



## DIRECTORS GENERAL OF CIVIL AVIATION-MIDDLE EAST REGION

### Fourth Meeting (DGCA-MID/4) (Muscat, Oman, 17-19 October 2017)

#### Agenda Item 9: Air Transport

#### ICAO'S WORK FOR ECONOMIC DEVELOPMENT OF AIR TRANSPORT

(Presented by the Secretariat)

#### SUMMARY

This paper reports on ICAO's priority work under the Strategic Objective – *Economic Development of Air Transport*, which aims at fostering the development of an economically viable civil aviation system and enhancing its economic efficiency and transparency.

The paper provides information on the state of air transport in the Middle East region, highlights the progress made in the follow-up work to the Sixth Worldwide Air Transport Conference (ATConf/6) related to air transport policy and regulation, as well as infrastructure management and funding/financing. It also summarizes ICAO's work related to the aviation data and analyses, which focuses on big data, business analysis tools and air traffic forecasts.

Action by the meeting is at paragraph 4.1.

## 1. INTRODUCTION

1.1 Economic Development of Air Transport is one of the five Strategic Objectives established by ICAO. As described in The ICAO Business Plan for 2017-2019, the ultimate goals of this Strategic Objective are to remove impediments to economic sustainability of air transport and to elevate the priority given to aviation in financing. States can utilize aviation as an effective developmental tool by centralizing the national/regional development framework and international financing for development, resulting in: a) improving air connectivity; b) creating more competitive business opportunities; c) increasing consumer benefits and choices; and, at the same time, d) reducing financial burden and costs in performing its regulatory oversight functions. The delivery of results with respect to this Strategic Objective will contribute to the growth and efficiency of the air transport sector, to the global economy and to the expansion of trade and tourism.

## 2. STATE OF AIR TRANSPORT IN THE MIDDLE EAST REGION (MID)

2.1 The Middle East has been the fastest growing region for passenger and cargo traffic since 2011 and airlines in the region have posted double-digit passenger traffic growth every year since 2012. The region now ranks third in international passenger traffic, overtaking North America since 2012.

2.2 Air carriers of States in the Middle East (MID) region (15 States accredited to the ICAO MID Office) represented 10 per cent of the world passenger traffic measured in revenue passenger-kilometres (RPKs), and recorded an annual +11.2 per cent growth in 2016, the highest among all regions. Airlines in the region carried 211 million passengers in 2016 (+9.1 per cent, compared with 2015).

2.3 International traffic of air carriers in the MID region represented 96 per cent of the airlines' total RPK and recorded a +11.9 per cent annual growth in 2016. Domestic traffic in the MID region, however, slightly declined by -1.6 per cent in RPK in 2016.

2.4 Middle Eastern airlines expanded their capacity in seat-kilometers available (ASK) by +13.2 per cent in 2016, an increase of 1.0 percentage point from 2015's growth (+12.2 per cent). The capacity in ASK increased by +13.5 per cent for international air services and by +4.7 per cent for domestic services.

2.5 The passenger load factor declined from 75.8 per cent in 2015 to 74.5 per cent in 2016. The passenger load factor achieved 74.4 per cent for international services and 77.4 per cent for domestic services.

2.6 Cargo traffic performed by carriers of MID accounted for 14 per cent of the world freight traffic measured in freight tonne-kilometres (FTKs), and recorded an annual growth of +7.2 per cent in 2016, slightly down from the +7.4 per cent growth in 2015. Most of the air freight traffic performed by MID carriers is international.

2.7 International Revenue tonnes-kilometres (RTK) performed by airlines in the MID region represented 11 per cent of the world total RTK, and grew +9.7 per cent in 2016.

2.8 Aviation is not only a major engine of economic growth for States, but it is also a significant driver in increasing its tourism and trade. More than half of international tourism and nearly a third of global trade in terms of value occur due to connectivity offered by air transport. In 2014, air transport supported 2.4 million jobs and USD 157.2 billion in GDP in the Middle East.

### 3. DISCUSSION

#### 3.1 Air Transport Policy and Regulation

3.1.1 The main achievements generated by ICAO in the follow-up work to the Sixth Worldwide Air Transport Conference (ATConf/6, 18-22 March 2013) are highlighted below. Many of the tasks were undertaken with the assistance of the Air Transport Regulation Panel (ATRP), some of which are still ongoing.

3.1.2 **ICAO's long-term vision for air transport liberalization.** The Council adopted the long-term vision in June 2015, which has been disseminated to Member States (State letter 2015/54), as an inspirational guide for the pursuit of their liberalization goals. States are encouraged to consider and apply this long-term vision in their policy making and regulatory practices.

3.1.3 **Consumer protection.** A set of core principles on consumer protection was endorsed by the Council in June 2015 (State letter 2015/60). These core principles aim at providing high-level guidance to States and concerned stakeholders to ensure that air passengers are duly protected in the three phases of their travel. States and concerned stakeholders are encouraged to provide feedback to ICAO of their experiences in applying the guidance.

3.1.4 **Market access, air cargo and air carrier ownership and control.** The Air Transport Regulation Panel (ATRP), at its fourteenth meeting held in July 2017, agreed to continue its work in developing a multilateral agreement for liberalization of market access, including holding a working group meeting in early 2018 to address the issue of safeguards or reassurances provisions for such an agreement. The Panel also agreed to develop a specific protocol to facilitate further liberalization of air cargo services (up to Seventh Freedom of the Air) and a standalone multilateral convention on foreign investment in airlines. The next ATRP meeting is planned to be held in May 2018.

3.1.5 **Fair competition.** The focus of ICAO's work is towards the development of tools to enhance the transparency of States' competition rules, and to foster cooperation, dialogue and regulatory compatibility. In this respect, the Secretariat has developed a compendium of competition policies and practices in force, nationally or regionally, which is available at: <http://www.icao.int/sustainability/compendium/Pages/default.aspx>. An exchange forum on competition issues was also provided for the aviation community through various meetings, including the third ICAO Air Transport Symposium (IATS, March 2016, Montréal). The summary report of IATS is available at <http://www.icao.int/Meetings/iats2016/Pages/default.aspx>.

3.1.6 **ICAN facility.** The Ninth ICAO Air Services Negotiation Event (ICAN2016) was held in Nassau, Bahamas, from 5 to 9 December 2016. The event was attended by delegates from 67 States/territories; and 430 formal and informal bilateral meetings were conducted, which led to the signing or initialling of some 400 agreements (including many open skies agreements), and arrangements (such as Memoranda of Understanding, Records of Meeting or Agreed Minutes). By the end of 2016, a total of 141 States (representing 74 per cent of ICAO members) have utilized this facility at least once. This year, ICAN2017 will take place in Colombo, Sri Lanka, from 4 to 8 December 2017, and will be hosted by the Civil Aviation Authority of Sri Lanka. Fifty-five States/Territories have confirmed their participation as of 22 August 2017.

### 3.2 **Infrastructure Management**

3.2.1 The rapid growth of air traffic will place increased pressure on existing aviation infrastructure. Without an appropriate and timely level of investment and the collaboration of multiple States to modernize and expand aviation infrastructure, the use of aviation as an economic development driver will be severely constrained. ICAO has therefore been working with Member States on the funding and financing of development of aviation infrastructure, especially through the ICAO World Aviation Forum (IWAF), a platform that brings together States' policy makers, development partners, and investment and financial institutions.

3.2.2 ICAO also continued its work in developing and updating its policies in the area of airport and air navigation services economics, and financing and management, through the Airport Economics Panel (AEP) and the Air Navigation Services Economics Panel (ANSEP). The two panels held their Sixth Joint Meeting (AEP-ANSEP/6) from 23 to 25 May 2017. The meeting's outcomes include: developing guidance on cost-benefit analysis, business case studies and economic impact analysis; updating of ICAO's policies and guidance on airport economics and management; monitoring developments and serving as an information-sharing platform for use of unmanned aircraft systems; and developing guidance to address issues related to non-economically viable airports.

### 3.3 **Aviation Data and Analysis**

3.3.1 The ICAO Statistics Programme has been modernized as part of the Enterprise Data Management (EDM) initiative, which aims to harmonize different sources of data at the organizational level, using standard reference tables and taxonomies by creating a holistic repository of cross functional data.

3.3.2 At the same time, ICAO has established a joint venture, at a specific project level, in partnership with United Nations (UN) agencies, international organizations and academia, rather than conducting the project on its own. For example, a joint project with the Universal Postal Union (UPU), the UN Conference on Trade and Development (UNCTAD) and the International Transport Forum (ITF) at the Organization for Economic Co-operation and Development (OECD) was initiated to evaluate linkages of e-commerce, liner shipping and air cargo, and identification of regulatory and other constraints that contribute to a low share of air cargo in the rapidly growing e-commerce market.

3.3.3 **Big data.** In recent years, data sets are becoming increasingly large and complex, making them unmanageable for traditional data processing applications. For example, aircraft movements data captured in real time using an Automatic Dependent Surveillance – Broadcast (ADS-B) System or global traffic flows data coming from Market Intelligence Data Transfer (MIDT) cannot be processed under the existing applications. ICAO is a member of the UN Statistical Commission global working group, which is tasked to establish standards on the technical and policy aspects of big data.

3.3.4 **Business analysis tools.** Since mid-2014, various business analysis tools have been developed to analyze and visualize ICAO data thereby assisting in the decision-making process (<https://www4.icao.int/etools/>). The following are examples of the tools: air service agreement maps, aeronautical treaty maps, traffic and financial trends, air traffic mapping, and an airports and air navigation services tariffs evaluation. The latest available business tool measures the expected economic benefits of implementing safety-related Standards and Recommended Practices (SARPs). Progress has also been made regarding the use of modern analytical and forecasting tools to reduce time and improve the efficiencies of the analytical process.

3.3.5 **ICAO single set of long-term traffic forecasts.** The multi-disciplinary group, including States, international organizations and the Committee on Aviation Environmental Protection (CAEP) working groups, developed the new forecasting models and methodologies. The estimated results indicate that global passenger traffic will grow at +4.6 per cent annually to 2032. Fourteen route groups outpace the global growth, including all route groups

involving Central Southwest Asia. The fastest growing route group is Domestic Central Southwest Asia, which is estimated to grow at around +10 per cent annually. Global freight traffic is expected to grow at +4.4 per cent annually over the same time period as passenger forecasts. The Middle East has the highest forecast of annual growth outpacing the global estimate by about +2.8 percentage points. The growth rate of Asia/Pacific Region (APAC) is close to the global estimate, at +4.7 per cent.

3.3.6 **Aviation satellite account.** ICAO is currently preparing the draft methodological framework document on the Aviation Satellite Account (ASA) to measure the size of aviation-related direct gross domestic product (GDP). The first draft was discussed at the ICAO Aviation Data and Analysis Panel (ADAP) held in March 2017. Under the guidance of the UN Statistics Division, the Expert Review Group will be established with representatives from the National Statistics Office (NSO) and Member States and observers of ADAP to review the methodological framework document by the end of 2017 to see if it conforms to the System of National Accounts (SNA) principles, and any deviation from SNA principles will be accepted due to peculiarities of the aviation sector.

3.3.7 **Airport reporting form.** ICAO, along with Airports Council International (ACI), collects airport traffic data, starting from January 2016, by replacing the ICAO Air Transport Reporting Form I, and is developing an online analytical tool for airport charges contained in *Tariffs for Airports and Air Navigation Services* (Doc 7100).

3.3.8 **Global Indicator for UN Sustainable Development Goals (SDGs).** In order to measure the progress of the SDGs, the 47th Session of the UN Statistical Commission held in March 2016 endorsed the initial global indicator framework submitted for approval by the UN General Assembly. ICAO supports the agreed global indicator of SDG Target 9.1<sup>1</sup> – *passenger and freight volumes by mode of transport* – by serving as the custodial agency responsible for collecting air traffic data and sharing the information with the UN.

#### 3.4 Air Transport Fund

3.4.1 The Air Transport Fund, established in 2014 by ICAO (State letter 2014/32 refers), serves as a mechanism for the collection and use of voluntary contributions from States and other donors to support ICAO activities in the air transport field (<http://www.icao.int/sustainability/Pages/TRAF.aspx>).

3.4.2 Previously developed projects likely to be undertaken by ICAO under the voluntary contributions of the Air Transport Fund include the “Air Transport Eliminating Poverty: ICAO’s Essential Services and Connectivity Improvement (ESCI) Scheme”; “iPLAN: Planning for Travel Disruptions”; “Business Aviation: A Productive Booster”; “Air Freight Indices”; and “Targeting Cargo Theft and Delay”.

3.4.3 Several new projects have been added to the list, which may be supported by the Fund, such as “The Air Transport Gender Equality Initiative”. This project would include the establishment of air transport gender indicators through the collection of workforce statistics, as provided on a voluntary basis by States. Also, the Air Transport Fund can support the provision of technical assistance activities as part of ICAO’s *No Country Left Behind* (NCLB) initiative.

#### 4. ACTION BY THE MEETING:

4.1 The meeting is invited to:

- a) support ICAO’s work for Economic Development of Air Transport;
- b) encourage States to apply and follow ICAO’s policies and guidance in the air transport field in their regulatory practices;
- c) coordinate with ICAO in meeting States’ needs of data, analysis and tools to promote air transport development in the region; and
- d) contribute to the ICAO Air Transport Fund for the implementation of various air transport projects.

- END -

<sup>1</sup> SDG Target 9.1 refers to “Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.”