



WORKING PAPER

WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

Montréal, 18 to 22 March 2013

Agenda Item 1: Global overview of trends and developments

Agenda Item 1.1: Industry and regulatory developments

VIEWS ON ADVANCING ICAO'S WORK ON AIR TRANSPORT LIBERALIZATION

(Presented by the United Arab Emirates)

EXECUTIVE SUMMARY

This working paper highlights some of the benefits that air transport provides to the world economy. It also describes some of the sector's contributions to advancing economic and social development in the UAE. Aviation and tourism could play a much greater role in any country's economic development, but antiquated market access rules are still a major impediment globally. In addition, it suggests that air transport liberalization could even provide further benefits to the world as whole. To this extent, both industry and governments should pursue wide-ranging liberalization to foster the efficiency of the global air transport system and reap the benefits of expanded tourism, improved trade flows and increased social interaction. In this respect, ICAO has an important role to play in promoting further liberalisation. It advocates that ICAO's budget on this front should not be reduced.

Action: The Conference is invited to agree to the recommendations presented in paragraph 5.

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

1. INTRODUCTION

1.1 Oxford Economics, a global forecasting and research consultancy, estimates that aviation's global economic impact (including direct, indirect, induced, and tourism catalytic effects) amounts to roughly US\$ 2.2 trillion. In addition to contributing 6.6 million jobs worldwide, aviation supports 3.5 per cent of global Gross Domestic Product (GDP). Consequently if aviation were a State, it would rank as the world's 19th largest country in terms of GDP. Based on the UAE's experience, this paper presents some recommendations to promote liberalisation in air transport worldwide and thereby enhance and fully realise the vital contributions of aviation to global economic development and prosperity.

2. THE UAE AIR TRANSPORT EXPERIENCE: A POLICY IMPERATIVE

2.1 For decades, the UAE has recognised the above-mentioned benefits and therefore made liberalised aviation a strategic policy imperative. Thanks to openness to competition aviation has become a core sector of the UAE's economy, driving development, diversification and aviation-related activities which are contributors to the UAE's non-oil GDP. Aviation links the UAE to the world, providing connectivity that is vital for a young country that was only established on 2 December 1971. In this context, every policy objective must recognise the strategic contribution of the open and liberal sector in fostering the country's economic goals. In other words, aviation is a catalytic element of the economic supply chain and a vehicle for achieving economic and social development. The UAE aviation sector is growing rapidly because of the success achieved by the domestic and foreign airlines in stimulating new and existing international and intercontinental flows to and from the UAE that, in turn, stimulate the development of local businesses, industries and trade. Consistently, the UAE has therefore endorsed a liberal aviation policy, both in fostering competition within itself (with numerous airlines and airports) and in its firm commitment to pro-competitive Open Skies air services agreements. To date, the UAE has air services arrangements with 147 countries, of which 113 are "Open Skies" or fully liberal agreements.

3. AVIATION'S CONTRIBUTION TO THE UAE ECONOMY

3.1 The exploitation of oil reserves from the 1970s onwards enabled the UAE to move beyond its reliance on pearling and fishing. The ensuing development allowed substantial and far-sighted investments in infrastructure, drawing large numbers of expatriate workers and generating rapid expansion of the resident population. Whilst income from oil and petrochemicals resulted in rapid economic development, the Federal and local governments in the UAE also recognized the importance of diversifying and building sustainable economies. In that context, aviation based on liberal market access policies is seen as an enabler of competitiveness in other sectors but also, in its own right, accounts for a significant share of the nation's GDP.

3.2 In a study carried out by Jacobs Consultancy for Abu Dhabi Airports Company (ADAC) using data for 2009, it was estimated that the activity generated by Abu Dhabi International Airport (ADIA) contributed 6.3% of the Emirate of Abu Dhabi's non-oil GDP and 10.1% of non-oil jobs. In addition to the direct, induced and catalytic economic impacts that occur as a result of expenditure, employment and incomes, substantial impacts will occur as a result of the more than US\$7 billion investments being made in airport construction. The most recent independent study carried out for Etihad Airways by Oxford Economics, which was completed in April 2011, reported that Etihad Airways' total economic contribution to Abu Dhabi's GDP is on track to increase by 76 per cent to US\$10.743 billion by 2015, helping to support 162,000 jobs in the Emirate.

3.3 In 2011 Oxford Economics also carried out a study on aviation's contribution to the economy of the Emirate of Dubai. The research calculated that Dubai's aviation sector supports 125,000 direct and induced air transport jobs in the Emirate adding US\$11.7 billion to the local economy.

3.4 As oil contributes to less than 5 per cent of Dubai's GDP, travel and tourism are key sectors of the Emirate's economy that thrive thanks to a liberal approach to aviation policy with no aeropolitical protection for Dubai-based UAE carriers. The resulting connectivity provided by all airlines operating in Dubai attracts foreign direct investment and talent, enabling business clusters, specialisation and other spill-over impacts on productive capacity. This connectivity also stimulates the flow of investment and people between countries and directly benefits air passengers. Thus whilst the success of

Dubai's aviation sector contributes positively to Dubai's economy, it also helps grow the global economy to the benefit of all.

3.5 Furthermore, when tourism employment is included, aviation supports a total of over 250,000 jobs and contributes over US\$22 billion; representing around 19% of total jobs in Dubai and 28% of Dubai's GDP, according to the report. On the back of the Emirate's open skies policy, aviation's importance to Dubai is moreover expected to grow further over the next decade. Indeed, Oxford Economics expects the economic contribution of the aviation sector in Dubai to rise to US\$44.5 billion or 32% of its GDP and 372,900 jobs representing approximately 22% of its employment by 2020.

4. FURTHER OPPORTUNITIES FOR ICAO LEADERSHIP IN THE ECONOMIC DEVELOPMENT OF INTERNATIONAL AIR TRANSPORT

4.1 The impacts of liberalization extend far beyond the direct benefits to passengers: increased air services and traffic volumes stimulate the growth of employment and the wider economy. The considerable progress made by States in liberalization, and the application of policy and guidance material developed by ICAO such as the Template Air Services Agreements, was acknowledged at the 37th Session of the Assembly. At the same time it was recognized that many challenges remain and that ICAO's work needs to be continued and strengthened where appropriate. The UAE believes that ICAO has an important role to play in promoting further liberalisation and that ICAO's budget on this front should not be reduced.

4.2 The most global of all industries is still governed by a tangled web of restrictive bilateral air services agreements spawned almost 70 years ago – at a time when international civil aviation was the exclusive privilege of no more than 9 million passengers. It begs the question whether this regulatory regime is adequate to support 2.5 billion passengers every year – the size of the market today. Aviation and tourism could play a much greater role in any country's economic development, but antiquated market access rules are still a major impediment globally. There is a compelling case that both industry and governments should pursue wide-ranging liberalization to foster the efficiency of the global air transport system and reap the benefits of expanded tourism, improved trade flows and increased social interaction.

5. RECOMMENDATIONS

5.1 The Conference is invited to:

- a) urge ICAO to advance and strengthen its vital work on liberalization in air transport for the benefit of the world;
- b) request ICAO to continue assisting States by providing studies that analyse the effects of liberalization; and
- c) request ICAO to establish an air transport fund in order to seek voluntary contributions from Member States to boost the organization's work in this field.

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