



**ASSEMBLY — 40TH SESSION**

**ECONOMIC COMMISSION**

**Agenda Item 32: Economic Regulation of International Air Transport – Policy**

**ENHANCING FAIR COMPETITION AND SAFEGUARDS  
FOR THE SUSTAINABLE GROWTH OF  
INTERNATIONAL AIR TRANSPORT**

(Presented by the Republic of Korea)

**EXECUTIVE SUMMARY**

This information paper focuses on various aspects of fair competition in international air transport services, which is of great concern to governments and airline industries. This paper also analyses passenger benefit and convenience with regard to fair and equal opportunity, in line with the promotion of the development of civil aviation through a balanced approach to aviation liberalization according to the Global Air Transport Plan.

The meeting has been convened to note the following: a) review the information in this paper and compare the qualitative and quantitative analysis results; b) assess fair competition and liberalization regarding the growth of international air transport; and c) consider the incorporation of the contents of this paper into the Global Air Transport Plan through the International Civil Aviation Organization (ICAO) Air Transport Regulation Panel Meeting.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective – <i>Economic Development of Air Transport</i> .
<i>Financial implications:</i>	Nil
<i>References:</i>	WP/14806 – <i>Draft Strategic Planning Document for the Possible Global Air Transport Plan</i>

**1. INTRODUCTION**

1.1 Air transport contributes greatly to the growth of economies, the creation of new jobs, and the exchange of culture. Growth of the air transport industry generates huge economic and social benefits regionally and globally.

1.2 Liberalization of air transportation since the 1970's has enabled the market to rejuvenate and provided consumers with more convenient schedules at lower prices.

1.3 The International Air Transport Association (IATA) revealed that present trends in air transport suggest passenger numbers could double to 8.2 billion in 2037. This also implies that an increasing shift eastward in the focus of the air transport industry is behind the continued growth.

1.4 It has been anticipated that a doubling of air passengers in the next 20 years can support 100 million jobs globally. In particular, the Asia-Pacific region will experience the biggest growth, accounting for over half of the total number of new passengers over the next 20 years. The expansion in this market is being driven by a combination of continued robust economic growth, improvements in household incomes, and favourable population and demographic profiles.

1.5 Against this backdrop of growth in aviation, the ICAO has been developing the Global Air Transport Plan as a basic air transport strategy, similar to safety and security initiatives

1.6 The ICAO Global Air Transport Plan is very important for the sustainable development of air transportation and it is of the utmost importance that fair competition, that is, the non-discriminatory treatment of all air transport carriers, is strengthened.

## **2. CONCEPT OF GATP BY ICAO**

2.1 ICAO secretariat reported the Global Aviation Transport Plan (GATP) draft to the Council with C-WP/14806 in August 2018.

2.2 The GATP draft describes the past, present and future of air transportation in detail and suggests how the GATP will be made concrete, taking as an example the relationship with other global plans.

2.3 Chapter 1 of the GATP presents general principles, including sovereignty, fair competition, and equal opportunity, based on the Chicago Convention and the prohibition of discrimination.

2.4 Chapter 2 focuses on eliminating obstacles to air transportation; using aviation as a tool for development; and improving data, analysis, and forecasting capabilities.

2.5 Chapter 3 of the plan describes the development and management of an evaluation index to monitor the development of air transportation

## **3. NEED FOR FAIR COMPETITION TO IMPROVE PASSENGER BENEFIT AND CONVENIENCE**

3.1 The liberalization of international air transport services has led to rapid development. Indeed, the removal of protectionism may promote globalization and the improvement of consumer benefits and convenience.

3.2 Under a liberalized market environment, international air connectivity would generate significantly more jobs and trigger a nation's GDP growth. However, the current liberalization cannot promise sustainable and sound development without fair competition and safeguards. Without these, there may be market distortions and, ultimately, difficulties for the air transportation industry, especially in some areas.

**Table 1 – Liberalization and its Economic Effects**

<b>Liberalization Scenarios</b>	<b>CAGR</b>	<b>Total PAX in 2037 Origin &amp; Destination (Unit: billion)</b>	<b>Jobs created (Unit: million)</b>	<b>GDP supported (Unit: trillion)</b>
Reverse Globalization	2.4%	5.7	90	4.6
Constant Policy	3.5%	7.0	100	5.5
Maximum Liberalization	5.5%	10.3	119	7.6

*Source: IATA/Tourism Economics in 2018*

3.3 Air transport has evolved from traditional bilateral air service agreements to liberalized agreements, multilateral air service agreements, and so on, and the degree of freedom is expanding through codeshare, co-operation between airlines and, joint venture agreements.

3.4 However, the responsibility for implementing ICAO's international standards and recommendations lies with each member State. Therefore, the role of these States is of the utmost importance regarding fair competition and safeguards.

3.5 Government subsidies for some state-owned airlines and, mergers and acquisitions achieved through government grant money, can distort the market and impede sound development of air transportation.

**Table 2 – Types of Government Subsidies between 2004 and 2018**

<b>Total \$52 billion USD subsidies (Unit: billion)</b>	<b>Types of Government Support</b>
17.8	Interest-free loans and shareholders advance
14.6	Equity infusions, grants, and future committed subsidies
6.8	Interest savings from government loan guarantees and interest-free loan
4.4	Union ban resulting in below-market labour cost
4.0	Government assumption of fuel hedging losses
2.9	Subsidized airport charges
1.6	Passenger fee exemption, rebates, and miscellaneous subsidies

*Source: Open and Fair Skies*

3.6 It seems that air carriers with government subsidy stimulate passenger demand between international origin and destinations. However, this did not have an economically significant impact on the increase in overall international traffic.

3.7 For example, between 2008 and 2016, some emerging carriers failed to meaningfully stimulate additional traffic in the US market. Rather, their passengers came at the expense of US airlines. Around 19,000 daily seats were added by those carriers between US and three Gulf coast hubs during that time. Daily bookings, however, increased only 2.4% per annum, and the market demand remained almost flat.

3.8 It is difficult for international passengers to recognize and obtain any benefits and conveniences if such a market distortion should continue. Without a fundamental change in passenger benefit and convenience under the fair market competition through liberalization, unbalanced market conditions would simply result in frustration and scepticism among passengers.

3.9 In addition, there may be a problem of distorting balanced markets in connection with industry or State strategies other than aviation, in the process of establishing flight rights through air service agreements. This would weaken each State's ability to oversee its air transport sector and, ultimately, may lead to deterioration in aviation safety and security.

3.10 Therefore, in order to promote the orderly development of air transport, it is necessary to ensure that the GATP expands air liberalization, strengthens the analysis and forecasting of data, and complies with fair competition and a minimum safeguard device.

#### 4. **CONCLUSION**

4.1 The Republic of Korea fully agrees to the development of air transport through liberalization, as well as with most of the content in the GATP drafts, including data analysis and forecasts. However, the role of governments in the implementation of ICAO international standards and recommended practices is very important, so the Republic of Korea believes that the fair competition and safeguard provisions of the GATP should also be reflected in the draft.

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