



WORKING PAPER

WORLDWIDE AIR TRANSPORT CONFERENCE

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

LIBERALIZATION OF AIR CARGO SERVICES

(Presented by the ICAO Secretariat)

EXECUTIVE SUMMARY

This working paper examines market access issues relating to air cargo services and presents ways by which to facilitate further liberalization, particularly with respect to all cargo operations, with a view to catering to the distinct features of these services and to a globalized market environment.

Action: The Conference is invited to:

- a) review the information and assessments presented in this paper;
- b) endorse the conclusions presented in paragraph 3; and
- c) adopt the recommendations presented in paragraph 4.

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

1. INTRODUCTION

1.1 Air cargo services have become increasingly important in economic development and world trade. According to corroborating sources, in 2011, the total goods carried worldwide by air represent about 2 per cent of global trade by volume, but around 40 per cent by value. A majority of high-value goods rely on transport by air. Forecasts suggest that over the next 20 years, the global air cargo market will expand at an annual rate of 5.2 per cent, reflecting increased trade through liberalization of markets.

1.2 In the past two decades, international air cargo services have benefitted from an increasing number of liberalized agreements. For example, as at the end of October 2012, of the 400 plus open skies agreements concluded by States, more than 100 granted Seventh freedom for air cargo or all cargo services, thus providing greater opportunity for the growth of such services.

1.3 Nevertheless, air cargo operators continue to face many constraints, including limited freedoms under a large number of traditional agreements, a regime focused mainly on passenger services and combination services. They also have to contend with operational restrictions, such as night curfews, limited ground-handling rights, and burdensome customs requirements. Given the “one-way” directional nature of air cargo traffic and the emergence of a number of truly global operators in the express delivery sector with hubs in different countries, it has become more evident that the continuation of such restrictions can no longer meet the needs of the air cargo industry and its customers in a globalized market. The industry therefore calls for recognition of the important role and distinct features of air cargo operations, and for more commercial freedom and business oriented treatment.

2. DISCUSSION

2.1 Expanding freedom for air cargo services has been a subject of examination by ICAO, States and the industry in the last two air transport conferences in the context of liberalizing market access. ICAO has also developed related guidance and regulatory arrangement, such as the bilateral model clause (an annex on air cargo) endorsed by ATConf/5, which is included in the ICAO Template Air Services Agreement (TASA) for use by States.

2.2 In terms of possible approaches for liberalizing air cargo services, ATConf/5 recommended that States may do so at their discretion unilaterally, bilaterally or through a multilateral approach. This guidance continues to be relevant today.

2.3 As agreed at ATConf/5, air cargo and, in particular, all cargo operations should be considered for accelerated liberalization. In this regard, both States and ICAO can play a role in advancing liberalization. States can, within the existing air service agreement framework, consider granting more freedom and operational flexibility for air cargo services, catering to distinct features and requirements of air cargo operations and customers.

2.4 ICAO can play a leadership role in exploring multilateral approaches, as recommended by ATConf/5. One approach ICAO could consider is the development of a specific international agreement to facilitate further liberalization of all cargo service. Such an agreement could be built on existing provisions, such as the ICAO model clause on air cargo or those included in open skies agreements to provide traffic rights and operational flexibility.

2.5 Such an undertaking would require careful study and preparation, including consultation with experts, States, and aviation stakeholders. In light of the different conditions and needs of States, the agreement could be prepared for signature for willing and ready parties initially, and opened for subsequent accession by others. Such an action, if agreed by the international aviation community, would represent a significant step forward in the development of sustainable international air transport. It should be noted that a recent survey of States in October 2012 revealed that 78 per cent of the responding States (48 of 61) supported ICAO taking this action.

3. **CONCLUSIONS**

3.1 In light of the discussion above, the following conclusions may be drawn:

- a) the growth and expansion of air cargo services is beneficial for the sustainable development of air transport, and contributes to global trade and economic development;
- b) the distinct features of air cargo services, especially all cargo operations, need to be given due consideration by States when making air service arrangements; and
- c) ICAO guidance on liberalization of air cargo services remains relevant, and its use by States should be encouraged. ICAO can play an important role in facilitating further liberalization in this respect, including the development of a multilateral approach.

4. **RECOMMENDATIONS**

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

- a) States should give due regard to the distinct features of air cargo services when exchanging market access rights in the framework of air service agreements, particularly in the context of all cargo operations, and grant appropriate rights and operational flexibility so as to cater to the needs of these services; and
- b) ICAO should initiate the development of a specific international agreement to facilitate further liberalization of all cargo air service, as discussed in paragraphs 2.4 and 2.5 above.

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