



WORKING PAPER

ASSEMBLY — 39TH SESSION

ECONOMIC COMMISSION

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

**OUTCOMES OF AIR SERVICES LIBERALIZATION AND DEREGULATION OF THE
REPUBLIC OF KOREA**

(Presented by the Republic of Korea)

EXECUTIVE SUMMARY

The Republic of Korea (ROK) has continued to liberalize and deregulate its air services industry in order to promote the growth of the air services industry and the economy, as well as to improve the consumers' benefits by facilitating expansion of supply of air services. As a result, there have been a number of positive outcomes, including growth of the related industries (e.g. tourism, etc.) and enhanced consumer benefits, including lower airfare and more diverse service availabilities. In consideration of such positive outcomes, it is imperative that the Member States work together to liberalize and deregulate their respective air services industries, and continue to bridge the gaps among such air services industries by establishing a common ground for collaboration through ICAO.

Action: The Assembly is invited to:

- a) support ICAO's efforts to liberalize and deregulate the air services industry and actively participate in ICAO policies; and
- b) encourage ICAO to assume a greater role in facilitating experience sharing among the Member States in air liberalization and deregulation of their air services industries.

<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>	A39-WP/4, <i>Implementation of Recommendations of the ATConf/6</i> A39-WP/5, <i>Progress report on the development of international agreements on the liberalization of market access, air cargo and air carrier ownership and control</i> A39-WP/66, <i>Report on Implementations of the ATCONF/6 and Decisions of the 38th Session of the Assembly</i>

1. INTRODUCTION

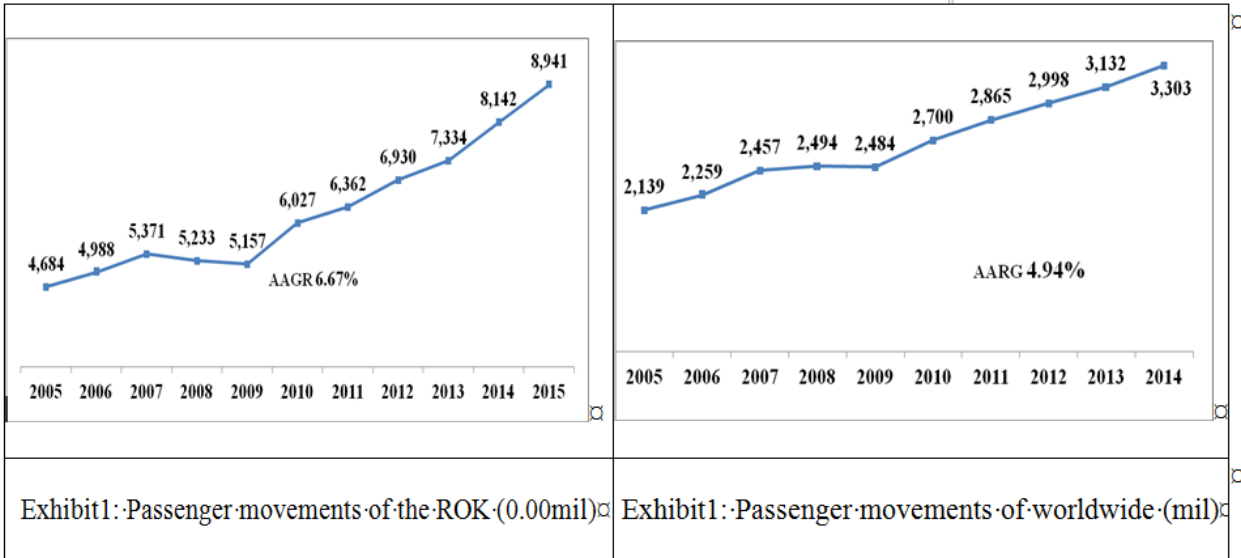
1.1 The global movement since the 1980s towards liberalization and deregulation of the air services industry which lower entry barriers, has allowed for new air carriers to provide more international route services and for consumers to benefit from greater availability of affordable air services, which in turn result in the growth of the air services industry. According to a number of studies, the number of “city pairs” has more than doubled and the average air fares have decreased nearly 50% in the past 20 years. As of 2014, the air services industry accounts for 3.5% of the world GDP and 62.7 million jobs globally.

1.2 The Republic of Korea (ROK) has done much effort throughout the air services industry to liberalize and deregulate the air services industry as well as to facilitate the growth so as to promote the economic growth of the ROK and improve the consumers benefits. Since entering into the Open Skies Agreement with the U.S. in 1998, the ROK has concluded around 40 Open Skies Agreements. Furthermore, the ROK has continued to deregulate the air services industry to lower the barriers to entry. As a result of such effort, the air services industry in the ROK has continued to grow remarkably at a growth rate exceeding those of other industries.

2. GROWTH OF AIR SERVICES INDUSTRY IN THE ROK

2.1 The number of air passengers in the ROK has more than doubled in the past 20 years from 35 million in 1995 to 89 million in 2015. In particular, such growth has been most evident since 2015, in which year liberalization and deregulation of the air services industry allowed a number of Low Cost Carriers (LCCs) to enter into the market. Thereafter the air services industry in the ROK has grown at the growth rate exceeding those of the global air services industry. The number of air carriers operating in the ROK has increased from 59 in 2005 to 86 in 2015, and the number of national air carriers operating in the ROK has increased from 2 in 2005 to 8 in 2015 as a result of the introduction of LCCs into the ROK.

2.2 The growth of the air services industry has resulted not only in growth of the related industries but also promotion of growth of the national economy. With more national air carriers operating in the ROK, the number of jobs created by these air carriers has increased from around 20 thousands in 2005 to 35 thousands in 2015. Furthermore, the resulting growth of the related industries is valued at approximately USD 44,193 million with around 770 thousand job creation.



2.3 In addition to such economic values, the growth of the air services industry has resulted in a significant improvement of consumers experiences. The number of city pairs originating from the gateway airport of the ROK, Incheon International Airport, has grown from 132 in 2006 to 188 in 2015. Furthermore, the international routes originating from other regional airports underwent significant expansions through the introduction of LCCs. The lowering of barriers to entry for foreign air carriers, caused by air liberalization, and the introduction of national air carriers, caused by deregulation of the air services industry, have resulted in a more competitive market and lower air fares for consumers.

2.4 Liberalization and deregulation of the air services industry in the ROK have resulted in growth of the air services industry through growth of the national air carriers and other related industries as well as growth of the national economy and improvement of consumers benefits through facilitating engagement of foreign air carriers and other LCCs in the ROK market. These can be attributed to the strategic and tailored approach of gradual liberalization and deregulation of the air services industry, taking into account the competitiveness of the national air carriers and other factors inducing consumers benefits in the ROK.

3. THE NEED FOR FURTHER LIBERALIZATION AND DEREULGATION IN THE AIR SERVICES INDUSTRIES; ICAO’S ROLE

3.1 Considering the benefits of liberalization and deregulation of the air services industry to air services industry and consumers, it is imperative that there be collaboration among the global air services industry. There have been active discussions at ICAO, and in particular the ICAO Sixth Worldwide Air Transport Conference (ATCONF/6) in 2013 has provided new momentum, with follow-up measures taking place in response to the recommendations as presented at the Conference.

3.2 Needless to say, it is essential that the Member States share the particulars of their own experiences and agendas in connection with the specifics of their respective air services industries. The purpose of liberalization and deregulation of the air services industry is not in itself but to promote economic growth and improvement of consumers benefits, for which unique circumstances and interests of each and every Member State must be fully considered.

3.3 In this regard, ICAO must assume a greater role in facilitating experience sharing of the Member States in the liberalization and deregulation of their air services industries. The ICAO Air Services Negotiation Event (ICAN), convened annually by ICAO, has proven itself to be a powerful platform, and the ROK has been utilizing this platform to establish a common ground with other Member States in connection with air liberalization. Furthermore, the third ICAO Air Transport Symposium (IATS 2016) convened in last March has served as a great opportunity for Member States to share their ideas. By more actively utilizing these platforms, Member States will be able to align their policy agendas with respect to liberalization and deregulation of air services industry.

4. CONCLUSION

4.1 The positive outcomes of liberalization and deregulation of air services industry in the ROK are great examples in support of the movement towards liberalization and deregulation of the air services industries globally. In order to fulfil the purported objectives of liberalization and deregulation of air services industry, including economic growth and consumer experience improvement, unique circumstances and interests of each Member State must be fully considered. For such purposes, it is essential that Member States share the particulars of their own experiences and agendas in connection with the specifics of their respective air services industries, and ICAO must assume a greater role in facilitating experiences and agenda sharing of Member States.

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