



**WORKING PAPER**

**ELEVENTH SESSION OF THE STATISTICS DIVISION**

**Virtual, 4 to 8 April 2022**

**Agenda Item 5: Report on the on-going analytical projects**

**AVIATION COMPETITIVENESS WORKING GROUP (ACWG)**

(Presented by the Secretariat)

**EXECUTIVE SUMMARY**

This working paper reports on the work of the Aviation Competitiveness Working Group (ACWG) established by the Third Meeting of the Aviation Data and Analysis Panel (ADAP/3) in June 2021. The ACWG is tasked with the development of methodologies and data sources to arrive at a Global Aviation Competitiveness Index, which will be used to measure the ability of a State to create and maintain value from its civil aviation sector. The scope of the work of the ACWG and the progress of the development of definitions of aviation competitiveness and the methodologies for the measurement are also presented in the paper.

Action by the Division is presented in paragraph 4.

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| <i>References:</i> | Doc 10139, <i>Assembly 40th Session - Report of the Economic Commission ADAP/3-WP/9, Technical recommendations on a proposed Global Competitiveness Index Report of the Third Meeting of the Aviation Data and Analysis Panel ADAP/3, Yellow Cover Report AT-SD 224/1 AT-WP/2195</i> |
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**1. INTRODUCTION**

1.1 In the 40th Session of the ICAO Assembly, a proposal was made by the United Arab Emirates to establish a Global Aviation Competitiveness Index for the independent and detailed measurement of aviation sector performance by State, which will assist policymakers in identifying areas for improvement or prioritization (Doc 10139, paragraph 36.1 refers). Pursuant to the A40 decision, technical recommendations for a proposed Global Aviation Competitiveness Index was presented by the Secretariat to the Third Meeting of Aviation Data and Analysis Panel (ADAP/3) in June 2021. A broad support was given to this initiative, and the Panel agreed to establish the Aviation Competitiveness Index Working Group (ACWG) tasked with the development of methodologies and data sources for global aviation competitiveness index.

1.2 The ACWG consists of a total of 19 members and observers from 7 Member States and 4 international organizations. The list of the membership is presented in the Appendix. Since its establishment, the ACWG has held 4 meetings to define the scope of the work, timeline, methodologies and deliverables.

## 2. SCOPE OF THE WORK

2.1 When setting up the scope of the work, the ACWG recognized that there are different perspectives in defining aviation competitiveness of a State, and the objective to be achieved through the measurement of competitiveness should be clearly identified when establishing the index. The ACWG commonly agreed that the objective of the competitiveness index is to measure the performance of the aviation of a State and its ability to create and maintain value from the sector. The measurement of aviation competitiveness using standard methodologies will assist States in learning successful experiences and act appropriately in improving their competitiveness and leveraging optimally the social-economic benefits of aviation.

2.2 In light of the above, the ACWG adopted the following Terms of Reference (TOR):

- a) **Define the concept of competition in the aviation sector:** The ACWG will review the existing definitions of competitiveness and propose a definition best suited to meet the objective of measuring competitiveness in the civil air transport sector;
- b) **Pillars of competition:** The ACWG will review the different pillars that can be considered as indicators of aviation competitiveness for different stakeholders – regulators, airlines, airports and ANSPs and recommend pillars for each of the stakeholders;
- c) **Metrics:** The ACWG will consider different possible metrics to measure performance under each of the identified pillars of aviation competitiveness and recommend metrics for measuring each pillar;
- d) **Methodology:** The ACWG will review the impacts of assigning different scores and weights to the identified pillars and recommend a differential or a uniform score and weight system for measuring aviation competitiveness;
- e) **Data availability:** While carrying out its activities, the ACWG will take into consideration the potential data sources that can be used, the cost and ease of acquiring data and recommend such data sources that will result in lowest administrative burden to States and all stakeholders;
- f) **Validation:** The ACWG will conduct the validation of the identified pillars and metrics, and provide the results of such validation to ADAP for its approval; and
- g) **Global Aviation Competitiveness Index:** On approval by the ICAO Air Transport Committee, the ACWG will develop a methodological document to assist States and stakeholders in measuring the state of competitiveness in their civil aviation sector.

2.3 Concerning the identification of potential indicators for the index, the ACWG acknowledged the need to access different sources of data, while ensuring that such data is accessible for States, and that coverage and frequency of the updates are sufficient for the needs of the relevant indicators. The validation of the methodology should also be conducted before implementation.

### 3. DEVELOPMENT OF THE GLOBAL AVIATION COMPETITIVENESS INDEX

3.1 At the outset, the important initial step of the work is to establish the definition of aviation competitiveness and identify which aspects should be measured. In this regard, the ACWG explored the definitions of competitiveness on different aspects by other organizations such as those of the World Economic Forum and the Organisation for Economic Co-operation and Development (OECD), which are aligned on productivity and performance, respectively.

3.2 Other sources considered include the methodology documents and briefings associated with the Regulatory Competitiveness Report of the International Air Transport Association (IATA)<sup>1</sup>, and the Service Trade Restrictiveness Index (STRI)<sup>2</sup> developed by the OECD. The STRI is a unique, evidence-based tool that provides information on regulations affecting trade in services in 22 sectors across countries and sectors representing over 80 per cent of global trade in services.

3.3 Taking into account the existing definitions on various similar aspects, members of the ACWG provided their proposals on the definition of aviation competitiveness. Aviation competitiveness is an indicator of a country's aviation sector health was also considered, which shall be determined through the following factors: connectivity, economic benefits, social benefits, customer experience, regulatory framework, safety performance, security performance and environment performance. After extensive discussions, the following definition was agreed by the group:

“Competitiveness in aviation is the framework under which a country’s economic, aeropolitical, financial, and regulatory structures and policies interact to allow market forces and the competition\* they produce to maximize market output, economic efficiencies, and productivity.

\*Competition is a scenario where different commercial firms are in fair and equal opportune contention to obtain resources (capital, labor, technology) – that are limited only by individual firm-level variations in assets, strategy, price, product, promotion and place -- and causes them to develop new or more products, services, and technologies which give consumers greater selection and better products. The greater the selection of products and goods and services in a market (and therefore the greater the competition in the product market), the lower the prices are for such products compared to what prices would be if there were no competition.”

3.4 The documentation and updates of the work of ACWG are available on the ICAO secure portal website of the ADAP. Future meetings of the ACWG are planned to discuss the next steps to advance the tasks in the TOR.

### 4. ACTION BY THE DIVISION

4.1 The Division is invited to:

- a) note the scope and progress of the work of the ACWG on the development of the Global Aviation Competitiveness Index including the agreed definition on the aviation competitiveness; and
- b) provide advice on the next steps to advance the work of the ACWG in accordance with the tasks in the TOR.

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<sup>1</sup> <https://www.iata.org/en/about/worldwide/europe/competitiveness/>

<sup>2</sup> <https://www.oecd.org/trade/topics/services-trade/>



## APPENDIX

### MEMBERSHIP OF THE COMPETITIVENESS INDEX WORKING GROUP (ACWG)

| <b>Member</b>                      | <b>State/Organization</b> |
|------------------------------------|---------------------------|
| Felemon Gomes Boaventura           | Brazil                    |
| Luiz Andre de Abreu Cruvinel Gordo | Brazil                    |
| Vinicius Medeiros de Lima          | Brazil                    |
| Ana Julia Amegaza                  | Canada                    |
| Ge Jinmei                          | China                     |
| Cheng Huan                         | China                     |
| Liu Hao                            | China                     |
| Priyanka Nigam                     | India                     |
| Batin Simsek                       | Turkey                    |
| Mohammad Salem                     | United Arab Emirates      |
| Walid Ibrahim Al Rahmani           | United Arab Emirates      |
| Roger Schaufele                    | United States             |
| Fahad Ahmad                        | United States             |
| Walid El Hoss                      | AACO                      |
| Dimitri Coll                       | ACI                       |
| Janik Gagne                        | ACI                       |
| Kirsteen Purves                    | EUROCONTROL               |
| Martina Bednarikova                | IATA                      |
| James Wiltshire                    | IATA                      |

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