



WORKING PAPER

WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

Montréal, 18 to 22 March 2013

Agenda Item 2: Examination of key issues and related regulatory framework

Agenda Item 2.1 : Market access

**EXPANSION OF MARKET ACCESS FOR INTERNATIONAL AIR TRANSPORT IN A
PROACTIVE, PROGRESIVE, ORDERLY AND SAFEGARDED MANNER**

(Presented by China)

EXECUTIVE SUMMARY

This working paper presents information on China's policy considerations with respect to the expansion of market access, particularly on the exchange of traffic rights, and the progress achieved since ATConf/5. China holds the views that liberalization of air transport should not be the end but a means, and that States should choose the content, approach and pace of liberalization according to their national situations.

Action The Conference is invited to:

- a) note the information in this paper;
- b) endorse the conclusions presented in paragraph 4; and
- c) adopt the recommendations presented in paragraph 5.

References: ATConf/6 reference material is available at www.icao.int/meetings/atconf6.

1. INTRODUCTION

1.1 Against the background of economic globalization, China has taken steps since the fifth Air Transport Conference (ATConf/5, 2003) to adapt to the trend of liberalization in international air transport, by gradually opening up its market access for international air transport so as to meet the needs of the country for expanding exchanges with other States, and demands of the travelling public.

¹ Chinese version provided by China.

2. CHINA'S VIEW ON AIR TRANSPORT LIBERALIZATION AND ITS PRACTICES IN MARKET ACCESS OPENNING

2.1 It is the view of China that liberalization of air transport is not an end but a means. The objective of liberalization is to create a regulatory environment in which national and foreign air carriers could operate and grow in a healthy and sustainable manner. Liberalization is a process not the result. States should pursue liberalization as they deem appropriate, based on their own choice and own pace according to the stages of development of their civil aviation, and the subjective and objective conditions. Therefore, liberalization itself should not be used as the criterion to assess whether a country's air transport policy is good or bad, or correct or incorrect.

2.2 Based on the views described in 2.1, China has, in the past decade, pursued a "proactive, progressive, orderly and safeguarded" approach in opening up its market access for international air transport. In the 113 bilateral air transport agreements it has concluded, various liberalized arrangements were introduced. Of these agreements, 86 allow multiple airline designation, 27 provide for open route schedule, and 12 permit unrestricted 3rd and 4th Freedoms for both passenger and cargo services. In addition, 7 bilaterals allow unrestricted frequencies of 3rd/4th Freedoms for all cargo operations, and another 7 agreements provide for open 5th Freedom rights for cargo services. Furthermore, 58 agreements contain provisions allowing third-country codesharing by airlines. In 2011, China concluded a regional air transport agreement with the Association of South East Asian Nations (ASEAN), which mutually open up points of call with full 3rd/4th traffic rights for passenger and cargo services, as well as 5th Freedom rights with certain restrictions. Separately, in order to meet the tourism development needs of Hainan province, China adopted unilaterally a policy to fully open up access to the Province by foreign airlines with 3rd, 4th and 5th Freedom rights for their passenger and cargo services.

2.3 It is noted that ICAO has developed considerable policy guidance on market access. China considers that the ICAO Template Air Services Agreements (TASAs) are a useful guidance for its air service negotiations with other countries, and has made use of the model clauses in the template in some of its newly signed or updated agreements. In 2005, China hosted the ICAO regional seminar on air transport policy for the Asia/Pacific States in Shanghai. It also participated in the ICAO Air Services Negotiation Conference (ICAN) held in Jeddah, Saudi Arabia in December 2012, during which China held formal and informal meetings with 13 countries, greatly enhancing the efficiency of the negotiation process.

3. CHALLENGES FACED BY CHINA IN THE DEVELOPMENT OF INTERNATIONAL AIR TRANSPORT

3.1 One of the conclusions of ATConf/5 is that "each State will determine its own path and own pace of change in international air transport liberalization, in a flexible way and using bilateral, sub-regional, regional, plurilateral or global avenues according to circumstances." In fact, the gradual approach adopted by China in opening up its market is exactly based on the current state of its civil aviation development. Along with the broader economic and social development, in the past 30 years China's air transport sector has sustained an annual growth rate of 17.3 %, which has made it to become the second largest air transport system in the world. In the year of 2012, China's airlines carried 319 million passengers, and 5.4 million tons of cargo and mail. Its Beijing Capital Airport and Shanghai Pudong Airport have joined the ranks of the busiest and the most resource-constrained airports in the world. There are now 21 airports in China which achieved an annual throughput of 10 million passengers.

3.2 Despite all these achievements, China faces many challenges in its air transport development. Firstly, looking at it from the perspective of the external environment for its development, the most notable challenge is the lack of airspace resources which has become now a bottle-neck problem impeding the growth of civil aviation. In addition to the four airports at the three big cities of Beijing, Shanghai and Guangzhou where severe shortages of airspace are experienced, 17 other airports which handle over 10 million passenger traffic annually also face similar problems, nearly reaching the saturation point of the useable airspace resources. The contradiction between the requirement of air transport development and the limits of available airspace resources has become increasingly acute. Secondly, looking at it from the perspective of the sector's internal situation, the foundation of development requires more enhancement and improvement. In this regard, the challenge the country faces includes the lack of infrastructure, key professionals and talents, and management quality, which presently are far from meeting the needs of the sector. Thirdly, looking at it from the perspective of opening its air transport market, China's domestic market has not yet fully opened, thus it would not be possible to reach the stage of full liberalization of market access to international air transport. Based on the above-mentioned subjective and objective circumstances faced by China, it cannot achieve liberalization of air transport market access overnight, and it could only be a gradual process, in order to reach a balance between the safe operation requirement and market opening. This way will help ensure its international air transport be developed in a more safe, efficient and sustainable manner.

4. CONCLUSIONS

4.1 From the above discussion, the following conclusions may be drawn:

- a) liberalization of air transport is not an end but a means. Each State should choose the content, approach and pace of liberalization according to its national circumstance; and
- b) liberalization of air transport is a process. Since ATConf/5, along with the economic globalization, many States including China have introduced varying degrees of liberalization in market access, when formulating their international air transport policies. Due to the disparities of their development stage and their air transport situation, different countries have different characteristics and features in the air transport liberalization process.

5. RECOMMENDATIONS

5.1 The following recommendations are proposed for consideration by the Conference:

- a) ICAO should be supported for playing a primary role in developing proposals on international air transport regulatory policies. In light of the diversity of States' air transport development, it is recommended that ICAO prepare more policy options for consideration by States;
- b) considering the conclusions in paragraph 4.1, it is recommended that ICAO, when promoting liberalization of international air transport, take into account the diversity of States' air transport development, and avoid pushing for a uniformed policy choice;

- c) provided that it is feasible, and bearing in mind the interests of all States and aviation stakeholders, ICAO should be supported to study various options in the development of a multilateral agreement on market access; and
- d) it is recommended that ICAO should conduct more consultations on matters involving international air transport policy and in addressing specific regulatory issues. This will help build common understanding and consensus amongst States, and strengthen ICAO's policy guidance on international air transport.

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