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ASSEMBLY — 39TH SESSION

ECONOMIC COMMISSION

Agenda Item 39: Economic Regulation of International Air Transport — Policy

ENHANCING FAIR COMPETITION IN A LIBERALIZED MARKET

(Presented by the Republic of Korea)

EXECUTIVE SUMMARY

This paper presents views and constructive recommendations for enhancing fair competition in a liberalized air transport market especially focused on safety and economic aspects.

Action: The Assembly is invited to consider the suggestions proposed in paragraph 3

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective D – <i>Economic Development of Air Transport</i> .
<i>Financial implications:</i>	Not applicable
<i>References:</i>	Not applicable

1. INTRODUCTION

1.1 The Republic of Korea (ROK) fully recognizes the benefits of “liberalization” or “deregulation” which foster competition in international air transport.

1.2 Due to the benefits of liberalization - such as low ticket prices, better city-pair connectivity, and convenient flight schedules - the air transport market has collectively labeled the aforementioned practices of “Open Skies.”

1.3 However, there are some concerns with Open Skies practices regarding fair and equal opportunities for competition between airlines. The ROK would like to suggest some practical strategies for promoting fair competition among Member States, while maintaining reasonable practices and avoiding unnecessary arguments.

2. UNFAIR - FAIR COMPETITION

2.1 The ROK has increased the number of Open Skies Air Services Agreements and as of 1 March 2016, 41 Open Skies cases have been settled.

2.2 Despite the many benefits of a fully liberalized air transport market, there are some concerns and criticisms of Open Skies practices from both developed and developing Member States.

2.3 Recently, some State-owned carriers have expanded rapidly with an aim of dominating specific routes utilizing the 6th freedom traffic rights. It seems very natural that the airline which is able to provide seats with the lowest price and most convenient schedule should win over the customer, and all business should be handled based on a fair, competitive spirit.

2.4 In addition to the economic perspective, rapid growth can raise safety issues. The ICAO Safety Management Manual (Doc 9859) describes the effect of such changes, stating in article 5.3.75 that “Change may affect the appropriateness or effectiveness of existing safety risk mitigation strategies.” In addition, new hazards and related safety risks may inadvertently be introduced into existing operations whenever change occurs.

2.5 The Member States owning such rapidly growing airlines should strive to meet Open Skies agreements with all Member States. However, these Member States may consider such practices unfair, making it difficult to gain public support.

2.6 There have also been attempts to involve non-aviation sectors such as energy and construction into negotiations, and political issues have arisen as a result of attempts toward more liberalized air transport.

2.7 In one case in Africa, “Fair Competition and African Air Transport” (ATCM-WP/07) was presented by the African Civil Aviation Commission (AFCAC) at the 12th meeting of the AFCAC Air Transport Committee (Dakar, Senegal, 30-31 October 2012). Article 3 – Safeguard 3.2, emphasized that “The same arguments are heard in the current debate of foreign carriers dominating the African market and operating 6th freedom rights among others. Undoubtedly these arguments are justified and always remain the basis for the call for safeguarding measures.”

2.8 The fair competition issue was also discussed during the ICAO 6th Worldwide Air Transport Conference (ATConf/6-WP/4), with paragraph 6.1.d recommending that “ICAO should develop tools to foster cooperation, dialogue and exchange of information between and among competition authorities to achieve a better competitive environment for international air transport.”

3. STRATEGIES FOR ENHANCING FAIR COMPETITION

3.1 For the on-going liberalization of the air transport market, the ROK suggests several strategies.

3.2 Open Skies agreements should be reached based on mutual economic and social benefit between two bilateral States without the worry of market distortion. Traffic rights should be counted and considered in the aviation sector and should not be influenced by other industries or politicized. Safety issues should be considered in rapidly growing markets based on ICAO Safety Management concepts and practices. And further, ICAO should develop solutions for fair competition to achieve a more competitive environment for international air transport.

4. CONCLUSION

4.1 The Assembly is invited to consider the suggestions in paragraph 3.

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