



ICAO Africa/Middle East Air Transport Virtual Symposium

**Session 3 - Cooperation and Cross-
Border Investments in Airlines**

International Transport Workers' Federation

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The vision of aviation unions

We have four key objectives:

- Economic stability, sustainability and orderly growth for our industry,
- The right of all nations and stakeholders to shape their air services,
- Maintenance of a dynamic link between safety and economic regulation,
- Smart regulation in a changing industry.



Unfavourable scenario

- Some countries: long way to go to achieve herd immunity.
- Liberalization of foreign investment would affect different states or regions disproportionately
- Could put into a very disadvantageous position.
- Different governments & different forms of state support for their airlines.
- Need comprehensive assessment of this support.
- Could face serious issues related to the level playing field.



Gradual liberalisation continues apace

- Liberalisation NOT stalled
- Progress has been recorded
- Process has been gradually continuing through bilateral as well as bloc-to-bloc agreements.



The resilience of the Chicago regime

Current bilateral regime (Chicago Convention) has served the aviation community well.

The bilateral regime,

- has shielded the industry from flags of convenience (FOCs)
- has protected the industry from free riders
- the level of safety and security improved significantly
- the requirement for “equality of opportunity” has safeguarded connectivity



The optimal path to liberalisation

Need for change mainly comes from,

- technological change
- the need for access to international capital markets

How to achieve this without risking the benefits of the Chicago regime, but instead capitalising on and magnifying them?



Lessons of the last 40 years

Air carriers: liberalization has not improved profitability, return on capital or stability.

Margin of profit and return: no improvement, remaining at levels not conducive to attracting capital.

Downturns and external shocks had become more extreme and destructive

Aviation workers: primary shock absorbers for managing the business cycle.



The danger of global oligopolization

- Growing consolidation in all parts of the aviation industry.
- **In some countries: deregulated oligopolistic structure.**
- Narrow national ownership criterion acts a barrier to a wholesale global consolidation.
- Without proper safeguards: oligopolistic global airline market.



Access to international capital markets

Change due to technological developments is inevitable.

Investment: issue for many carriers & concern for aviation workers.

But the vast majority of the world's carriers are already listed in national stock markets

Principal problems of market capitalization: from poor share and dividend performance.

No lack of available capital in the dominant aviation markets of the world

Rather: **lack of investor confidence that inhibits access to capital.**



Challenges and threats

Replacing air services bilateral agreements with a multilateral agreement without proper safeguards could bring:

- FOCs and extreme forms of social dumping,
- rapid consolidation
- an expansion of “free rider” problem,
- loss of the right of all states to participate in the provision and management of their air services.

Safeguards cannot be left to be dealt later on.



Five fundamental regulatory issues

- An effective labour clause
- A clear definition of aviation FOCs needs to be agreed
- Proper fair competition provisions
- Effective principle place of business and ownership and control provisions, with clear definitions
- Environmental safeguards.



Active involvement of the ILO

Crucial: Involvement of the International Labour Organization's (ILO)

The ILO has a wealth of expertise in the field of labour standards in trade and investment arrangements (e.g. maritime).

The strategic objectives of ICAO directly impact people employed in civil aviation.

Collaboration between experienced UN agencies: fundamental for Sustainable Development Goals (SDGs)





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