

**59th CONFERENCE OF
DIRECTORS GENERAL OF CIVIL AVIATION
ASIA AND PACIFIC REGIONS**

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**AGENDA ITEM 6: ECONOMIC DEVELOPMENT OF
AIR TRANSPORT**

AIR TRANSPORT UPDATES

(Presented by the Secretariat)

INFORMATION PAPER

SUMMARY

This paper provides update on:

- (i) Economic and traffic forecasts at global and Asia Pacific levels;
and
- (ii) ICAO's work related to air transport policy and regulation as
well as infrastructure management.

1. INTRODUCTION

1.1 The Economic Development of Air Transport is one of the five Strategic Objectives of the International Civil Aviation Organization (ICAO). It aims at fostering a sound and economically viable civil aviation system that generates wealth, employment and numerous socio-economic benefits through its activities. The objectives of ICAO's air transport policy and regulation programmes are aimed at:

- (i) reducing State's costs in performing its economic regulatory functions;
- (ii) increasing consumer's benefits and choices;
- (iii) improving air connectivity; and
- (iv) creating more competitive business opportunities in the marketplace.

The above contribute to the sustainable economic development of States and support the growth of trade and tourism.

1.2 This paper presents and update on ICAO's work on air transport policy, regulation and infrastructure management as well as the air traffic recovery trend from the COVID-19 pandemic and traffic forecasts at both global and Asia Pacific levels.

2. DISCUSSION

Air traffic recovery from the COVID-19 pandemic and traffic forecasts

2.1 The year 2023 has been marked with a much stronger recovery in air travel compared to 2022. In particular, international travel has gained significant momentum after a long period of traffic decline. According to ICAO's Economic Impact Analysis of COVID-19 on Civil Aviation, in 2023, the global seat capacity offered by airlines recovered to around 88 per cent of the pre-pandemic levels, and the number of passenger traffic recovered to over 91 per cent.

2.2 Traffic recovery in the Asia/Pacific region in 2023 showed a rapid recovery in spite of a lag in international traffic recovery, with total passenger traffic recovering to around 93 per cent of the pre-pandemic level from the region. International and domestic passenger traffic in Asia/Pacific recovered to approximately 71 and 101 per cent, respectively. The cargo traffic started slowing down in 2023 as it recorded 75 per cent of the 2019 level.

2.3 Cargo traffic expressed as Freight Tonne-Kilometres (FTK) in 2023 is estimated to be 3 per cent below 2019 pre-pandemic levels, reflecting the world economy. The traffic volume of air cargo is however expected to be lower in 2024, given the slowing global economic growth, although long-term air cargo growth remains in line with previously estimated trend that indicates a strong long-term growth.

2.4 ICAO forecasts that air passenger demand in 2024 will rapidly recover to pre-pandemic levels on most routes in the world by the first quarter and that growth of around 3 per cent higher than 2019 figures will be achieved by year end. Looking further ahead, air passenger demand in 2025 is expected to be stronger, at around 7 per cent higher than 2019. In terms of Compound Annual Growth Rate (CAGR), this translates to a growth of 1.2 per cent over the 2019-2025 period.

2.5 Forecasted traffic for the Asia/Pacific is presented in the Appendix. Revenue Passenger Kilometres (RPKs) is forecasted to be at the same level of 2019 by the end of 2025. Domestic traffic is expected to grow at a slightly faster pace (1.8 % CAGR) than international traffic (1.7% CAGR) during the same period (2019-2025).

Aviation data and analysis

2.6 **ICAO Big Data Dashboard.** The Aviation Data and Analysis Section of ICAO worked with the United Nations Global Big Data Group to develop business intelligence dashboards for data driven decision making. The online dashboards have been developed using the state-of-the-art Tableau platform, which provide visualization and querying capabilities. Each Member States has been provided with one free license according to State letter 22/67.

2.7 Global aviation gender equality. ICAO's latest global survey on the status of licensed aviation personnel by gender reveals that the participation of women holding positions as pilots, air traffic controllers, and maintenance technicians has increased on an overall basis from 4.5 per cent globally in 2016, to 4.9 per cent in 2021. ICAO has published new analytical dashboards on the participation of licensed female aviation personnel in the workforce, and it is expected that countries access to and awareness of the new data will lead to better informed targets and policy making to help reduce the still significant aviation gender gap (<https://public.tableau.com/app/profile/icaodataanalytics/viz/RegionalPersonnelByGenderAnalysis/PersonnelbyGender>).

2.8 **Aviation Competitiveness Index Working Group (ACWG).** Global Aviation Competitiveness Index measures the ability of a State to create and maintain value from its civil aviation sector. It is tasked to develop a standard methodology for establishing a global aviation competitiveness index for States to maximize market output, economic efficiencies and productivity. The group determined pillars and metrics to build the Global Aviation Competitiveness Index and a proposed methodology. The results will initially be disseminated at the regional level.

2.9 **International Logistics Constraints Working Group (ILC-WG).** It is a joint collaborative work among ICAO-UN-Universal Postal Union (UPU) and Member States on measuring the constraints of international logistics for and the volume of air cargo including e-commerce, especially non-scheduled air cargo. It is currently reported or perceived as non-scheduled traffic, that, according to proposed definition of non-scheduled all-cargo traffic, is to be classified as scheduled, approaches 23 billion (CTKs) in 2022, that constitutes 9 per cent of world cargo traffic. It is intended to provide a more accurate air cargo traffic data methodology as a result.

Air transport liberalization

2.10 **ICAO's Long-term Vision for International Air Transport Liberalization.** At the 41st Session of the ICAO Assembly (A41) held in 2022, Member States were urged to give regard to, and apply, the *ICAO Long-term Vision for International Air Transport Liberalization* in their policy-making and regulatory practices. ICAO has therefore embarked on enhancing dialogues and exchange of information amongst Member States and industry on liberalization of market access for passenger and air cargo services through various fora, including the annual ICAO Air Services Negotiation Event (ICAN). The Sixteenth ICAN Event will be held from 21 to 25 October 2024 in Kuala Lumpur, Malaysia (State letter 26/66 and Electronic Bulletin 24/15 refer).

2.11 **Benefits and challenges of liberalization and barriers to opening market access.** At the Seventeenth Meeting of the Air Transport Regulation Panel (ATRP/17) held in April 2024, the panel deliberated on outcomes and status of several measures taken in building a better understanding of the benefits and challenges of liberalization and barriers to opening market access, so that further consideration could be given to the development of a multilateral approach. The panel concluded that while there are clear benefits of liberalizing market access, liberalization on a broad scale, or even globally, is unlikely to be achieved through a comprehensive multilateral instrument soon. The panel also agreed that multiple milestones can be achieved, while working towards a long-term objective, including an initial data and information collection to identify the factor possibly hindering the opening of market access, political (un)willingness, protectionism and other non-technical areas. The panel intends to continue this task through its working group.

2.12 **Liberalization of air carrier ownership and control.** Following the recommendations of the Sixth Worldwide Air Transport Conference (AT-Conf/6) held in 2013, the Air Transport Regulation Panel (ATRP) was tasked to address the remaining issues of concern in developing the Convention on Foreign Investment in Airlines for liberalization of air carrier ownership and control. At the ATRP/17, the panel discussed the progress of this task and reported its recommendation to the Air Transport Committee (ATC) at its Second Meeting of the 232nd Session. The ATC agreed with the panel that the work on the development of a draft Convention in its current form is not feasible at this time and that the panel should amend the Template Air Services Agreement (TASA) to provide States with an alternative approach. The ATC also agreed for the panel to work with the Secretariat in conducting a survey on foreign investment in airlines to identify States' existing domestic laws relating to investment in airlines; their "appetite" for a Convention on Foreign Investment in Airlines; and the "safeguard" measures they might require to be comfortable with such a Convention. The outcome of this survey would help guide the panel's future work on the draft Convention on Foreign Investment in Airlines.

2.13 **Specific agreement to further liberalize air cargo services.** The further liberalization of air cargo services is also one of the recommendations of AT-Conf/6 and the ATRP was tasked to examine whether there is enough justification to consider the development of a specific international agreement to facilitate further liberalization of air cargo services. At ATRP/17, the progress of this task was discussed, and the panel concluded that the liberalization of air cargo is desirable, however, this does not necessitate the development of a comprehensive, standalone multilateral agreement, rather it should continue to be pursued by Member States through bilateral, and, potentially through other regional or multilateral approaches. The panel also recommended that the TASA should be updated to support Member States in facilitating further liberalization of air cargo services.

2.14 **The operations of unmanned aircraft.** Pursuant to Resolution A41-27, the ATRP also conducted an in-depth assessment on whether there is a need to develop guidance on economic regulation of international operations of unmanned aircraft system (UAS). The panel concluded that States should be wary of overregulating international UAS operations at this stage, to allow them to grow and mature, and a regulatory sandbox approach, with clearly defined criteria for its formation and dissolution, would be useful in testing potential regulatory parameters, relevance and effectiveness of economic regulations for evolving UAS operations. The panel was also of the view that a bilateral approach on the economic regulation of UAS operations would be more appropriate before multilateral arrangements or global harmonization could be considered. The panel intends to continue this task through its working group, by monitoring the progress of the UAS industry, promote sharing of best practices, and continue discussions concerning economic regulatory practices of UAS operations.

2.15 **Response to crises.** At A41, the Council was requested to prepare guidelines to provide States with the flexibility to temporarily respond to international crises whilst protecting the integrity of Air Services Agreements (ASAs). ATRP/17 considered a draft *Guidance to Ensure Air Services Agreements (ASAs) Continue to Provide a Predictable Framework During Crises Impacting International Air Services*, and subsequently recommended the draft guidance to the ATC, which was approved during the 232nd Session. The guidance document was circulated to all Member States on 18 July 2024 through a State letter 24/75. All Member States are urged to give due regard to and apply this guidance during international crises and provide any information on experiences gained or issues encountered in the implementation of the guidance.

2.16 **Article 15 of the Convention on International Civil Aviation (Chicago Convention).** The Economic Commission during A41 agreed that more specific guidance and a legal analysis are required for Member States to better understand and apply Article 15 of the Chicago Convention and, to that end, that the Air Navigation Services Economics Panel (ANSEP) and the ATRP, in consultation with the Legal Committee, should undertake an analysis to look specifically at the question of whether a State's differential conditioning of grants of air space access to other States is consistent with the national treatment standard and the principle of non-discrimination set forth in the Convention. At ATRP/17, this task was discussed by the panel and based in the recommendations made, the ATC endorsed that there is a need for more clarification and guidance in the provisions of Article 15 of the

Chicago Convention to ensure compliance by Member States. The ATC also agreed for a working group of the ATRP to liaise with the Airport Economics Panel (AEP) and ANSEP to provide more clarifications and guidance for the compliance of Member States to Article 15 of the Chicago Convention.

Competition laws and policies

2.17 **Compendium of Competition Policies and Practices.** As recommended by AT-Conf/6 and by the ATRP, ICAO produced the compendium on competition policies and practices, which has been made available online. The compendium contains useful information on Member States' competition policies, laws and regulatory practices in the field of competition. It also holds information on competition cooperation engaged by regional organizations. In promoting effective information sharing, Member States and regional organizations are encouraged to share with ICAO updates on their respective competition policies and practices.

Consumer protection and Emergency Response Planning

2.18 **Montréal Convention of 1999 and ICAO Core Principles on Consumer Protection.** At A41, Member States that have not yet become parties to the Montréal Convention were urged to consider doing so. To date, 139 States are signatories to the Montréal Convention. States and concerned stakeholders were encouraged to give due regard to and apply the ICAO Core Principles on Consumer Protection in policy making, regulatory and operational practices, including in case of massive disruptions impacting aviation. Member States were also encouraged to keep ICAO informed of the experiences gained or issues encountered in their application. In promoting information sharing among Member States, ICAO continues to update the Compendium on Consumer Protection and Compendium on States' Emergency Response Plan. Both compendia respectively contain information on national regulatory regimes related to consumer protection and best practices in the matter of response to and coordination of massive airport/airline disruption.

Infrastructure management / airports and air navigation services economics

2.19 ICAO's infrastructure management programme contributes to the development of a sound and economically viable civil aviation system by promoting the efficient development of aviation infrastructure. The programme focuses on the economics of airports and air navigation services including charges, as well as the funding and financing for aviation infrastructure development.

2.20 Among its efforts, ICAO develops policies on charges for airports and air navigation services in relation to the economic situation of international civil aviation, and addresses funding and financing for aviation infrastructure including the new infrastructure funding needs to support emerging activities and industry innovation. ICAO also provides States, airports and ANSPs with guidance on the implementation of its policies on charges and cost recovery for the provision of services.

2.21 At the Ninth Joint Meeting of the Airport Economics Panel and Air Navigation Services Economics Panel (AEP-ANSEP/9) held from 17 to 19 October 2023, the meeting made recommendations to the following areas:

- a) update of *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082);
- b) clarification on Article 15 of the Chicago Convention regarding fees and charges for airspace access;
- c) enhancing the implementation of ICAO's policies on charges;
- d) sustainable funding for civil aviation authorities and States' oversight functions;
- e) economic aspects of unmanned aircraft systems (UAS) and potential cost recovery mechanisms for UAS operations;
- f) cost recovery for the provision of aeronautical meteorological (MET) services and Space Weather Information Services;

- g) updates to the online version of Tariffs for Airports and Air Navigation Services (Doc 7100); and
- h) economic oversight of transnational/supranational ownership of airports.

2.22 **Update of ICAO's Policies on Charges for Airports and Air Navigation Services (Doc 9082).** The AEP-ANSEP conducted a comprehensive review of Doc 9082 and the proposed revisions were endorsed by AEP-ANSEP/9. Main considerations in the review of the policy document included the need to clarify the key charging principles, highlight the compliance with the provisions of Article 15 of the Chicago Convention, incorporate changes adopted in relevant guidance manuals, update of the terminologies, and improve the readability of the texts. The proposed revisions to Doc 9082 have been considered and approved by the Council.

2.23 **Clarification on Article 15 of the Chicago Convention regarding fees and charges for airspace access.** The AEP-ANSEP/9 considered two distinct proposed texts aiming at clarifying certain aspects of Article 15 of the Chicago Convention. Firstly, the meeting reviewed and agreed on the proposed text for inclusion in Doc 9082. Secondly, the meeting agreed on the inclusion of wording proposed for inclusion in Doc 9161, which would be published as amendment of the current Sixth Edition of Doc 9161. In addition, the meeting requested ICAO to issue a State letter as reminder to all Member States to adhere to the provisions of Article 15 of the Chicago Convention and to ICAO's policies on granting approval for the use of their airspace.

2.24 **Enhancing the implementation of ICAO's policies on charges.** The AEP-ANSEP/9 recommended that the scope and perspectives in relevant workshops and training programmes be expanded, and the ICAO survey be reviewed to obtain a comprehensive overview of States' mechanisms for the implementation of ICAO's policies and principles. The review would also provide for validation of responses and measures to incentivize States' responses. In respect of guidance related to commercial agreements between airports and airlines, as well as to black swan events, the meeting agreed to address the issues through a working group under the panel.

2.25 **Sustainable funding for civil aviation authorities and oversight functions.** The AEP-ANSEP/9 considered the findings from a survey conducted by the ICAO European and North Atlantic (EUR-NAT) Regional Office on funding mechanisms of civil aviation authorities (CAAs) in the region to perform oversight functions, and agreed that these could be leveraged for the development of a global survey to collect information on sustainable funding mechanisms for oversight functions.

2.26 **Economic aspects of unmanned aircraft systems (UAS) and potential cost recovery mechanisms for UAS operations.** The AEP-ANSEP/9 agreed on the need to advance the activities undertaken by the working group established by the panel related to cost-recovery mechanisms for UAS. In addition, the meeting agreed to expand the scope of the tasks to matters related to Advanced Air Mobility (AAM), commercial space transportation launches, higher airspace operations, and the issue of new entrants in general, while noting possible differing particularities of each new entrant and the possibility to approach the task through sub working groups, as necessary.

2.27 **Cost recovery for the provision of aeronautical meteorological (MET) services and Space Weather Information Services.** The AEP-ANSEP/9 recommended to continue collaborate with the Meteorological Panel on the issue of cost recovery for the provision of the aeronautical meteorological services and the space weather information services.

2.28 **Updates to the online version of Tariffs for Airports and Air Navigation Services (Doc 7100).** The AEP-ANSEP/9 agreed to establish a new working group tasked with reviewing existing guidance in Doc 9161 on invoicing practices for aeronautical charges and possible ways of improving it to provide an agreed minimum level of details to be contained in invoices, taking into account national and regional differences worldwide.

2.29 **Economic oversight of transnational/supranational ownership of airports.** The AEP-ANSEP/9 recommended to conduct a survey among Member States to determine what portion of

their services providers are owned and operated by a transnational entity; what challenges exist in their regulation/oversight; and what, if any, regulations, or administrative procedures are in place to ensure that the State is able to effectively provide economic oversight. The survey results could eventually inform further actions by the designated working group, including the development of relevant best practices for States.

2.30 Pursuant to the recommendations of the AEP-ANSEP/9, five working groups were established to carry out the tasks assigned by the meeting. Results of the working groups will be reported to the Tenth Joint Meeting of the AEP-ANSEP, which is currently scheduled for Q1 2025.

2.31 **Raising awareness of ICAO’s policies on charges.** Continuous efforts have been made to raise awareness and enhance the implementation of ICAO’s policies on charges. Regional workshops have been conducted in coordination with ICAO regional offices and the industry organizations. During 21-23 May 2024, the ICAO/LACAC NAM/CAR/SAM workshop on economic regulation and oversight was conducted in collaboration with the ICAO NACC and SAM regional offices. One of the main objectives of the workshop was to increase knowledge of ICAO’s policies on charges and taxation and enhance expertise on economic oversight of airports and air navigation services.

ICAO’s capacity building supports to Member States

2.32 To assist States in enhancing their capacity in air transport economic regulation, ICAO offers support in various forms such as online training, classroom/virtual training and regional workshops/seminars. Five air transport regulation online courses are available including online courses on air transport regulation, air transport regulation issues, air transport economics and air cargo. ICAO is also collaborating with Airports Council International (ACI) to offer training on airport user charges. The training is available either in classroom or format or in virtual format. ICAO has been coordinating with the Regional Offices and industry organizations to organize regional workshops/seminars on economic regulation and economic oversight.

3. ACTION BY THE CONFERENCE

3.1 The Conference is invited to note the information contained in this paper.

APPENDIX**Forecasted traffic for the Asia/Pacific in RPKs CAGR**

Route Group	2019 - 2025	2019 - 2030
Africa - Asia/Pacific	-1.1%	1.8%
China & South West Asia - North Asia	-0.1%	3.4%
China & South West Asia - Pacific South East Asia	3.3%	4.3%
Europe - North Asia	1.4%	1.9%
Europe - Pacific South East Asia	1.3%	2.7%
Europe - South West Asia	3.5%	3.7%
Intra China & South West Asia	3.1%	4.2%
Intra North Asia	3.0%	3.0%
Intra Pacific South East Asia	-0.6%	2.3%
Latin America/Caribbean - North Asia & Pacific South East Asia	-2.1%	1.3%
Middle East - North Asia & Pacific South East Asia	1.5%	2.9%
Middle East - South West Asia	3.9%	5.7%
North America - North Asia	0.8%	1.2%
North America - Pacific South East Asia	0.1%	1.5%
North America - South West Asia	2.4%	2.8%
North Asia (DOM)	-0.8%	0.9%
North Asia - Pacific South East Asia	-2.4%	1.3%
Pacific South East Asia (DOM)	0.6%	3.0%
South West Asia (DOM)	3.0%	4.9%
China - Europe	2.4%	3.1%
China - Middle East	2.4%	4.0%
China - North America	3.7%	3.7%
China/Mongolia	2.3%	3.8%
Latin America/Caribbean - China	4.0%	5.5%
Asia/Pacific Overall	1.7%	3.3%

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