



INTERNATIONAL CIVIL AVIATION ORGANIZATION

A35-WP/201
EC/32
21/9/04
English only

ASSEMBLY — 35TH SESSION

ECONOMIC COMMISSION

Agenda Item 27: Regulation of international air transport services, and outcome of the fifth Worldwide Air Transport Conference

ESSENTIAL TOURISM DEVELOPMENT ROUTE

(Presented by the World Tourism Organization)

SUMMARY

Action by the Assembly is in paragraph 3.

1. INTRODUCTION

1.1 At the ICAO Air Transport Conference in 2003 the World Tourism Organization (WTO-OMT) submitted a paper (ATConf/5-WP/32) which argued that the United Nations' (UN) Millennium Development Goals and the "Development Summits" of Doha (Trade), Monterrey (Debt Financing) and Johannesburg (Sustainability) demand a change in traditional development action. That paper:

- a) noted that tourism – particularly business and leisure tourism by air – should be recognized by the international community and its major institutions as a vital tool for development – with particular emphasis on its capacity to help in the fight against poverty;
- b) pointed to the catalytic impact of tourism spending on other sectors of the economy as well as the long term growth potential and underscored the central importance of good low cost air service links to boost tourism to poor countries; and
- c) called for joint exploration by ICAO and WTO-OMT of special measures to boost air service to those countries through the concept of "Essential Tourism Development Routes" (ETDR), using the principle of financial support for such development routes pioneered in "Essential Air Services" regimes in liberalized markets in Europe and the

United States¹. The underlying rationale for this is that in a globalising, liberalizing international marketplace *poor country* routes are de facto socio-politically equivalent to market failure than “domestic” routes.

1.2 There was widespread support in the Conference for a study as proposed. Following approval by the ICAO Council, the ICAO Secretariat initiated work on its contribution to the joint study earlier this year and expects this work to be completed by the end of 2004, with the results reported to ICAO governing bodies in early 2005.

2. ONGOING ACTION BY THE WORLD TOURISM ORGANIZATION

2.1 WTO-OMT for its part – pending initiation of the joint activity with ICAO – has continued to advance the concept of targeted use of air transport as a development tool in a wide variety of international fora along the following lines:

- a) States should improve air access to poor countries by easing regulatory constraints, encouraging privatization, facilitating airline partnerships and promoting regional operating consortia, while instituting fair competition and operating frameworks.
- b) States should specifically include tourism export promotion and related aviation expansion in national Poverty Reduction Strategy Programmes and regional market structures.
- c) States should not target aviation or tourism as cash cows but rather as exports and should look to export incentives rather than imposing new charges in such areas as handling, fuel, security and the like.
- d) Trade Negotiators, in the final phase of the Doha Agreement, should upgrade tourism liberalization as well as strengthen tourism development support and capacity building. Trade, aviation and tourism policy-makers should prioritize consideration of air service liberalization to poor countries in the next round.
- e) States should recognize that in a globalizing aviation marketplace the world’s least developed countries represent “a market failure” and should initiate responsive action through Essential Tourism Development Routes to support tourism expansion as an export and poverty alleviation tool.
- f) States should intensify aviation safety and security systems in developing countries. At the same time they should strengthen travel facilitation with development financing earmarked for both security and facilitation. (see A35-WP/107 in which the WTO-OMT

¹ The European Community has rules on Public Service Obligation which authorize aid for operating air services on intra-European routes that are essential to economic development (while these rules apply across the Community, in practice they have so far been applied solely in a domestic context); the United States has similar rules for Essential Air Services (solely applicable to the domestic context) and an Underserved Airport Program (which *inter alia* provides national policy reinforcement for the operation of new international routes and services).

presents S.A.F.E. — the World Tourism Organization strategy on Security and Facilitation Enhancement).

- g) Development financing and funding agencies should ensure that such tourism and aviation related activities are identified, prioritized and supported financially.

2.2 There has been widespread interest in and support for these aspects of tourism and aviation as a development tool. There has also been practical recognition of the ETDR concept, for example:

- a) The European Commission, in its consultation document with a view to revision of the “third package” for liberalization of air transport, raised the question of setting up a system for authorizing air services on routes to third countries (outside the European Community) that are essential to economic development.
- b) The Pacific Islands Forum has examined alternative opportunities and mechanisms to support essential air services in a liberalized environment, in the context of the Pacific Islands Air Services Agreement.
- c) The recognition in such fora as the United Nations Conference on Trade and Development (UNCTAD), the World Economic Forum and The New Partnership for Africa’s Development (NEPAD) of the potential role of aviation in the context of tourism and poverty alleviation, for which the WTO-OMT has ongoing and effective programmes entitled Sustainable Tourism – Eliminating Poverty (ST-EP) with a new International Foundation launched this month in the Republic of Korea, and Liberalization with a Human Face (LHF) linking WTO-OMT strategies on poverty, sustainability and fair trade.
- d) Collaboration between the WTO-OMT and “Routes”, the world route development forum for airports and airlines to promote route network expansion.

2.3 While these are positive developments, a purely mercantile approach to liberalization has frequently lead to improved service at reduced prices in major markets but to deterioration in service and price for low traffic routes. Regional and low cost carriers have sometimes taken up the baton on domestic and short-haul international routes. However, in the absence of a flexible regulatory framework to permit such operations, of modalities for providing financial support for the operations, and/or of the financial resources themselves, there are many routes which are increasingly at threat. More significantly, there are undoubtedly many other routes that are not presently operated, or which are underserved, that are potentially viable given appropriate support, with substantial economic spin-off benefits which are not presently being realized.

2.4 With the fast pace of liberalization and the cost challenges faced by air carriers, it is critical that momentum of ETDR be accelerated, with a view to: a) broader acceptance of the ETDR concept, particularly for international application; b) finalization and dissemination of the necessary guidance on the regulatory framework and on the associated modalities for accomplishment; and c) practical implementation. The World Tourism Organization, strengthened by its recent designation as a UN Specialized Agency, will continue to play an active role in all these activities and, in particular, looks forward to early completion and progressive implementation of the joint project with ICAO.

3. **ACTION BY THE ASSEMBLY**

3.1 The Assembly is invited to:

- a) note the views of the World Tourism Organization on Essential Tourism Development Routes (ETDR);
- b) consider the various elements conceived by the World Tourism Organization for targeted use of air transport as a development tool (paragraph 2.1 above) for possible incorporation into ICAO policy; and
- c) agree that WTO and ICAO should continue to cooperate closely with a view to early finalization and subsequent implementation of the joint study on ETDR.

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