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ICAO'S STRATEGIC OBJECTIVE:

**ECONOMIC DEVELOPMENT
OF AIR TRANSPORT**

FOCUS OF THIS PRESENTATION

1. Introduction
2. Guiding principles for the Strategic Objective of Economic Development
3. State of Air Transport
4. Focus Areas of the Strategic Objective
5. Implementation of the Strategic Objective
6. Importance of ICAO's leadership in the field of economic development of air transport – during and beyond COVID-19
7. Conclusion and Suggested way forward



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Introduction

THE FIVE ICAO'S STRATEGIC OBJECTIVES

SAFETY

**CAPACITY
&
EFFICIENCY**

**SECURITY
&
FACILITATION**

**ECONOMIC
DEVELOPMENT**

**ENVIRONMENTAL
PROTECTION**

Strategic Objectives that relates to the economics of air transport

1970: 1/7 Strategic Objective F - To provide guidance for States on new regulatory arrangements to ensure progressive change towards market access, effective and sustained participation and fair competition in international air transport.



1997: 1/8 Strategic Objective F – Ensure that guidance and information on the economic regulation of international air transport is current and effective.



2005-2010: 0/6 No standalone Strategic Objective dedicated to economics of air transport
(encompassed under “efficiency of air transport”)



2011-2013: 0/3 No standalone Strategic Objective dedicated to economics of air transport
(encompassed under “environmental protection and sustainable development of air transport”)



Current: 1/5 - Foster the development of a sound and economically-viable civil aviation system.
This Strategic Objective reflects the need for ICAO's leadership in harmonizing the air transport framework focused on economic policies and supporting activities.

ECONOMIC DEVELOPMENT OF AIR TRANSPORT

“Foster the development of a sound and economically-viable civil aviation system”.

This Strategic Objective reflects the need for ICAO’s leadership in harmonizing the air transport framework focused on economic policies and supporting activities.



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**Guiding principles for the
Strategic Objective**

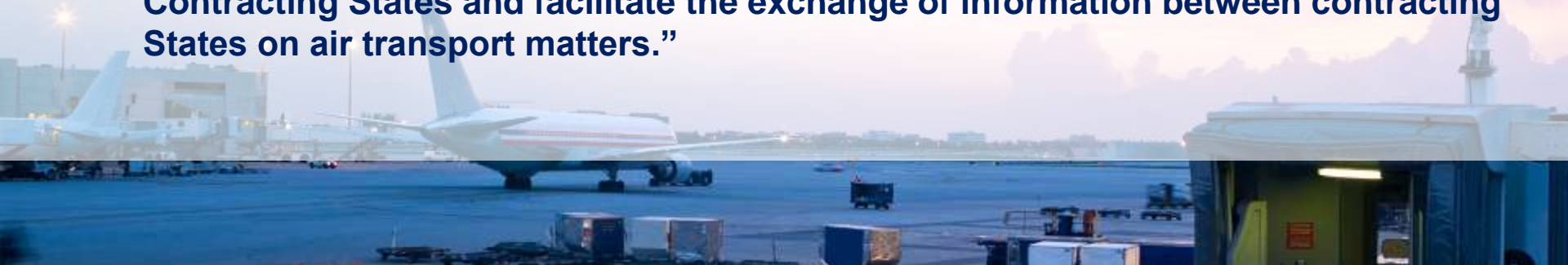




THE CHICAGO CONVENTION

- **Preamble:** "The undersigned governments have agreed on certain principles and arrangements in order that [...] international air transport services may be established on the basis of equal opportunity and operated soundly and economically."
- **Art. 44 on the aims and objectives of ICAO:**
 - d) "Meet the needs of the peoples of the world for safe, regular, efficient and economical air transport."
 - e) "Prevent economic waste caused by unreasonable competition."



- **Art. 15: non-discrimination for airport and ANSP charges**
 - **Art. 24: customs duties**
 - **Art. 54: “The Council SHALL [...] appoint and define duties of an Air Transport Committee.”**
 - **Art. 55: “The Council may [...] conduct research into all aspects of air transport which are of international importance, communicate the results of its research to the Contracting States and facilitate the exchange of information between contracting States on air transport matters.”**
- 



➤ **Art. 67: filing reports with the Council**

“Each contracting State undertakes that its international airlines shall, in accordance with requirements laid down by the Council, file with the Council traffic reports, cost statistics and financial statements showing among other things all receipts and the sources thereof”

➤ **Art. 83: Registration of new agreements**

“Subject to the provisions of the preceding Article, any contracting State may make arrangements not inconsistent with the provisions of this Convention. Any such arrangement shall be forthwith registered with the Council, which shall make it public as soon as possible.”





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State of Air Transport

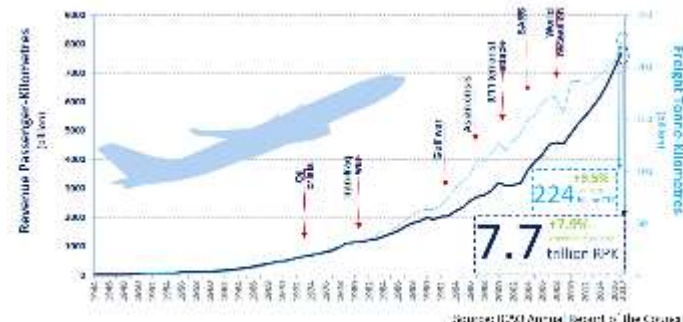


State of air transport

Before the pandemic

- Air transport doubling every 15 years
- **Annually:** 4.3bn pax, 8.3 trillion RPKs, 58M t freight
- **Daily:** 100k flights, 12 million pax, UD18bn of goods
- Forecasted to double by 2035 / annual growth of 4.3% (3.9% for cargo)

4.3 BILLION PASSENGERS carried by airlines (A 4% increase from 2017)	58 MILLION TONNES OF FREIGHT carried by airlines (2.4% increase from 2017)	38 MILLION SCHEDULED COMMERCIAL FLIGHTS flown by airlines (3.5% increase from 2017)
48,500 ROUTES WORLDWIDE (over 5,000 new routes from 2017)	54 BILLION KILOMETRES FLOWN by airlines (A 7% increase from 2017)	85 MILLION HOURS FLOWN by airlines (A 9% increase from 2017)
65.5 MILLION JOBS SUPPORTED	3.6 PER CENT OF GDP SUPPORTED	USD 2.7 TRILLION ECONOMIC IMPACT





State of air transport – (During the pandemic)

Results for 2020 & 2021:



Outlook for 2022 (as of Jan 2022):

- Reduction of 20% to 23% of seats capacity
- Reduction of 1,195 to 1,420 M pax (-27% to -32%)
- Approx. USD 190 to 220 bn loss of gross passenger operating revenues of airlines





This pandemic crisis only exacerbated issues persisting in air transport:

- Financial vulnerability against exogenous shocks
- Fragmentation of Economic regulatory framework
- Various economic liberalization approaches
- Restrictions on market access, as well as on air carrier ownership and control
- Proliferation of taxes and charges
- Insufficient funding and financing for aviation infrastructure modernization and expansion



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**Aims and Focus Areas
of the Strategic Objective**



Economic Development of Air Transport aims for:

A sound and economically-viable civil aviation system



- improves **air connectivity** amongst States
- creates more **competitive business opportunities** in the marketplace
- increases **consumer's benefits and choices**



- ✓ generates **wealth, employment** and numerous **socio-economic benefits** through its own activities, supply chains and a wide spectrum of other economic activities, especially trade and tourism
- ✓ feeds into aviation **re-investment**
- ✓ a sustainable and healthy **cycle of aviation and economic development**



Focus areas of Strategic Objective

The Strategic Objective is supported by 3 focus areas in order to deliver tangible results

1. Lower impediments to air transport operations

2. Increase the use of aviation as a development tool

3. Improve data, analysis and forecasting

Based on the **Strategic Planning Document** presented during the 215th Council Session (C-WP/14806 and C-DEC215/4 refer)



1. Lower impediments to air transport operations

Activities

- Development of a coherent and harmonized global regulatory framework for international air transport.
- Enabling market and capital access of the air transport sector
- Establishment of good regulatory practices and governance

Challenges

- Regulatory barriers & constraints
- Fragmentation of regulatory framework - overly complex bilateral and regional air transport frameworks.

Risks

- Increase in fragmentation
- Hindering air connectivity improvement
- If countries move away from global practices, impeding efficiency, generating friction, increasing cost of doing business, limits consumers' choice and competition

Modernization, harmonization and convergence of States' regulatory approaches



2. Increase the use of aviation as a development tool

Activities

- Securing of, and increased accessibility to funding for aviation infrastructure and States' oversight functions, as well as efficient use of resources and technologies
- Solutions to overcome infrastructure and airspace capacity constraints and improve organizational and managerial capabilities and corporate governance
- Better cooperation amongst the aviation community and all aviation stakeholders, and smooth adaptation to the changes in civil aviation, the global business environment and the market

Challenges

- Inadequate levels of investment in the development and modernization of quality aviation infrastructure, including ASBUs
- Insufficient recognition of aviation benefits in national planning and economy

Risks

- Waste of economic resources
- Failure to maximize air transport as a tool and enabler for socio-economic development.
- Aviation Infrastructure constraints
- Unfair and disproportionate taxes, fares, charges

Recognition of aviation as an enabler for economic development



3. Improve data, analysis and forecasting

Activities

- Providing accurate, reliable and consistent aviation data for States' decision-making and accountability.
- Development and provision of tools and forecasting necessary to measure and, to the extent possible, predict the various aspects of civil aviation development.
- Development of global competitiveness index, utilization of big data and advanced data analysis, etc.

Challenges

- The ability of States to build capabilities and capacity to manage the large amount of information and use advanced analytics to reap the tremendous value through developing data-driven strategies.

Risks

- Avoidable inefficiencies and impediments, hindering business confidence and competitiveness.
- Inadequate returns on investments and inability to attract and secure adequate funding.

Leveraging data for data-driven decision-making



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Implementation of the Strategic Objective



Implementation of the Strategic Objective

Corporate Key Performance Indicators (CKPIs)

Air traffic increase

Follow the trend of ICAO projected long-term annual growth of traffic measured in RTKs

Air transport policies observance

Increase in the percentage of States following ICAO's policies

Connectivity utilization rate

Increase in the utilization rate of connectivity opportunities



ICAO POLICIES AND GUIDANCE MATERIALS SUPPORTING ECONOMIC DEVELOPMENT OF AIR TRANSPORT

- Doc 9587 - Policy Guidance on the Economic Regulation of International Air Transport
- Doc 8632 - ICAO's Policies on Taxation in the Field of International Air Transport
- Doc 9082 - ICAO's Policies on Charges for Airports and Air Navigation Services
- Doc 9626 - Manual on the Regulation of International Air Transport
- Doc 9562 - Airport Economics Manual
- Doc 9161 - Manual on Air Navigation Services Economics
- Doc 9980 - Manual on Privatization in the Provision of Airports and Air Navigation Services
- Doc 7100 - Tariffs for Airports and Air Navigation Services

Implementation of the Strategic Objective

- **Art.37 of the Chicago Convention** provides a list of areas in which ICAO can adopt Standards and Recommended Practices. **Economic matters of air transport are NOT included on the list.**
- **Economic Policies are NOT binding to Member States -> there are no means of enforcement (no Annexes like other Strategic Objectives)**
- Implementation of Economic Policies is based solely on **moral suasion**, political will and **voluntary** reporting.



Implementation of the Strategic Objective

- Economic development of Air Transport **does NOT have efficient means of implementation / monitoring / auditing** like other Strategic Objectives to demonstrate adherence.
- Currently, surveys, feedback analyses, data collection and analysis are tools being used.
- Lack of benchmarking may lead to inadequate fulfillment of obligations under the Strategic Objective.



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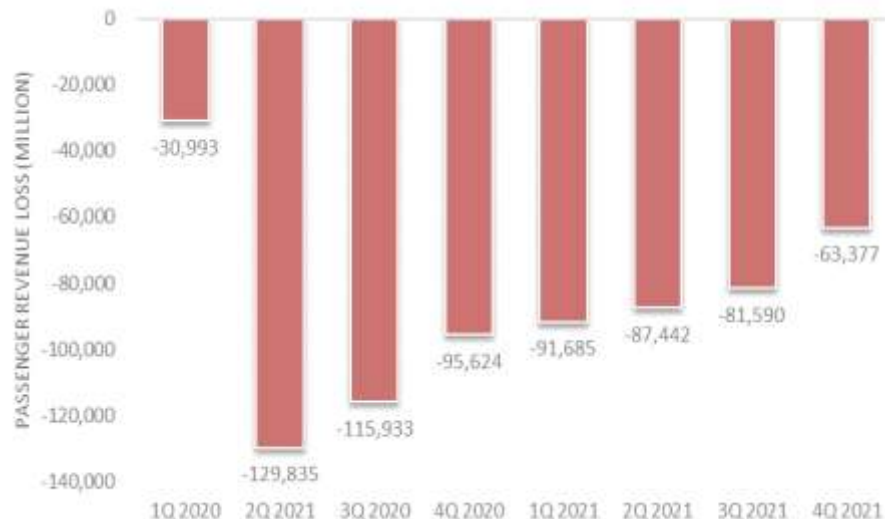
Importance of ICAO's leadership during and beyond COVID-19



Impacts of the COVID-19 pandemic on the industry:

- ❑ Depressed air travel demand in short and medium-terms.
- ❑ Lower traffic growth over the long term.
- ❑ Prolonged financial distress on all stakeholders.
- ❑ Higher cost of operations.
- ❑ Heightened risk on future industry economic viability.

Airline passenger revenue loss during the COVID-19 pandemic

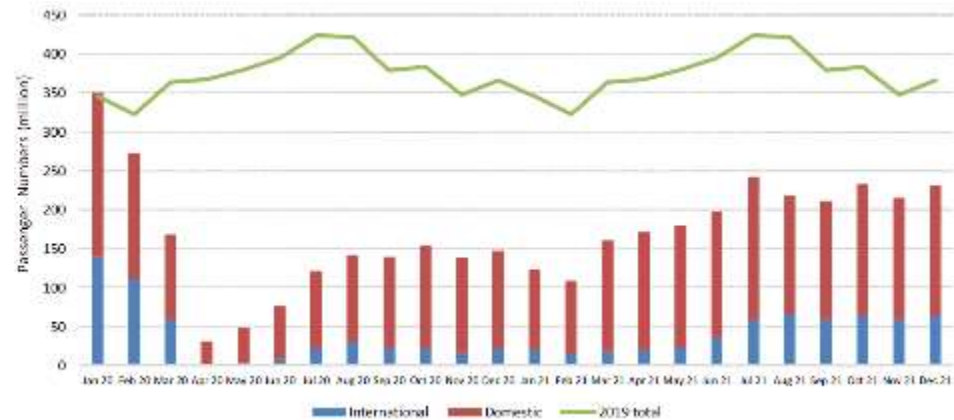




Impacts of the COVID-19 pandemic on the industry:

- ❑ Increased airlines failure and bankruptcy.
- ❑ Greater difficulties in securing financing for aviation infrastructure development.
- ❑ Reduced air connectivity.
- ❑ Increased travel costs to passengers (fares, COVID-19 testing requirements, etc.).

Slow recovery of passenger traffic amid the pandemic



ICAO's efforts on COVID-19 industry recovery:

Despite all these, actions taken by ICAO Council since the start of the pandemic to support the economic recovery and development of air transport have been **minimal**:

❖ **The ICAO Council Aviation Recovery Task Force (CART) issued:**

- 3 CART Reports
- 20 CART Recommendations
- 4 editions of the Take-Off Guidance document
- 3 editions of the ICAO Manual on Testing and Cross-border Risk Management Measures

ICAO's efforts on COVID-19 industry recovery

❖ The ICAO Council Aviation Recovery Task Force (CART) issued:

- **Only 1 recommendation refers to economic measures (Recommendation 10 of CART 1 Report)**
- Not included in the Take-Off Guidance Document or the Manual
- No reference to pressing issues for industry recovery: consumer protection, industry financial support, safeguard against market distortions, airline operating costs, etc.

Compared to other Strategic Objectives, these activities have been grossly inadequate

WHAT NEEDS TO BE DONE

OBLIGATION TO ENHANCE THE IMPLEMENTATION OF ECONOMIC DEVELOPMENT OF AIR TRANSPORT

- As aviation recovers from the impact of COVID-19 and builds resilience
- The Strategic Objective's core mission has been extremely important even before COVID and at least the same (if not bigger) challenges/benefits will continue beyond the pandemic

WHAT NEEDS TO BE DONE

Full recovery from COVID-19 requires adequate actions on the following:

1. Modernizing **global regulatory framework for economic development**
2. Consistent, fair and harmonized **protection** for returning **passengers**
3. More flexible approach to **ownership & control** to allow for wider funding/financing opportunities for airlines
4. Reinforced competition safeguards to **avoid market distortions**
5. Including aviation in **national planning strategies** to secure adequate funding
6. Remove regulatory impediments to **market access** to support airlines in re-building their network

ICAO's enhanced leadership in these areas, among others, is crucial



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Conclusion and suggested way forward





- ❑ Analyze and assess the **gaps in the implementation** of the Strategic Objective Economic Development of Air Transport
- ❑ Identify **solutions and/or venues** to address these gaps and to enhance the implementation
- ❑ Develop a clear **framework/action plan** for ICAO to move forward on this issue



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THANK YOU