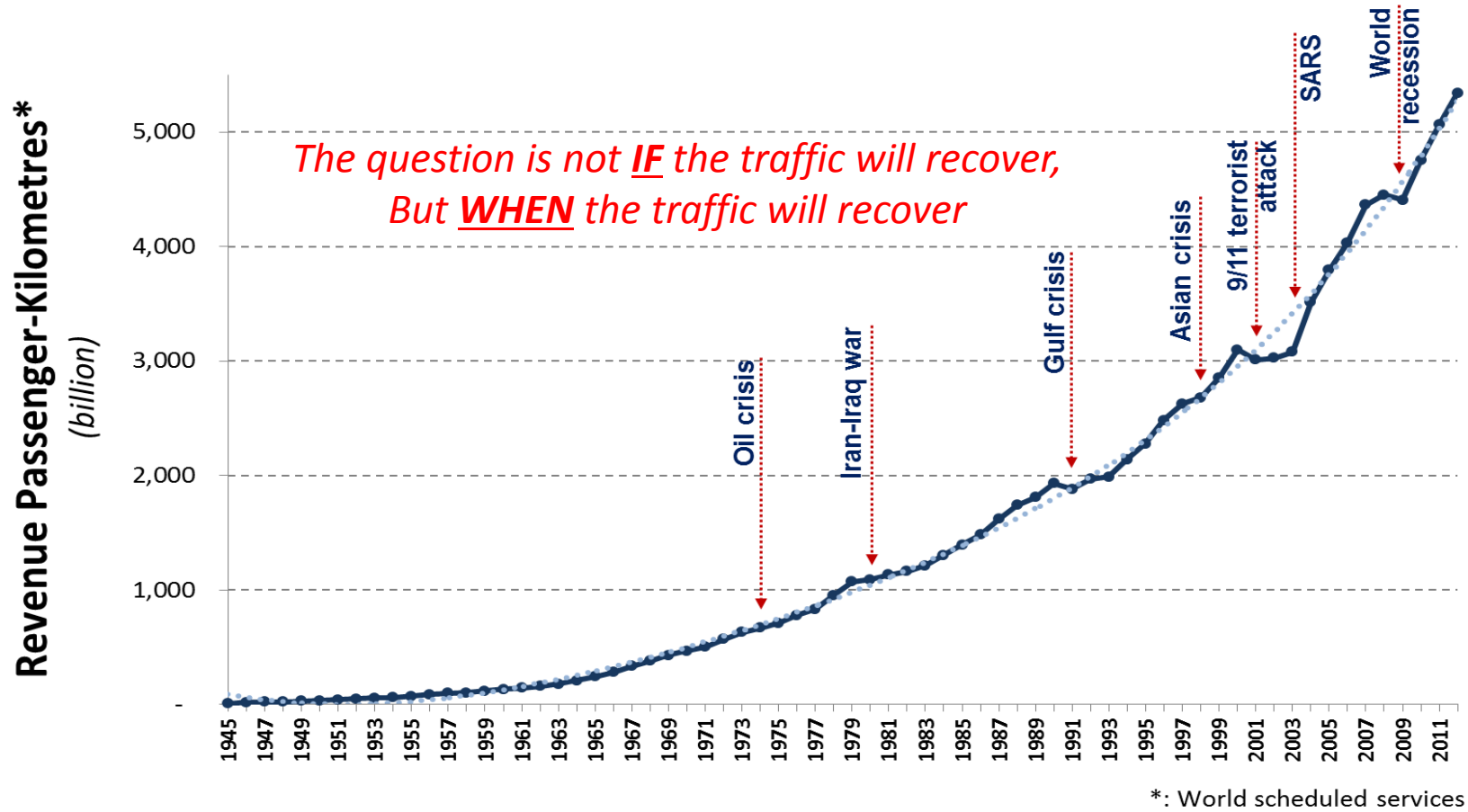
Economic development of air transport



Value chain of air transport



Impact of Worldwide Events



Need for the Economic Viability for the benefit of:



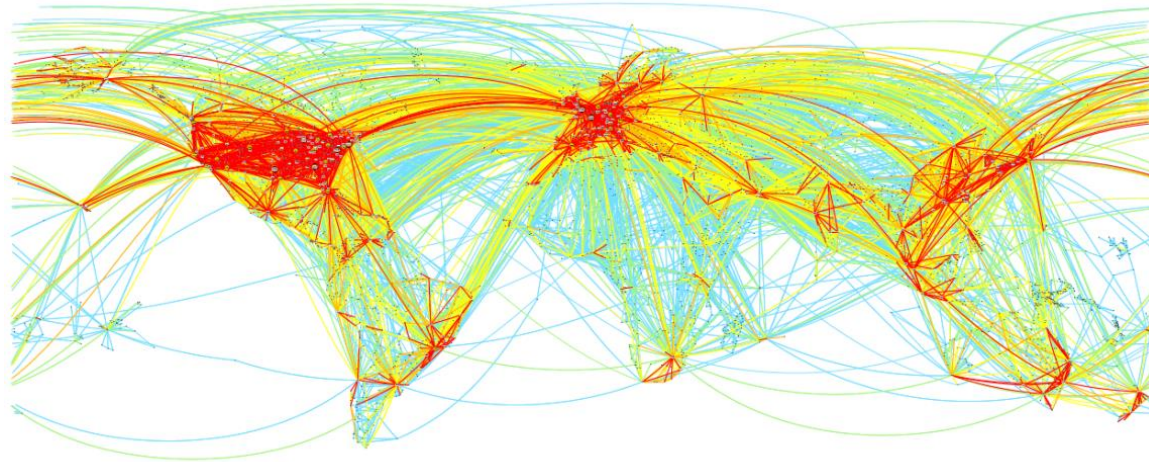
- **In 2012**
- 2.9 billion passengers
- 52 million ton. of freight
- 1 000 airlines
- 25 000 aircraft in service
- More than 4 000 airports
- 36 million airline routes
- 170 air navigation centers
- 1.5% Cargo Volume = 34.6% in value

...and in 2030
6 billion passengers

Look at air traffic flow...



2002



2010



*

CITIES mov

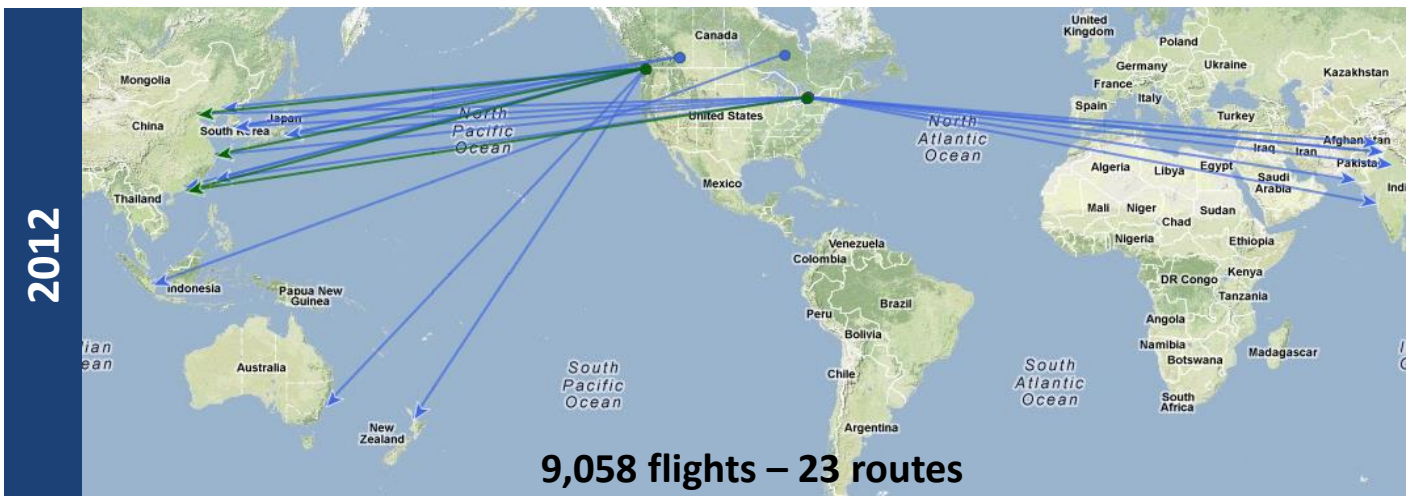
- 1 - 14999
- 15000 - 58929
- 58930 - 140764
- 140765 - 303197
- 303198 - 556306

FLOW mov

- FLOW2101-44279
- FLOW1001-2100
- FLOW401-1000
- FLOW166-400
- FLOW1-165

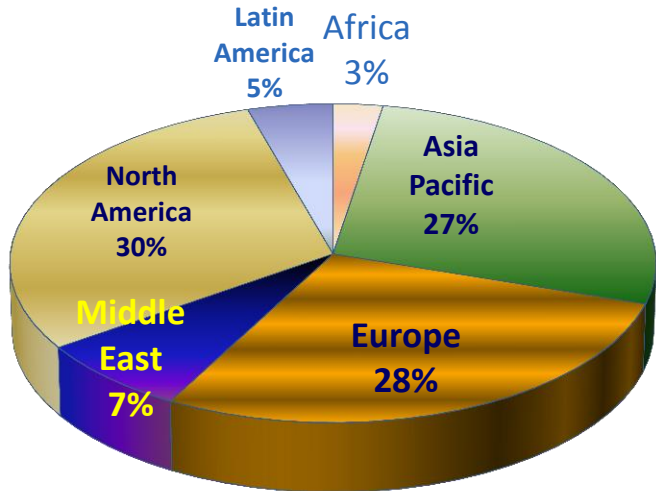
Canada to Asia

Passengers and cargo flights, all non-stop



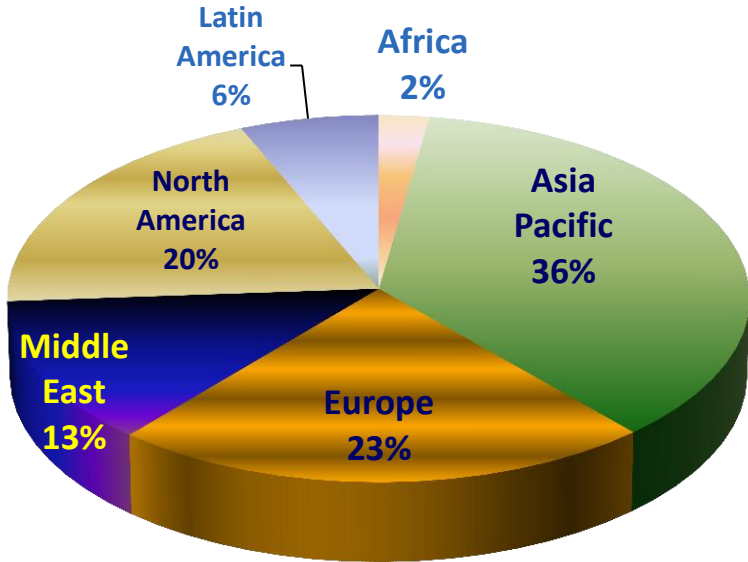
Regional airline traffic data

2010



**Total:
4685 billion PKP**

2030

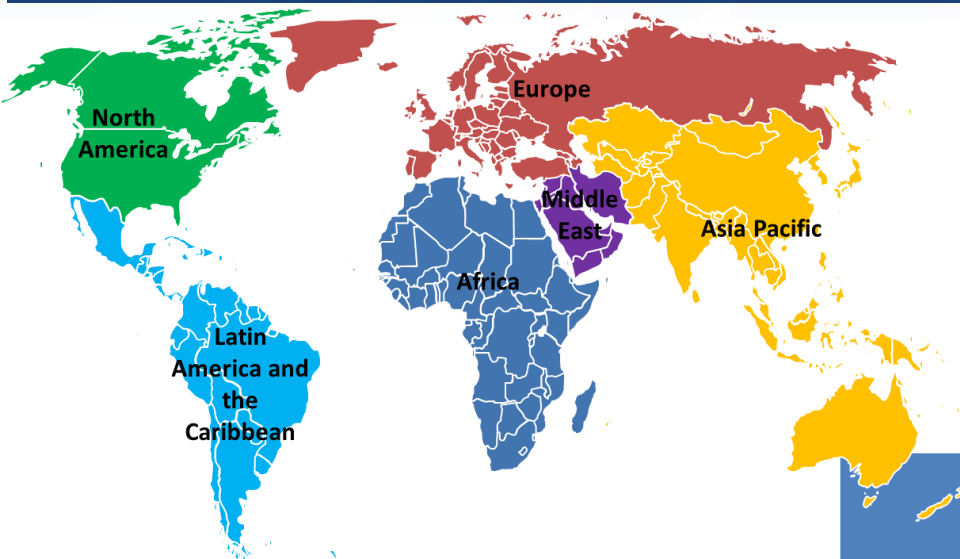


**Total:
11579 billion PKP**

* Data submitted by regional airlines.
Source: ICAO

**Expressed in Passenger-Kilometres Performed (PKP)

Look at regional level



2012 Regional distribution (preliminary figures)
Revenue Passenger-Kilometers

Region	% world traffic	annual growth 2012 vs. 2011
Asia and Pacific	30%	+6.9%
Europe	27%	+4.9%
North America	27%	+1.2%
Middle East	8%	+16.8%
Latin Am. & Caribbean	5%	+8.4%
Africa	2%	+6.7%

Air traffic forecasts: “GATO” to 2030



- **Past decade air transport trends**
- **Demand drivers analysis:**
 - *Economic growth*
 - *Liberalization*
 - *Low Cost Carriers*
 - *Improving technologies*
 - ...
- **Challenges for air traffic development**
 - *Fuel prices*
 - *Airport/ANSPs capacity constraints*
 - *Competition and inter-modality*
 - ...
- **Forecasts**
 - *Structure and methodology*
 - *Passenger and cargo*
 - *Results and analysis by route group*

Aviation, Tourism and Economy

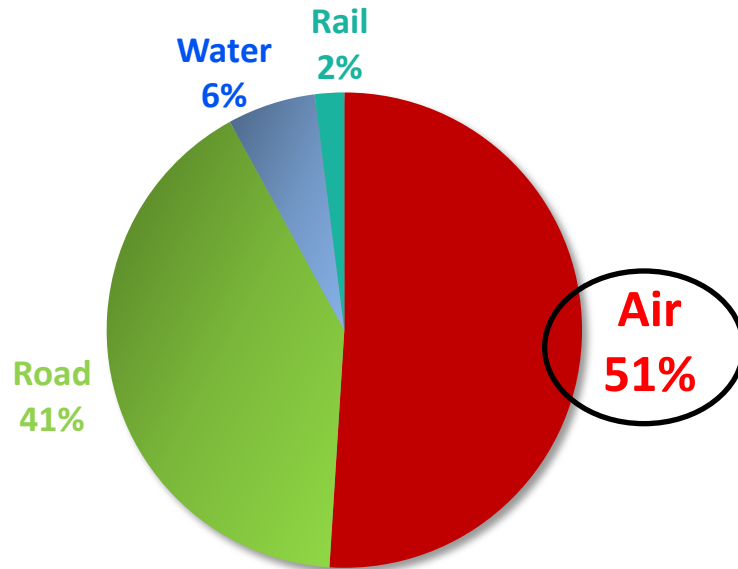


- Tourism directly represents 5 % of global GDP
 - In some developing countries, tourism can account for over 25% of GDP
 - 1.2 trillion receipts generated by international tourism
 - 235 million jobs
- Aviation contributes to tourism
 - 762 billion contribution to global GDP of air transport related tourism
 - 34.5 million jobs in tourism supported by air transport

Air travellers represent 51% of international tourist



Inbound travellers by mode of transport



Aviation and Tourism: Key figures

Year 2010

34.5 millions

Jobs linked to the catalytic impact of tourism on aviation

\$762 Billions

Contribution to the world GDP induced by the tourism travel by air

51%

Of international tourists travel by air

Source: UNWTO

Note: 2010 figures for international tourists

Close link between tourism and air transport: A “win-win” approach



MoC signed by Singapore Airlines with Changi Airport and South African Tourism to promote travel to South Africa (05 06 2013)

- A trade-driven MoC which includes consumer activities promoting travel to South Africa. The parties have agreed to invest more than S\$1 million in cash and in-kind collectively over the next one year to support advertising and promotional campaigns
- Promote tourist traffic to South Africa through SIA's services to Cape Town (4 flights a week) and Johannesburg (daily flight) via Singapore's Changi Airport.
- South Africa is an important tourism market for key Asia Pacific markets such as China, Singapore and Australia. Australasia: a fast-growing emitting market (25.1%) for South Africa attracting 541,253 tourists in 2012
- Changi Airport is an extremely important hub in the Australasia region and will help in stimulating tourism growth to South Africa thanks to its dense connectivity to China and Australia

Aviation and Tourism Synergies but need for improvement



Air transport is often perceived as slowing development of travel and tourism

- Higher taxes & charges
- Lack of air connectivity
- Facilitation and border control



How to improve and balance benefits of air transport and tourism policies

Proposed joint work programme with UNWTO : 3 priorities



- T20 recognized synergies between air transport and tourism development
- ICAO and UNWTO to cooperate on matters of mutual interest:
 - Facilitation (Visa & border control)
 - Consumer protection
 - Connectivity
 - Aviation and tourism sustainability

ICAO/UNWTO: Avoid duplication in efforts and create a greater synergy in both organizations

ICAO/UNWTO – Joint Statement



Joint Statement on Aviation and Tourism signed by ICAO & UNWTO Secretaries General at ATConf/6

Objectives:

- Maximize air transport/tourism synergies
- Work together on consumer protection
- Increase connectivity (e.g. visas and travel ID documents; airport passenger flow management; essential service and tourism development route (ESTDR))
- Reduce greenhouse gas emissions
- Alleviate taxes, charges and levies on aviation and tourism
- Cooperate on the implementation of ATConf/6 recommendations

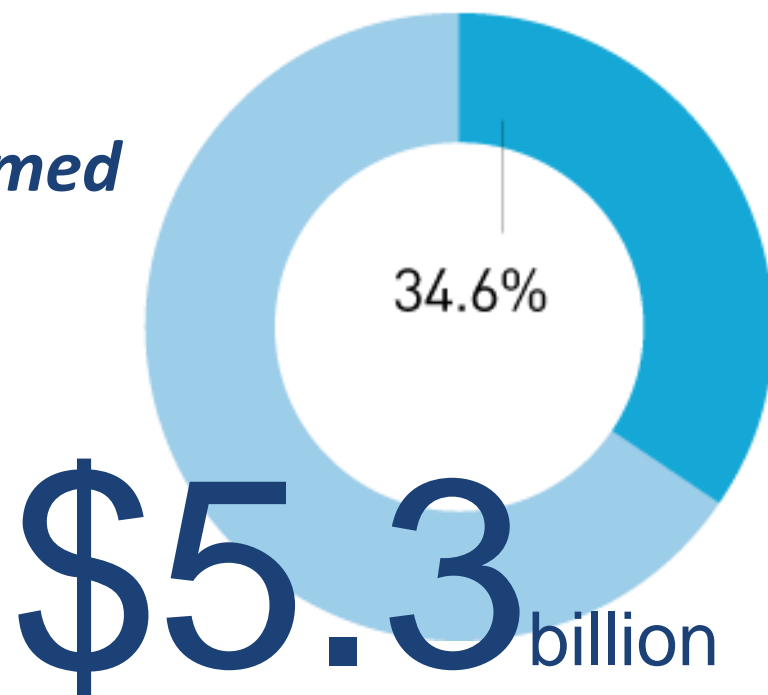
Air Cargo in 2011

Air freight in the international trade By value

182 billion
Freight Tonnes-Kilometer performed
-0.1%
YoY

51 million
Freight Tonnes carried
+1.4%
YoY

Note: Scheduled services



Value of air cargo for trade and economy



- Maintain stability of supply chain
- Support economic growth
- Enable sustainable development of air transport
- Maintain security and flight safety
- **Facilitation of air cargo is essential**
- **Initiatives by ICAO and WCO**
- **A38: Joint Publication & Press Conference**

Funding of Civil Aviation Activities



- **Operators:** (Airlines, airports, Air Navigation Service Providers,) activities are now: Autonomized, Commercialized or privatized: ***Strategic Evolution***
- Need to secure appropriate funding for the industry (Airlines: Cape Town Convention on Mobile Equipment)
- **States:** Funding of Oversight responsibilities, Search and Rescue, Security,
- **Infrastructure:** Sustainable funding

Profitability and the air transport value chain

IATA Economics Briefing N° 10 – July 2013



- Airlines and the wider air transport supply chain clearly create substantial value for consumers and the broader economy. That value creation is why, **over the past forty years, air travel has expanded ten-fold and air cargo fourteen-fold, compared to a three to four fold rise in world GDP.** Yet over this period airlines have only been able to generate sufficient revenues and profit to pay their suppliers and service their debt.
- **There has been nothing left to pay investors for providing equity capital to the airline industry.** Does this matter? Well, now that **75% of the world's airlines are at least majority owned by the private sector** it should be a concern that today's returns on invested capital do not justify retaining the existing capital invested in the airline industry.
- Of even more importance is the **need to attract \$4-5 trillion of new capital over the next two decades to buy aircraft to meet the needs of the *expansion in the Asia-Pacific* and other emerging regions.** Improving the efficiency of use of existing capital, and the returns it generates for investors, will be essential to attract new investment to the industry.

US Travel and Tourism Exports, Imports, and the Balance of Trade: 2012 (OTTI)



- *“Tens of millions of tourists from all over the world come and visit America every year. They stay in our hotels, they eat at our restaurants, they visit our attractions, and they help create jobs.” **President Barack Obama***
- Did you know :
- ...that the U.S. travel and tourism industry generates more than \$1.4 trillion in economic output for the U.S. economy each year?
- ...that U.S. travel and tourism-related industries support nearly 7.7 million American jobs?
- ...that travel and tourism exports accounted for 27% of U.S. services exports and 8% of all U.S. exports?
- ...that U.S. travel and tourism exports have DOUBLED since 2002?
- **Passenger fare receipts**—fares received by U.S. carriers (and U.S. vessel operators) from international visitors—increased nearly 8 percent to **\$39.5 billion for the year.**



- **Industry:** 2.8% of GDP, 7.8 million jobs (5.6 million direct; 2.2 million indirect; **1.2 million total jobs supported by international travellers**)
- **\$1.46 trillion in travel & tourism total sales** (\$865.4 billion direct; \$591.2 billion indirect)
- **Trade:** \$165.6 billion international spending **\$47.5 billion surplus**
- Trade surplus every year since 1989, Top surplus countries—Canada, Japan, Brazil
- Travel and tourism receipts: 25% of services exports
- **Market Share :** Advanced economies are losing market share of global arrivals to emerging economies, especially **China, Hong Kong, Malaysia, and Thailand.**
- **Visitors to the U.S. (2012): Total 67.0 million**
- 1- Canada 22.7 million, 2- Mexico 14.5 million, 3- U.K. 3.8 million, **4- Japan 3.7 million**, 5- Germany 1.9 million, 6- Brazil 1.8 million, **7- China 1.5 million**, 8- France 1.5 million, **9- S. Korea 1.3 million**, **10- Australia 1.1 million**

ATConf/6 highlights & general assessment

- **Theme**: “Sustainability of air transport” provided a relevant platform for discussion ✓
- **Objectives**: *Develop guidance and action plan for a global regulatory framework* ✓
- **Preliminary steps**: Regional seminars provided a preliminary review of issues and proposals to be discussed ✓
- **Documentation**: Substantive documentation available on website ✓
- **Attendance**: Over 1000 participants from 131 States and 39 Observer organizations ✓
- **69 Recommendations**: including 40 for ICAO action and 29 for States action ✓
- **Assessment**: Successful event ✓

Agenda Item 1

Item 1: GLOBAL OVERVIEW OF TRENDS AND DEVELOPMENTS

- **1.1 Industry and regulatory developments**
- **1.2 Other areas of ICAO's work that may have economic implications**

(including the economic impact pertaining to the outcome of the *High-level Conference on Aviation Security* (HLCAS))

Milestone results

- Stronger leadership role for ICAO in economic regulation
- ICAO leadership role in forging new regulatory tools
- Commitment of the global aviation community for increased international integration and harmonization
 - Cooperation between air transport stakeholders to avoid duplication of efforts
- Recommendation for the implementation of a voluntary air transport fund

Agenda Item 2

Item 2: EXAMINATION OF KEY ISSUES AND RELATED REGULATORY FRAMEWORK

- **2.1 Market access**
- **2.2 Air carrier ownership and control**
- **2.3 Consumer protection**
- **2.4 Fair competition**
- **2.5 Safeguards**
- **2.6 Taxation & other levies on international air transport**
- **2.7 Economics of airports and air navigation services**
(including outcome pertaining to economic impact of the Twelfth Air Navigation Conference (ANConf/12))
- **2.8 Implementation of ICAO policies and guidance**

Market access and fair competition



Main recommendations for ICAO (market access):

- Develop international agreement to liberalize air cargo services
- Develop international agreement to liberalize market access
- Continue providing ICAN facility for further liberalization

Main recommendations for ICAO (fair competition):

- Develop a compendium of competition policies and practices by States and regional bodies
- Provide an exchange forum for States for more compatible regulatory approaches

Air carrier ownership and control



Main recommendation for ICAO - Develop international agreement to liberalize air carrier ownership and control:

- take into account safety and security concerns
- principle of reciprocity
- gradual and progressive adaptation with safeguards
- regional experiences & requirements of various States' domestic laws & effects on all stakeholders (including labour)

Consumer protection



Main recommendation for ICAO:

- ICAO should develop high-level, non-prescriptive core principles on consumer protection
- appropriate balance between consumers/industry competitiveness
- need for States' flexibility (different social, political and economic characteristics)
- consistency with Montréal Convention of 1999

Main recommendations for ICAO:

- collaborate with relevant industry associations to develop analysis and guidance for use by States on the impact of taxes and other levies on air transport
- continue to take the necessary measures to enhance States' awareness of ICAO policies on taxation and vigorously promote application



Main recommendations for ICAO:

- multidisciplinary group to develop principles on incentives in Aviation System Block Upgrades (ASBUs) modules
- new mechanisms for sustainable funding of oversight functions at State level and development of related guidance material



Continuous work on policies and guidance

Main recommendations for ICAO:

- Update and keep current ICAO policy and guidance on:
 - Regulation of international air transport (TASAs, Docs 9587 & 9626 and databases)
 - Supplement to Doc 9082 to include changes in airport & ANSP commercialization/privatization
 - Supplement to Doc 8632 – taxation policies



Main recommendations for ICAO:

- Monitor developments related to:
 - Air transport industry
 - Areas of market access, consumer protection, competition and safeguards
 - Impediments to sustainable air transport system
 - Changes in airport and ANSPs commercialization & privatization
 - Economic oversight funding situations

Promotion, awareness and implementation



Main recommendations for ICAO:

- Promote & increase awareness of ICAO policies and guidance material on:
 - Air transport regulation and liberalization
 - Funding of infrastructure
 - Policies on taxation, user charges
 - Governance, management of airports & ANSPs, aviation security related charges
 - Ratification of Montréal Convention of 1999
- Consider additional ways by which to enhance implementation

- **Thank You, Merci,**
- **Shukran, Spasiba, Xie Xie,**
- **Gracias**