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ASSEMBLY — 38TH SESSION

REPORT OF THE ECONOMIC COMMISSION ON AGENDA ITEMS 41, 42, 43 AND 44

(Presented by the Chairperson of the Economic Commission)

The attached report on Agenda Items 41, 42, 43 and 44 has been approved
by the Economic Commission.

Note. – After removal of this covering sheet, this paper should be inserted in the appropriate place in the report folder.

(10 pages)

Agenda Item 41: Economic Regulation of International Air Transport

41.1 In WP/71, the Council reported to the Assembly on the major work accomplished by ICAO since the last Assembly in the field of air transport policy and regulation. It also provided a brief overview of significant industry and regulatory developments, and presented the future work to be undertaken by the Organization in this field for the 2014-2016 triennium under the new Strategic Objective — *Economic Development of Air Transport*.

41.2 In WP/203, Colombia analysed the advantages and limitations of the liberalization of air carrier ownership and control and invited ICAO to prepare a model international agreement for use by States in the liberalization of airline ownership and control.

41.3 In WP/187, the Dominican Republic reported on the progress in the regulation of its air transport sector, and highlighted the important steps taken by the country, including the formal adoption of a new air transport policy in 2010 to liberalize its commercial aviation relationships with other States. The paper also recognized the importance of ICAO's leadership to guide States in formulating their national regulations, thereby contributing to facilitating and supporting the liberalization process.

41.4 In its information paper WP/349, Vietnam gave an overview of its aviation market and reported on the status of the regulatory environment in Vietnam. It also provided information on the operations of a Low Cost Carrier (LCC) in Vietnam.

41.5 In considering the report of the Council presented in WP/71, the Commission expressed its appreciation for the work accomplished by ICAO since the last Assembly. It noted, in particular, the new Strategic Objective — *Economic Development of Air Transport*, established by the Council to guide the work of the Organization for the 2014-2016 triennium. The Commission also took note of information contained in the report on major developments in the air transport industry and the regulatory trends.

41.6 With respect to future work of the Organization, strong support was expressed for ICAO to continue to play a leadership role in liberalization, including by means of the development of an international agreement to liberalize air carrier ownership and control, as recommended by ATConf/6 and mandated by Assembly Resolution A37-20. While the future work plan presented in the paper received broad endorsement, it was suggested that the activities in the plan should be undertaken in line with the recommendations of ATConf/6 as reflected in the action plan of the Council contained in WP/56. Support was also expressed for the view that liberalization of air transport should be made by States at their choice and speed, according to their needs and level of development.

41.7 In concluding its discussion, the Commission endorsed the future work of the Organization in the field of air transport policy and regulation, and agreed that the Council should give due consideration to the views and suggestions presented during its deliberation with respect to the implementation of its work programme in the field of air transport policy and regulation for the next triennium.

41.8 The Commission noted the information contained in WP/349.

Agenda Item 42: Economics of Airports and Air Navigation Services

42.1 In WP/51, the Council reported on major work accomplished by ICAO since the last Assembly in assisting States to operate airports and air navigation services in an efficient and cost-effective manner. It also provided a brief overview of developments in the economic and managerial aspects of airports and air navigation services and presents the Organization's plan of action for the upcoming triennium. The work plan reflected the recommendations adopted at ATConf/6 and subsequently endorsed by the ICAO Council.

42.2 In WP/52, the Council reported on economic/financial issues related to the outcome of AN-Conf/12, focusing on the challenges associated with funding of aviation infrastructure and oversight functions and financing the air transport system. These issues were discussed during ATConf/6. In addition, based on the recommendations adopted by ATConf/6, this paper presents ICAO's plan of action regarding these issues for the next triennium.

42.3 WP/113 was presented by fifty-four Contracting States and members of the African Civil Aviation Commission (AFCAC) It discussed developments in the area of economic regulation of airports and air navigation services and the recommendations of ATConf/6 regarding the use of ICAO manuals and guidance materials on Economics of Airports and Air Navigation Services. It further presented the African position on the future work of ICAO on the Economics of Airports and Air Navigation Services.

42.4 WP/294, presented by the twenty-two Member States of the Latin American Civil Aviation Commission (LACAC), described their views on conditions under which charges for airports and air navigation services are levied. LACAC suggested that consideration be given to the "social responsibility" and "friendly aeronautical service" concepts. The paper also highlighted that business and tourist markets benefit from low-cost flights, connectivity, continuity, and access to un-served points of connection and to tourist locations.

42.5 The International Transport Workers Federation (ITF) presented WP/292 and recommended that ICAO play a role, along with the International Labour Organisation (ILO), in developing appropriate consultation mechanisms with workers representatives and their professional counterparts, including consultation on user charges.

42.6 In its information paper WP/201, Brazil presented the main features of the Brazilian Model for Airports Concessions.

42.7 In its information paper WP/295, Brazil explained the new structure of governance named CONAERO – Airport Authorities National Commission, implemented in 2011 in Brazil.

42.8 Brazil also presented information paper WP/315, discussing an alternative to the current criteria for slot monitoring in congested airports.

42.9 Information paper WP/321, also presented by Brazil, described the method developed by the Secretary of Civil Aviation to select the localities which will receive the primary focus of federal

investments in airport infrastructure, creating a strategic network, in order to increase capacity and develop regional aviation in Brazil.

42.10 There was broad support for ICAO's activities, such as regional seminars, to foster awareness and sensitization on the use of ICAO manuals and guidance material on economics of airports and air navigation services. Concerns were expressed by some States on the proposal of carrying out these activities on a cost-recovery basis in light of certain States' limited resources which may hinder their opportunity to participate. It was deemed necessary to take into account ICAO's budgetary constraints and to explore innovative regional solutions, as this is a regional issue.

42.11 Although ICAO Doc 9082 already contains guidance on the management and operations of airports that are not economically viable but are necessary as part of an integrated air transport network, there was support for additional guidance material in this area as requested by AFCAC's working paper.

42.12 LACAC's suggestion in WP/294 for States to establish new management approaches to airport infrastructure and air navigation services in order to enhance suitable connectivity was noted. However, it was also noted that the concepts of social responsibility and friendly aeronautical services could benefit from further clarification.

42.13 Regarding the views expressed by ITF in WP/292, there was a recognized need for social dialogue. However, it was believed that labour issues, being outside of ICAO's scope and essentially of a national nature, were not suitable to be addressed by the Organization. Therefore, the Commission did not endorse the ITF proposals.

42.14 In concluding its discussion, the Commission endorsed the future work of the Organization in the field of Economics of Airports and Air Navigation Services, as well as the funding of aviation infrastructure and oversight function and financing aviation systems. The Commission also requested that the Council give due consideration to the proposals made and the views expressed for the implementation of its work programme.

42.15 The Commission noted the information contained in WP/201, WP/295, WP/315 and WP/321.

Agenda Item 43: Aviation Data — Monitoring and Analysis

43.1 In WP/53, the Council presented a report on major work accomplished by ICAO in the field of aviation data – forecasting and economic analysis. Over the past three years, the key activities included: the development of annual medium-term traffic forecasts; long-term traffic forecasts to the year 2030 and global and regional long-term forecasts for pilots, maintenance personnel and air traffic controllers; provision of support to ICAO regional traffic forecasting groups and the Forecast and Economic Analysis Support Group (FESG) of the Committee on Aviation Environmental Protection (CAEP); development of e-learning courses in forecasting; and conducting of annual studies on regional differences in international airline operating economics, and provision of deliverables – based on the results of the studies – to the IATA Prorate Agency and the Universal Postal Union (UPU). The paper also presented the Organization’s future work in the forecasting and economic analysis area.

43.2 In WP/54, the Council presented a report on key activities relating to the ICAO Statistics Programme during the 2011-2013 period. These included the implementation of recommendations and conclusions of the Tenth Session of the Statistics Division (STA/10); the development of the Reference Manual on the ICAO Statistics Programme; upgrades to the Integrated Statistical Database (ISDB); release of the new ICAO Statistical online platform *ICAOdata+*; development of key air transport indicators and monthly monitoring sheets; provision of four hands-on training sessions in statistics; development of e-learning courses in statistics; further commercialization of the statistics collected to generate revenue to the Organization; provision of ICAO aviation statistics to the UN system; and the development of the ICAO CO₂ Reporting and Analysis System (ICORAS). It also presented the Organization’s future work for the next triennium in the statistics field.

43.3 In WP/184, the Bolivarian Republic of Venezuela recognized that liberalization of international air transport offered a basis for equal opportunity to provide services and it created opportunities for economic development of States. However, it underlined the lack of studies revealing the impact of liberalization on international air transport services, taking into account the significant inequalities between States. Accordingly, it outlined the need for ICAO to carry out appropriate analyses and methodological studies and develop guidelines that would allow the effects of liberalization to be understood and measured, and would guide States how to conduct a process of liberalizing international air transport services. It also proposed that ICAO conduct econometric studies and develop a monitoring system designed to explain the effects of the liberalization on international traffic and assess its evolution, taking into account all the variables involved in the liberalization process.

43.4 In its information paper WP/319, Brazil provided an overview of the approach used to forecast passenger demand for its regional airports. While normally, extensive data and expertise were required to generate airport traffic forecasts, in Brazil, such information and expertise were quite scarce. Accordingly, an approach was developed, where airport traffic was modelled using econometric analysis and data relating to per capita income and population in the catchment area, average airfare per mile and a constant calculated for regional airports of similar socio-economic characteristics. This approach proved to be a viable option to predict airport traffic for the Brazilian regional airports.

43.5 The information paper WP/181 presented by the Bolivarian Republic of Venezuela, described its experience in developing a single accounting plan which was meant to be an instrument designed to harmonize and unify the accounting systems of all companies of the aeronautical sector.

Workshops were held with national air operators with a view to exchanging the accounting information of each operator as well as the information used by the Aeronautical Authorities to analyse the economic and financial situation in order to establish an accounting plan. The plan was still going through a trial period and Venezuela would continue with the assessment and analysis of the accounting records and ultimately apply the accounting system to its entire aeronautical sector.

43.6 In its information paper WP/182, the Bolivarian Republic of Venezuela reported that an air transport statistical information system (SIETA) had been introduced by its National Civil Aviation Institute (INAC). SIETA had improved daily monitoring of the performance of air operations in real time on the basis of data provided and compiled in a central database and generated the necessary operational indicators for decision making. The paper further informed that SIETA was integrated into the Early Warning System and INAC internal databases and was available in all airports to which air services were operated.

43.7 Mongolia presented its information paper WP/324, which discussed the evolution of passenger and cargo traffic (international and domestic) since 1993, the present airport system in Mongolia and provided annual airport statistics for the years 2010-2012. The paper described major developments and achievements in the aviation sector of Mongolia and related actions taken to address the challenges during the past triennium.

43.8 In considering the reports of the Council in WP/53 and WP/54, the Commission recognized the need for aviation data for various essential tasks including the assessment of air transport trends vis-à-vis economic growth and other factors affecting the air traffic growth as well as the work on liberalization of international air services. The Commission noted the activities undertaken by the Organization in the area of aviation data – monitoring and analysis and endorsed the future tasks planned for the next triennium.

43.9 Regarding the proposal in WP/53 to establish a multi-disciplinary working group to consider the development of an appropriate set of aviation data, including forecasts, and concerns expressed by one Member State about the proliferation of working groups, bearing in mind the Organization's budget for the next triennium, it was confirmed that such a working group would be created within the existing Statistics Panel, whose membership would be reviewed and updated, as necessary.

43.10 Several Member States expressed strong support for the proposal presented in WP/184, i.e. that ICAO develop methodological studies and guidance, to be used by States, that would allow for understanding and measuring the effects of liberalization; these studies and guidance would assist in conducting a process of liberalising State international air services. In addition, econometric studies and a monitoring system would help explain the effects of liberalization and its evolution. They argued that such studies and guidelines would contribute to ensuring fair competition between States with significant inequalities in economic and technological aspects in the field of civil aviation, in order that all States involved benefit from the liberalization of air services.

43.11 Some Member States indicated that the development of such studies and a monitoring system, which would be a new task, would incur significant costs on the side of the Organization which might already face budgetary constraints in fulfilling the tasks established for the next triennium under the zero nominal growth budget. In this regard, some Member States pointed out that case studies on

liberalization had already been included in the priority list of tasks adopted by ATConf/6 and it was up to the Council to decide which studies should be conducted. However, one Member State expressed some concern with the priorities and the broad description of the studies adopted by ATConf/6 and proposed that the specific task proposed in WP/184 be included in the work programme of the Organization for the next triennium.

43.12 The proposal was noted by the Commission and it was agreed that such econometric studies and a monitoring system could be developed subject to availability of adequate time and resources. In this regard, reference was made to the ATConf/6 recommendation that an air transport voluntary fund be created to perform additional tasks in the air transport area. Such fund, if available, could be used to perform the task proposed in WP/184.

43.13 The Commission noted the information contained in WP/319, WP/181, WP/182 and WP/324.

Agenda Item 44: Other issues to be considered by the Economic Commission

44.1 In its information paper WP/314, the International Transport Federation (ITF) drew attention to the issue of labour rights, with regards to the foreign workers of the air transport industry. The ITF upheld the view that ICAO should engage and cooperate with Member States, industry, international organizations and other stakeholders in advancing the objective of economic development of air transport. Expressed was the view that there was a need for ICAO to work in cooperation with the ILO in order to achieve this goal particularly in the countries where aviation was developing at a fast pace.

44.2 The Commission noted the information provided in WP/314.

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