



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
2.3: Consumer protection**

ENHANCEMENT OF AIR TRANSPORT CONNECTIVITY AND FACILITATION

(Presented by the Secretariat)

EXECUTIVE SUMMARY

This working paper focuses on the importance of connectivity for the facilitation and reduced travel time of passengers and describes means by which improved air transport connectivity could be achieved.

Action: The Conference is invited to:

- a) review the information, assessment and discussion presented in this paper;
- b) endorse the conclusions presented in paragraph 5; and
- a) adopt the recommendations presented in paragraph 6.

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

1. INTRODUCTION

1.1 There are four major groups in the civil aviation community, namely, Member States, aircraft operators, airport operators, and air transport users, and, although these groups' interests overlap, they have somewhat different priorities. The primary interest of States is full compliance with laws and regulations pertaining to security and facilitation; as well States are concerned with economic and financial measures. The vital interest of aircraft operators is the increase of productivity achieved by minimizing the costs of administrative procedures and operational delays. Airport operators are interested in reducing congestion in passenger terminals, and air transport users want quality service, including fluidity through airports, in transit or upon arrival, with minimal delay and difficulty. The challenge for ICAO is to address all of the groups' interests in a co-ordinated manner, while working toward the objective of a more efficient, orderly and attractive transportation product.

1.2 The common interest of the four groups is to improve air transport connectivity: for States, this means meeting the interest of the public, notably through the development of tourism. For airport and aircraft operators, increased connectivity results in enhanced business opportunities, and for air transport users, it results in effortless and uncomplicated travel as well as time savings.

2. CONNECTIVITY BACKGROUND

2.1 There is no single definition of air transport “connectivity”. However, connectivity is a property of a network and can be defined in such a way as to constitute an indicator of the network’s concentration. Therefore, connectivity is the ability of a network to move a passenger from one point to another with the lowest possible number of connections and without an increase in fare, focusing on, from a commercial perspective, minimum connecting times with maximum facilitation ultimately resulting in benefits to air transport users.

2.2 This broad definition of air transport connectivity illustrates that there are several factors which enable connectivity, from availability of air transport services and airline practices, to security and facilitation procedures.

2.3 Different indexes have been developed by the industry to correlate connectivity with liberalization. The World Bank (WB) conducted a different type of connectivity study in which they correlated connectivity with liberalization and gross domestic product (GDP) growth. According to the United Nations World Tourism Organization (UNWTO) and the World Travel and Tourism Council (WTTC), simplified visa facilitation processes in the G20 economies could lead to 102 million additional international arrivals and generate USD 206 billion in tourism receipts while creating as many as 5.1 million jobs in the G20 economies up to 2015.

3. ICAO WORK

3.1 ICAO guidance relevant to improved air transport connectivity is in great part linked to facilitation procedures.

3.2 Article 22 of the Chicago Convention (Facilitation of formalities) provides: “Each contracting State agrees to adopt all practicable measures, through the issuance of special regulations or otherwise, to facilitate and expedite navigation by aircraft between the territories of contracting States, and to prevent unnecessary delays to aircraft, crews, passengers and cargo, especially in the administration of the laws relating to immigration, quarantine, customs and clearance.” Annex 9 to the Chicago Convention provides guidelines to States to ensure that (i) the time required for the accomplishment of border controls in respect of persons and aircraft for the release/clearance of goods is kept to a minimum; and (ii) minimum inconvenience is caused by the application of administrative and control requirements.

3.3 ICAO also developed standards, specifications, and processes and established a secure infrastructure for asserting trust in the issuance, verification and validation of e-Passports. In this regard, the e-passport issued by a Public Key Directory (PKD) participant State is validated and authenticated with the public keys contained in the ICAO PKD. The document is then considered valid and is accepted as being issued by the appropriate authority, thus facilitating connectivity for the passenger.

4. DISCUSSION

4.1 The improvement of the factors listed here below could enhance air transport connectivity.

4.2 **Availability of air transport services** — In past years, the pace of liberalization has been affected by the global economic recession, which has led to a reversion toward trade protectionism

in many countries. Air transport has not escaped this setback, even though in practice liberalization could be a stimulus to recovery. As of today, the vast majority of arrangements are under this type of bilateral Air Services Agreement, and the primary focus is on removing national air carrier ownership and control provisions from air services agreements and agreeing on acceptance of ownership and control provisions based on principal place of business in one or more of the participating States. Therefore, the key challenge is linked to bilateral restrictions which limit the availability of services for the air transport user. According to the industry, airline liberalization can further increase demand and ensure that the services, which are providing increased connectivity, are sustainable over the long-term. It provides the commercial freedom necessary for airlines to adjust capacity appropriately to meet changes in air travel demand. By way of example, the growth in air services between Poland and the United Kingdom (UK) since 2003 resulted in a gross domestic product (GDP) increase of 27 per cent for Poland, whereas the increase in the already well-served UK was a much smaller 0.5 per cent. These changes provide an estimated long-term boost to Poland's GDP of USD634 million per annum. The UK also benefited, with an estimated boost to its GDP of USD45 million per annum.

4.3 **Airline practices** — Network carriers generally offer scheduled flights to major domestic and international cities while also serving smaller cities; the carriers normally concentrate most of the operations in a limited number of hub cities, serving most other destinations in the network by providing one-stop or connecting service through the hubs. An efficient utilization of the hub allows airlines to offer better connectivity. The “hub and spoke” model is a system which enhances efficiency in transportation by greatly simplifying a network of routes. Many airlines supplement the “hub and spoke” model with codeshares, partner flights, or a small commuter airline. It should be noted that the way in which airlines price tickets can also impact connectivity, notably in the case of transit by flight stage; if a trip is sold by flight stage as opposed to origin to destination (i.e. two tickets rather than one ticket), there can be significant increases in transit times, hence a loss of connectivity.

4.4 **Passenger information and data** — Governments and industry require passenger information both before, and at various points during the passengers' journey. Governments collect and use this information in order to discharge functions such as border control, customs, aviation security, crime and national security. Industry collects and uses passenger information for commercial and operational purposes, that is, to provide the best possible service to the passenger for a quick and effortless journey. It is expected that by the year 2030, scheduled passenger traffic around the world will more than double, from the 2012 figure of 2.9 billion to over 6 billion passengers annually; as such, it is important to evaluate how the existing use of passenger information can help to better manage increasing passenger flows, improve security and expedite legitimate travel.

4.5 **Facilitation procedures** — Ministers of Tourism gathered in London from 4 to 8 November 2012 for the 6th UNWTO World Travel Market (WTM) Ministers' Summit. Participants concluded that complicated transit visa processes and policies that limit air connectivity continue to present major barriers to the growth of travel and tourism. Ministers and representatives from major tour operators and airlines further called for increased intra-governmental cooperation and support from the highest levels of government to break such barriers. Challenges related to transit visa processes in many countries remain a major obstacle to tourism development. Since more than 50 per cent of tourists are also air travellers, obstacles to tourism are obstacles to the development of air transport.

4.6 **Cost and Benefit analyses of connectivity measures** — In order to assist States in the promotion and implementation of measures likely to enhance connectivity, including facilitation measures, there would be merit in a Secretariat cost-benefit analysis of such measures. This analysis would compare the economic cost of implementing those measures with the economic benefits that are likely to result from the implementation of those measures. Economic benefits would include obvious

elements such as impact on gross domestic product (GDP) and job creation generated directly or indirectly (including induced and catalytic effects) by increased connectivity.

5. CONCLUSIONS

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

- a) in the context of connectivity the quality of the passenger experience is essential as it is likely to result in enhanced demand for air transport services;
- b) in order to achieve early identification of significant impediments to air transport connectivity, ICAO should monitor industry and regulatory developments under the perspective of connectivity. The objective of this activity would be to provide States with a comprehensive and holistic view of factors likely to impede connectivity and the successful economic development of air transport; and
- c) there is a need to identify the costs and benefits of measures enhancing connectivity in air transport. Such an endeavour could be undertaken by the ICAO Secretariat with a view to helping States in assessing the effectiveness of such measures, including those of facilitation.

6. RECOMMENDATIONS

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

- a) States should foster the adoption and implementation of measures aimed at increasing the connectivity provided by air transport;
- b) States should cooperate in the identification of main impediments to air transport connectivity; and
- c) ICAO should undertake a cost-benefit analysis of measures aimed at enhancing connectivity, including those of facilitation.

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