



ASSEMBLY — 40TH SESSION

ECONOMIC COMMISSION

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

FOREIGN INVESTMENT IN AIRLINES

(Presented by the United Kingdom)

EXECUTIVE SUMMARY

The United Kingdom (UK) seeks a broad international consensus on the relaxation of nationality-based airline ownership and control restrictions. Whilst recognizing that much work remains to address concerns expressed by some States, the UK strongly supports the on-going efforts of ICAO's Air Transport Regulation Panel (ATRP) to develop a Convention on Foreign Investment in Airlines. The nationality of who owns and/or controls an airline should not be a prime consideration in determining whether or not it can operate. What is most important and relevant is that an airline is safe, secure, financially sound, run by credible individuals and, properly regulated.

Action: The Assembly is invited to:

- a) urge ICAO, through the ATRP, to continue work on the development of a Convention on Foreign Investment in Airlines;
- b) retain a high-level of ambition to relax nationality-based restrictions on the ownership and control of airlines; and
- c) finalize work on the Convention at the earliest opportunity.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective – <i>Economic Development of Air Transport</i> .
<i>Financial implications:</i>	Any activities relating to this working paper may be made subject to the availability of budgetary resources of the ICAO Regular Programme budget for the period 2020-2022.
<i>References:</i>	<i>Long-term Vision for International Air Transport Liberalization as adopted at 205th session of the ICAO Council</i> Report of the Fourteenth Meeting of the Air Transport Regulation Panel (ATRP/14) Report of the Fifteenth Meeting of the Air Transport Regulation Panel (ARTP/15) ATRP/15-WP/2, Report of the ATRP/14 Working Group Doc 10075, <i>Assembly Resolutions in Force (as of 6 October 2016)</i> Doc 10078, <i>Assembly Resolution A-39</i> ATConf/6-WP 49

1. INTRODUCTION

1.1 Barriers to market access stifle supply, competition and innovation to the detriment of consumers, industry and the economy at large.

1.2 The liberalization of international air transport offers the potential to:

- a) improve connectivity, facilitating business-to-business and people-to-people links that benefit the wider economy, helping to generate jobs and growth;
- b) maximize business opportunities for airlines and airports and competition for the supply of goods and services; and
- c) deliver cost, choice *and* quality benefits for businesses and consumers.

1.3 At its 205th session, the ICAO Council adopted a *Long-term Vision for International Air Transport Liberalization*:

“We, the Member States of the International Civil Aviation Organization, resolve to actively pursue the continuous liberalization of international air transport to the benefit of all stakeholders and the economy at large.

We will be guided by the need to ensure respect for the highest levels of safety and security and the principle of fair and equal opportunity for all States and their stakeholders”

2. DISCUSSION

2.1 “Traditional” restrictions in bilateral Air Services Agreements (ASAs) on the nationality of who can or cannot own/control an airline constrain market access and are an impediment to the pursuit of the continuous liberalization of international air transport.

2.2 Such restrictions limit airlines’ access to capital and can therefore restrict their ability to grow/develop their businesses. Nationality-based airline ownership and control restrictions also fail to recognize:

- a) the fundamentally international nature of the civil aviation industry and the increasing prevalence of multinational groups, alliances, etc.; and
- b) that shareholders in an airline are not the sole economic beneficiaries from increased connectivity, choice and value for money.

2.3 Whilst foreign investors might well reap dividends from their investments, considerable benefits accrue in the States connected by airlines. As well as direct business and employment arising from airline operations, international connectivity generates catalytic benefits by, for example:

- a) delivering inbound visitors (who spend money locally);
- b) enabling outbound travel (e.g. on holiday, contributing to national wellbeing); and
- c) delivering links that help facilitate international trade and help to generate economic growth.

3. CONCLUSION

3.1 The UK seeks a broad international consensus on the relaxation of nationality-based restrictions on who can or cannot own and control an airline.

3.2 Whilst recognizing that much work remains to address concerns expressed by some States – notably regarding so called “free riders” - the UK strongly supports the ongoing efforts of ICAO’s Air Transport Regulation Panel to develop a Convention on Foreign Investment in Air Carriers.

3.3 The nationality of who owns and/or controls an airline should not be a prime consideration in determining whether or not it can operate (barring perhaps a few “bad actors” that parties might choose to exclude for non-aviation-related issues). What is most important and relevant is that an airline is safe, secure, financially sound, run by competent individuals and, properly regulated.

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