

LEBANON'S OPEN SKIES POLICY

(Submitted by the ICAO Secretariat)

1. BACKGROUND

1.1. Before the outbreak of the civil war in 1975, Lebanon's liberal economic policy and its strategic position had attracted lots of businesses as well as tourists from all over the world, making Beirut International Airport one of the leading hubs in the Middle East region. However, years of warfare and restrictive measures have left Beirut far behind Dubai, Bahrain and Larnaca. A national airline, Middle East Airlines (MEA), lost \$720 million for two decades from 1981. The only foreign airlines which continued flying to Beirut were from Eastern Europe, Jordan and Syria, while MEA's flights were imposed the landing ban in some States. According to the Beirut International Airport statistics, the number of passengers to/from Beirut dropped from 2.75 million in 1974 to 1.64 million in 1980, and to only 230 000 in 1989.

1.2. The air traffic was recovered quickly after the war was over in October 1990. The passenger numbers to/from Beirut were increased from 1.09 million in 1992, 1.67 million in 1995, 2.06 million in 1998, and to 2.34 million in 2000. The rebuilding of Beirut International Airport also started in 1994 as one of the infrastructure rehabilitation projects, and the first step was achieved in 1998. The completion of second phase in 2000 enabled the airport to handle as much as 6 million passengers a year. As foreign airlines resumed operations, MEA's market share had been down from 66 per cent in 1992, 48 per cent in 1995, to a range of 35-38 per cent in 1998-2000. In September 1996, the Central Bank of Lebanon began financing MEA at the request of the Lebanese Government to save it from bankruptcy. As a result, the Central Bank acquired a 99 per cent ownership of MEA by taking over shareholdings held by Intra Investment (a consortium of the Governments of Lebanon, Kuwait and Qatar as well as private) and Air France.

2. LIBERALIZATION OF REGULATORY FRAMEWORK

2.1. In the late 1990s, the Lebanese Government started to consider the removal of restrictions for foreign airlines, which had been introduced to protect MEA, and gradually liberalized the foreign airlines' operations. The new cabinet, which came into office in November 2000, announced various economic reform measures, including the adoption of an "open skies" policy. This unilateral liberalization policy immediately lifted restrictions on aircraft capacity and frequencies relating to Third, Fourth and Fifth Freedom traffic rights with an objective of increasing air passenger and cargo traffic and of boosting the country's ailing economy. Lebanon also committed to an agreement of 1999 amongst 16 States of the Arab Civil Aviation Commission (ACAC), which liberalized intra-regional Third and Fourth Freedom traffic rights by 2003 and Fifth Freedom traffic rights by 2005. In addition, the Lebanese Government decided in 2001 to launch the restructuring of MEA, and to prepare for its privatization, so that the airline could support the evolution of Beirut into an economic hub by generating enough air traffic.

3. EFFECTS AND DEVELOPMENTS

3.1. Because of the events of 11 September 2001, the Iraq War and the recent Lebanon war, it is very difficult to assess the true impact of the “open skies” policy, although the number of passengers to/from Beirut increased to 2.44 million in 2001 and 1.13 million in the first six months of 2002. This moderate growth was mainly due to the influx of Arab tourists into Beirut, compensating for the loss of traffic from Europe. At the time of 2005, there were about 40 Arab and other foreign airlines using Beirut International Airport (almost constant since 1998), while more were pledging to include the Lebanese capital as a regular stop in the near future. The Fifth Freedom traffic rights were used by some airlines (for example, Syrianair’s Beirut - Dubai/Casablanca services in 2002).

3.2. The year 2001 marked a turning point in the history of MEA, which shed about 1 500 employees, arranged to buy a new fleet, and reduced its losses to \$30 million. The airline attained break-even in 2002, coming out of the red for the first time since 1976. As part of the cost recovery effort, MEA has refocused its network by concentrating on the Gulf area, Europe (London and Paris) and Africa. In 2006, MEA took the first step toward becoming a SkyTeam associate member.

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