



International Civil Aviation Organization

MIDANPIRG/17 and RASG-MID/7 Meeting

(Cairo, Egypt, 15 – 18 April 2019)

Agenda Item 3: Regional Developments in Aviation

**DEVELOPMENT OF AN ECONOMICALLY VIABLE AVIATION SYSTEM
IN THE MID REGION**

(Presented by the Secretariat)

SUMMARY

This paper presents the MID Region Aviation Statistics and Forecasts to support regional air navigation planning and implementation processes. It also presents the outcomes of the ICAO Aviation Data and Analysis Seminars and the ACAO/IATA/ICAO Airports and Air Navigation Charges Workshop.

Action by the meeting is at paragraph 7.

REFERENCES

- ICAO State of Air Transport 2017
- ICAO Doc 9082
- Preliminary 2018

1. INTRODUCTION

1.1 The development of forecasts for major traffic flows from, to and within the MID Region is necessary to support regional air navigation planning and implementation processes.

2. GLOBAL STATE OF AIR TRANSPORT IN 2017-2018 (SCHEDULED SERVICES)

2.1 The Total number of passengers carried on scheduled services rose to 4.1 billions in 2017 with an increase of 7.2% compared to 2016 and the total number of departures reached 36.7 million in 2017, with an increase of 3.1% compared to 2016.

2.2 Passenger traffic, expressed in terms of total scheduled Revenue Passenger-Kilometers performed (RPKs), posted an increase of 7.9 per cent, with approximately 7 699 billion RPKs performed in 2017.

2.3 The preliminary figures for 2018 released by ICAO showed that a total of 4.3 billion passengers were carried by air transport on scheduled services in 2018. This indicates a 6.1 per cent increase over 2017. The number of departures rose to approximately 38 million globally, and world passenger traffic, expressed in terms of total scheduled revenue passenger-kilometres (RPKs), grew

solidly at 6.7 per cent and reached approximately 8.2 trillion RPKs performed. This growth is a slowdown from the 7.9 per cent achieved in 2017.

2.4 Average jet fuel prices increased by approximately 31 per cent in 2018 compared to 2017 but remained notably lower than the prices observed for the ten years prior to 2015. The low fuel cost coupled with solid increase in traffic helped the airlines to maintain relatively high record of profitable level in 2018 albeit slightly lower than 2017. The airline industry is expected to end 2018 with another record operating profit of around USD 57 billion and an operating margin of 7.0 percent (operating revenues of USD 814 billion).

2.5 Air traffic growth remained solid in 2018, underpinned by the global economic conditions throughout the year. Despite recent softening, world real gross domestic product (GDP) growth is projected to be at 3.1 percent in 2018 before slowing gradually over the next two years, according to the World Bank estimates. The operating profit for the industry is expected to increase to around USD 56 billion in 2018 due to the combined effects of improving economic growth, continuing traffic growth, and better capacity utilisation that is expected to offset the increase in jet fuel prices in 2018.

2.6 According to the latest ICAO long-term air traffic forecasts, the 4.1 billion airline passengers carried in 2017 are expected to grow to about 10.0 billion by 2040, and the number of departures is projected to rise to some 90 million in 2040.

3. MID REGION STATE OF AIR TRANSPORT IN 2017 (SCHEDULED SERVICES)

3.1 The Middle East has been the fastest growing region for passenger and cargo traffic since 2011, and airlines in the MID region have posted double-digit passenger traffic growth every year since 2012 except for 2017. Traffic is mainly international and the region now ranks third in international passenger traffic, overtaking North America in 2012. The Load factors remain lower than the world average and airlines also have lower costs than the average.

Passenger traffic performed - Revenue Passenger-Kilometers (RPK)

3.2 The Middle East Region, representing 9 per cent of the world traffic, accounted for 14 per cent of international RPKs and recorded a growth rate of 6.5 per cent in 2017, significantly lower than the double-digit growth recorded in previous years.

3.3 The 2017 growth was supported by the expansion of air carriers such as Saudi Arabian Airlines (+15.4%) and Oman Air (+19.0%). Those air carriers expanded their networks and benefited from their excellent geographical position to link different cities with only one stop in their respective hubs. Moreover, passenger traffic growth among the top 15 was more balanced in the region with one State, namely Yemen, experiencing a decrease of -45.4%. Airlines of the United Arab Emirates, Qatar and Saudi Arabia account for 74.8% of the total passenger traffic of airlines in Middle East

3.4 International traffic of air carriers in the Middle East represented 95.9% of the airlines' total RPK in 2017. Saudi Arabia and the Islamic Republic of Iran were the largest domestic markets in the Middle East with 55.2% and 40.4%, respectively, of domestic traffic in the region. Domestic traffic in the Middle East increased by +5.9% in RPK in 2017 with growth in capacity of +7.0%.

Capacity – Available Seat Kilometers (ASK)

3.5 Middle-Eastern airlines increased their capacity in ASK by +6.2% in 2017. The capacity in ASK increased by +6.1% for international air services and by +7.0% for domestic services. In absolute terms, the States that contributed the most to increased capacity were Qatar (+10.5%), Oman (+20.7%) and Kuwait (+40.1%).

Passenger load factor

3.6 The passenger load factor increased in 2017. It reached 74.5% compared to 74.3% the previous year. The passenger load factor achieved 74.5% for international services and 76.2% for domestic services.

Freight Traffic - Freight Tonne Kilometers (FTK)

3.7 Cargo traffic performed by Middle-Eastern carriers recorded an annual growth of +8.7% in 2017 in terms of FTK, compared to +7.7% in 2016. Air freight services performed by Middle-Eastern carriers are mostly international, and carriers of United Arab Emirates and Qatar, accounting for 89.3% of the traffic, recorded annual growth of +2.3% and +19.2%, respectively.

Low Cost Carriers (LCCs)

3.8 The Middle East had a lower LCC traffic share than the world average. In 2017, around 21% of the available seats within the region were offered by LCCs, -12 percentage points lower than the world average. The number of seats within the region offered by LCCs has increased from 2008 to 2017. In 2008, there were about 5.3 million seats offered by LCCs, and this increased to around 25.8 million in 2017. LCC market share in the Middle East has increased rapidly in the last ten years. The percentage of seats within the region offered by LCCs increased from only 9% in 2008 to 21% in 2017. The total increase, +12 percentage points, is faster than the world total growth of +9 percentage points. LCC penetration in the Middle East has grown rapidly in the last ten years.

Air Traffic – Nr. of Scheduled Commercial Departures

3.9 The airlines of the MID Region showed a stable growth in terms of aircraft departures. The total number of scheduled commercial departures in 2017 grew at a pace of **5.4** per cent to reach about **1.37 million departures**, compared to **1.3 million departures** in 2016 and **1.08 million departures** in 2013.

4. TRAFFIC FORECASTS

4.1 According to the ICAO Long Term Traffic Forecasts, the passenger traffic to, from and within the Middle East Region on the major route groups for the period **2015-2045** is expected to increase at an average annual rate between **3.4** and **6.5** per cent. The Middle East-Central South West Asia Route Group is expected to become the largest traffic route group to/from Middle East with an average annual growth rate of **6.5%** per annum, followed by Africa-Middle East (**4.6%**), Europe-Middle East (**4.0%**), Middle East-North Asia and Pacific South East Asia (**4.0%**) and Middle East-North America (**3.6%**).

5. ICAO AVIATION DATA AND ANALYSIS SEMINARS

5.1 An ICAO Aviation Data and Analysis Seminar was held in Tehran, Iran, 20-23 February 2017; and the ICAO EUR/MID Aviation Data and Analysis Seminar was held in the ICAO EUR/NAT Office, Paris, France, 4 – 6 April 2018. Unfortunately, the level of attendance to both Seminars was very low.

5.2 The main objective of the Seminars was to bring together all stakeholders (Regulators, Air Navigation Service Providers (ANSPs), Aerodrome Operators, Aircraft Operators, International Organizations and Industry) and foster the dialogue on the use of aviation data and analysis to facilitate data-driven decision making, including the synergies between aviation, tourism and trade. The Seminars provided also an opportunity to participants to learn about the new ICAO solutions with respect to the available aviation data and analysis to help States to optimize the social and economic benefits of air transport.

5.3 The Documentation and presentations delivered during the Seminars are available at: <https://www.icao.int/MID/Pages/2017/Aviation%20Data%20and%20Analysis%20Seminar.aspx>; and <https://www.icao.int/Meetings/aviationdataseminar/Pages/default.aspx>, respectively.

5.4 Another ICAO EUR/MID Aviation Data and Analysis Seminar is planned to be held in July 2019. The Seminar will be hosted by Turkey in Istanbul.

6. JOINT ACAO/IATA/ICAO AIRPORTS AND AIR NAVIGATION CHARGES WORKSHOP

6.1 The ACAO/IATA/ICAO Airports and Air Navigation Charges Workshop was held in Rabat, Morocco, 27-28 November 2018. The Workshop was attended by 58 participants from 12 States and 9 International Organizations. The objectives of the Workshop were to:

- promote the value of aviation and highlight the economic challenges faced by the different stakeholders in the aviation value chain;
- raise awareness about the guidance contained in the ICAO Doc 9082;
- provide a training session for the ICAO building block methodology in setting user charges;
- highlight the importance of having an effective economic regulation that protects the interests of both service providers and users;
- introduce the concept of Customer Relationship Management (CRM), share global best practices (Irish CAA) and showcase the first regional initiative (SANS Saudi Arabia). This is to introduce the need for having a continuous dialogue between airlines and service providers to discuss investments, charge revisions and performance levels;
- stress the importance of linking the charges to the level of service (value for money) for the users;
- address the identified challenges and issues from different perspectives; and
- agree on a harmonized regional approach that would balance the needs of the different stakeholders in the aviation value chain.

6.2 The followings were part of the Recommendations endorsed by the Workshop:

- ACAO, IATA and ICAO, in coordination with ACI and CANSO to identify the best regional mechanism to provide a Forum for States (airports, ANSPs including MET Service Providers, regulators) and airlines to share information and best practices and address difficulties and challenges related to airports and air navigation charges, on regular basis;
- ICAO to consider the review of the Doc 9082 to split the MET charges from the air navigation charges;
- States should ensure that airports and ANSPs consult with users and that appropriate performance management systems are in place; the first step is to promulgate economic regulations; and
- States to exercise their economic oversight responsibilities over the airport operators and ANSPs, with clear definition of roles and powers.

6.3 The Documentation and presentations delivered during the Workshop are available at: <https://www.icao.int/MID/Pages/2018/Airports%20and%20AN%20Charges%20Wrksp.ASPX.aspx>

7. ACTION BY THE MEETING

7.1 The meeting is invited to:

- a) take into consideration the MID Region Aviation Statistics and Forecasts in the regional air navigation planning and implementation processes;
- b) review the outcomes of the ICAO Aviation Data and Analysis Seminars and the Joint ACAO/IATA/ICAO Airports and Air Navigation Charges Workshop; and
- c) agree to the following Draft Conclusions:

Why	To provide additional guidance on the calculation/recovery of MET charges (share from the airports and air navigation charges)
What	New Edition of the ICAO Doc 9082
Who	ICAO
When	TBD

DRAFT PIRG-RASG-MID/XX: GUIDANCE FOR THE CALCULATION OF MET CHARGES

That, ICAO consider the review of the Doc 9082 to provide additional guidance on the calculation/recovery of MET charges, independently from the Airports and Air Navigation charges.

Why	To foster the implementation of ICAO policies on Charges for Airports and Air Navigation Services; and ensure a balance between the respective interests of airports and ANSPs on one hand and of aircraft operators and end-users on the other.
What	State Letter/feedback from States
Who	ICAO/States
When	30 June 2019

DRAFT PIRG-RASG-MID/XX: CHARGES FOR AIRPORTS AND AIR NAVIGATION SERVICES

That, in order to ensure a balance between the respective interests of airports and ANSPs on one hand and of aircraft operators and end-users on the other, States be urged to:

- a) incorporate the four key charging principles of non-discrimination, cost-relatedness, transparency and consultation with users into their national legislation, regulation or policies, as well as into their future air services agreements, in order to ensure compliance by airport operators and air navigation services providers (ANSPs);*
- b) ensure that airports operators and ANSPs develop and implement appropriate performance management systems that include, inter-alia:

 - i. definition of performance objectives; and*
 - ii. consultations with users and other interested parties to discuss investments, charge revisions and performance levels.**
- c) provide the ICAO MID Office by **30 June 2019** with an update on the National legislation, regulations and policies related to airports and air navigation charges, as well as the mechanism put in place for economic oversight over the airport operators, ANSPs and aircraft operators.*