



WORKING PAPER

ASSEMBLY — 37TH SESSION

ECONOMIC COMMISSION

Agenda Item 49: Liberalization of international air transport services

**DEVELOPMENTS IN INTERNATIONAL AIR TRANSPORT
REGULATION AND LIBERALIZATION**

(Presented by the Council of ICAO)

EXECUTIVE SUMMARY

This paper reports on major work accomplished by ICAO since the last Assembly under the economic policy programme. It also provides a brief overview of significant industry and regulatory developments. In addition, the paper identifies the challenges faced by the Organization and presents the Organization's plan of action for the next triennium in the field of air transport policy and regulation.

Action: The Assembly is invited to endorse the future activities outlined in paragraph 4, which comprise the following:

- a) cooperation and engagement by ICAO with States, the industry stakeholders and other international organizations to address issues of common interest in the air transport field;
- b) convening of a worldwide air transport conference at an appropriate time during the next triennium;
- c) provision of the ICAO Air Services Negotiation Conference (ICAN) facility to States;
- d) assistance to States in air transport regulation matters; and
- e) monitoring and informing States of significant developments in international air transport.

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| <i>Strategic Objectives:</i> | The action proposed in this working paper will further the Organization's Strategic Objective D. |
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| <i>Financial implications:</i> | The activities referred to in this paper will be undertaken subject to the resources available in the 2011–2013 Programme Budget and/or from extra budgetary contributions. |
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| <i>References:</i> | A37-WP/20, Consolidated statement of continuing ICAO's policies in the air transport field Doc 9902, <i>Assembly Resolutions in Force</i> (as of 28 September 2007) Doc 9901, <i>Report of the Economic Commission of the 36th Session of the Assembly</i> Doc 9587, <i>Policy and Guidance Material on the Economic Regulation of International Air Transport</i> |
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1. INTRODUCTION

1.1 Since the 2003 Fifth Worldwide Air Transport Conference (ATConf/5), the focus of ICAO's work has concentrated on the promotion and implementation of its policy framework and guidance, and on facilitating and assisting States in the liberalization process.

2. WORK ACCOMPLISHED BY ICAO

2.1 During the past three years, pursuant to the Organization's Strategic Objectives and Business Plan, the Secretariat accomplished the following major tasks under the economic policy programme (further details can be found in the Annual Reports of the Council and at the Assembly website, under "Documentation").

2.2 **ICAO Air Services Negotiation Conference (ICAN).** Based on the "marketplace" concept proposed at ATConf/5, the Secretariat developed and introduced to States a new innovative ICAO meeting facility, namely ICAN. This conference provides a central meeting place for States to conduct their air services negotiations. By enabling each participating State to conduct meetings with several bilateral partners at the same location, the conference facilitates and greatly improves the efficiency of the negotiation process. ICAN also provides a forum, through its seminar session, for participants to learn about current trends and related ICAO guidance, exchange experiences, and discuss topical issues in liberalization. The first two conferences were held in 2008 and 2009 while ICAN2010 will take place in Jamaica in June 2010.

2.3 **Liberalization — Global Quantitative Indicators.** In response to the request of the Assembly, the Secretariat completed a study on global quantitative indicators for evaluating the degree of liberalization. The study produced three types of indicators to track the development of liberalization in terms of country-pair routes and scheduled passenger frequencies as well as opportunities created by liberalization and their actual utilization. Two other studies are being conducted in 2010, one on the pros and cons of different venues for air transport liberalization, and the other on coherent implementation of economic and technical policies.

2.4 **Global and Regional Symposiums.** During the triennium, the Secretariat organized and conducted a number of global and regional symposiums which covered several air transport subjects, including liberalization. These include a regional symposium for African States (April 2008, Nigeria), a global symposium on regional approaches in cooperation with the European Commission (April 2008, Montréal), and the ICAO/World Bank/Routes Development Forum in October 2008 and September 2009, in Malaysia and China, respectively. These meetings were an effective means of promoting ICAO policy guidance, and provided a useful forum for States to exchange views and experiences and to discuss policy options.

2.5 **ICAO Policy and Guidance Material.** Pursuant to Assembly Resolution A36-15 (Appendix A, Section V), the Secretariat completed the revision and publication of the *Policy and Guidance Material on the Economic Regulation of International Air Transport* (Doc 9587, Third Edition-2008); upgraded the *Database of the World's Air Services Agreements* (Doc 9511) to an online product with expanded coverage (including text of the bilateral agreements) and search features; and updated the ICAO website to provide useful information and relevant ICAO guidance.

3. MAJOR DEVELOPMENTS

3.1 Highlights of some major industry and regulatory developments since the last Assembly are provided below. A more detailed report, titled Regulatory and Industry Overview, will be available on the Assembly website, under “Documentation”

3.2 **Industry developments.** The global financial crisis started in 2008 and the ensuing 2009 economic recession has had a serious impact on the air transport industry. The resulting decrease in trade, consumer spending and travel demand led to the largest loss on record for the airline industry. Although there are signs of recovery in 2010, the situation remains volatile and the industry continues to face many uncertainties.

3.3 The airline industry has responded to the crises by taking various measures, including the adjustment of business models. The past two years have seen further airline consolidation, increased alliances and cross-border equity investments, and low-cost carriers have continued to expand at the national and regional levels and beyond to some international routes.

3.4 **Regulatory trends.** Despite the crises, the trend of liberalization continued with more States embracing liberalization at the national, bilateral and regional levels. By the end of 2009, the number of bilateral “open skies” agreements reached 167, involving 102 States. Thirteen regional liberalization arrangements are in operation. The European Union (EU) continued to pursue liberal agreements with major partners, while other regional groupings have also been active in promoting intra-regional and inter-regional liberalization.

3.5 The industry and other stakeholders have become more active in the government policy-making process and in promoting liberalization. For example, the International Air Transport Association (IATA) invited 14 governments and the European Commission (EC) to an “Agenda for Freedom Summit” in October 2008 to discuss how to further liberalize market access and airline ownership and control rules. This initiative was followed by a second Summit in November 2009, in which 7 governments and the EC signed a common policy statement on liberalizing market access, pricing and ownership.

4. CHALLENGES AND FUTURE WORK

4.1 There are pressing issues that States and the industry wish ICAO to help address, such as market access, air carrier ownership and control, as well as reforming the bilateral system towards multilateralism. In order to advance its Strategic Objectives, the Organization plans to carry out its work in the economic policy area in the manner presented below, subject to resources available in the 2011-2013 Programme Budget and/or from extra budgetary contributions.

4.2 The Organization will engage and cooperate with Member States, the industry, interested organizations and other stakeholders in advancing its objectives on sustainable development of air transport and multilateralism in commercial rights, and will continue to foster collaboration with other international organizations to address issues of common interest in the air transport field.

4.3 As ICAO has an important role to play in the sustainable development of international air transport, the Council could consider the convening of a worldwide air transport conference, subject to availability of funds, at an appropriate time during the next triennium to assess the situation, discuss issues of global importance and recommend ways and means to address the challenges facing the international aviation community in the new decade.

4.4 The Organization will continue to provide the ICAN facility to States and improve its associated services (e.g. seminar, training on negotiation skills). It will also explore more practical and effective ways to provide support and assistance to Member States, particularly developing countries who are most in need of help in a liberalizing environment. These activities will be conducted on a cost recovery basis through workshops and seminars and other types of training.

4.5 The Organization will continue to monitor, study, address, and keep States informed of significant developments, particularly with respect to emerging issues of major concern (such as impact of environment-related economic measures applied to air transport, oil prices, airline consolidation, consumer protection).

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