



ASSEMBLY — 38TH SESSION

ECONOMIC COMMISSION

Agenda Item 43: Aviation Data – Monitoring and Analysis

IMPACT OF THE AIR TRANSPORT LIBERALIZATION PROCESS

(Presented by the Bolivarian Republic of Venezuela)

EXECUTIVE SUMMARY

This paper outlines the need to carry out analysis and case studies that methodologically reveal the impact of liberalization on international air transport services, taking into account the significant inequalities between States. This is required in order to ensure the safe and orderly development of international air transport services and to allow the process to be a tool for economic development for all States that signed the Chicago Convention.

Action: The Assembly is invited to reach an agreement on the recommendations presented in paragraph 4.

<i>References:</i>	Doc 7300 — <i>Convention on International Civil Aviation</i> ATConf/6-WP/103 Rev 1 –ICAO's Role in Air Transport Regulation
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¹ Spanish language version provided by Venezuela.

1. INTRODUCTION

1.1. Article 44 of the Chicago Convention (specifically sub-paragraphs D, E, F, G and I) states that the purposes and objectives of the Organization include meeting the needs of the peoples of the world with respect to safe, regular, efficient and economical air transport, preventing economic waste caused by unreasonable competition and ensuring that the rights of contracting States are fully respected and that every contracting State has a fair opportunity to operate international airlines.

1.2. Multilateral/bilateral open skies agreements could be of great importance to the commercial development of each Member State. However, these agreements could also, given the conditions of their aeronautical systems, provide more benefits for some States than for others. While we accept that the so-called "liberalization" of international air transport offers a basis of equal opportunity to provide services and that it opens many doors for the commercial development of States, as stated in the preamble to the Chicago Convention, it is equally true that the absence of studies revealing the effects of these liberalization processes and the consequences of liberalization is a concern. The purpose of a methodology would be to analyse and predict the potential consequences of an open skies policy, in order to prevent it from becoming a threat for some States. As a result, this paper outlines how ICAO could develop studies or a methodological guide that, in turn, would contribute to ensure that there is fair competition between countries with significant inequalities in economic and technological terms in the field of aviation, in order for all parties to benefit from the application of a liberalization policy.

1.3. At the Sixth Worldwide Air Transport Conference, the updating of air transport liberalization indicators was approved; we believe that these updates would not be sufficient to understand and evaluate the process in a comprehensive manner.

2. ANALYSIS

2.1. ICAO should consider a balance between the development expectations from States on the one hand and those of the industry and users on the other. While it is true that the process of liberalization provides a basis of equal opportunity as a starting point, with the aim of being able to develop air transport soundly and economically, as stated in the preamble to the Convention, we must also be aware of the reality of the inequality of conditions between the various actors. This inequality of conditions is a limiting factor for participation and exploitation of opportunities, by virtue of the circumstances of each State. As such, a State with an under developed aviation system competing with a State with greater operational capacity, despite having equal opportunities, does not have the same qualities with which to compete and this prevents the liberalization process from optimally developing.

2.2. There are very important aspects that should be taken into consideration when promoting air transport liberalization, notably the following actions:

- a) take into account a balance between the development expectations of States on the one hand, and the industry and users on the other, given the situation of the global market and the many perspectives that exist in terms of regulation and the resources available;
- b) thoroughly understand the different levels of aeronautical development in each country and how this situation could result in barriers or catalysts that have a positive or negative impact when it comes to developing the process of liberalizing air traffic services; the variables to consider in relation to the country include:

- 1) the aeronautical infrastructure;
 - 2) passenger, cargo and mail traffic levels;
 - 3) geographical location;
 - 4) population;
 - 5) income;
 - 6) travel capacity;
 - 7) economic relations;
 - 8) Gross Domestic Product (GDP) and internal policies toward companies in the sector regarding substantial ownership and effective control; and
 - 9) bans on night flights and unfair competition, among others;
- c) develop guidelines on international air transport regulation policies that will allow States to liberalize their air transport services gradually and prevent a scenario where the inequality of conditions increases; and
- d) carry out econometric studies to evaluate the causes and effects of the liberalization of air traffic services, which, in turn, will explain the impact on the development of international air transport. We are not aware of the existence of studies that use algorithms or statistical techniques to demonstrate conclusively that the increase in passenger numbers and air traffic, and benefits for civil aviation development, are the result of the liberalization of air transport. For this reason, it is essential to be able to determine whether there is a causal relationship between the volume of or growth in traffic and the adoption of liberalizing Air Services Agreements by a State or region. This should be achieved through econometric analysis with the aforementioned characteristics. Similarly, air transport system indicators need to be monitored constantly to allow-us to understand and monitor the evolution of the system.

2.3 This inequality of conditions, combined with the lack of scientific information in this regard, is a limiting factor for participation and exploitation of opportunities. It also creates false expectations and/or conditions a greater distrust of competing under the conditions laid down by the Chicago Convention and prevents the process from developing optimally, effectively and efficiently, with benefits for all the actors and stakeholders involved. Studies have been conducted that indicate the advantages of liberalization, however, these are limited and do not allow the magnitude of the process to be measured.

2.4 In turn, this type of study would also reveal the causes and effects of possible cases of unfair competition between actors in the system.

3. CONCLUSION

3.1 States need to be kept informed about the aeronautical and air transport industries, in terms of infrastructure, economic indices and policies, as well as methodologies and guidelines for the purposes set out above, in order to fulfil the mandates entrusted to ICAO, namely:

- a) to promote the safe and orderly development of international air transport;
- b) to ensure that all parties involved can benefit equally; and

- c) to ensure that air transport becomes a tool for the economic development of developing countries.

3.2 In this sense, econometric studies will allow us to understand how the variables influence the process of implementing air transport liberalization programs, and will give clear guidance to those States that have not adopted this model.

4. **RECOMMENDATIONS**

4.1 The Assembly is invited to:

- a) ask ICAO to continue with its leadership role in the field of air transport, especially through the completion of methodological studies and the development of guidelines that will allow the effects of liberalization in this area to be understood and measured, as well as showing States how to conduct a process of liberalizing international air transport services; and
- b) ask ICAO to conduct econometric studies and develop a monitoring system, which should be designed to explain and assess, respectively, the effects of the liberalization of air services on international traffic and its evolution, taking into account all the variables involved in the process.

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