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ASSEMBLY — 37TH SESSION

ECONOMIC COMMISSION

Agenda Item 49: Liberalization of international air transport services

LIBERALIZATION OF AIR SERVICES

(Presented by South Africa)

EXECUTIVE SUMMARY

This paper highlights the progress made in relation to the liberalization of air services. This paper furthermore urges the African governments who are signatory to the Abuja treaty to effectively implement the African policy on Liberalization “Yamoussoukro Decision” in order to enhance the intra-African trade and tourism. The paper further encourages the African States to strengthen the Regional Economic Commissions in order to establish the single aviation market and to stimulate economic growth within the African States. This paper urges African governments to liberalize air services through regional cooperation while encouraging States to take the lead in the development of aviation industry.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective D — Efficiency — Enhance the efficiency of aviation operations.
<i>Financial implications:</i>	Not applicable.
<i>References:</i>	

1. INTRODUCTION

1.1 The liberalization of air services has gathered global momentum. Regional and international air transport is moving away from the traditional regulation of air services through Bilateral Air Service Agreements (BASA's).

1.2 In recent years, there have been attempts to increase liberalization through the relaxation of specifications such as traffic frequency, capacity and aircraft types/sizes to be used between the designated destinations so as to allow for improvement in service provision, for example air traffic frequencies.

1.3 Furthermore, under the African Yamoussoukro Declaration and Decision, Member States signatory to the Abuja Treaty are required to liberalize air transport almost immediately, to allow African carriers unrestricted access to air transport markets within Africa, thereby enhancing connectivity to promote Intra-African trade and tourism opportunities.

1.4 As regards regulatory bodies to manage this situation, the former civil aviation departments of Government are being transformed to autonomous or semi-autonomous civil aviation authorities, ostensibly with more capacity and effectiveness to ensure enforcement and fair competition, in the new emerging more liberal environment.

2. INTER-CONTINENTAL LIBERALIZATION

2.1 The position in the Inter-Continental market is much the same as the Intra-Africa market, with emphasis being placed on selected Hub Airports and Countries. Capacity and frequency is gradually being relaxed, but not to the extent that we have on "Intra-Africa Open Skies" scenario.

2.2 It is prudent that the African states through the Regional Economic Communities should implement the Yamoussoukro Decision before focusing on other Intercontinental initiatives. In addition, the AU guidelines for the implementation of the Yamoussoukro Agreements should be enforced.

2.3 The global trend is that, regions are establishing single aviation markets within their domestic markets to maintain their competitiveness within the global aviation industry.

3. INTRA-AFRICAN LIBERALIZATION

3.1 The intra-Africa market has not developed at the same rate, despite the signing into international law of the Yamoussoukro Decision by Africa's Heads of State in July 2000. The Yamoussoukro Decision is intended to be Africa's "Open Skies Policy", with unrestricted traffic rights between City Pairs to and from countries within Africa.

3.2 As of today, most of the governments of Africa have not yet implemented the Yamoussoukro Decision, although on a small scale some like-minded States apply the principles of Yamoussoukro, but not on a continental wide basis. Implementation of the Yamoussoukro Decision

would have been the biggest single development in African aviation history, and apart from the benefits to the airlines and passengers, it would have made a significant contribution to the national economies of African States.

3.3 The linking of City Pairs within Africa either from the perspective that the City Pairs are not currently operated, or they are operated with limited capacity as a consequence of Bilateral Air Service Agreements, would have eliminated the necessity to access cities from the South of the Continent to the North of the Continent via European points, if only the rights to operate and determine capacity was left to the airlines' own discretion.

3.4 It is common knowledge that because of capacity and bilateral constraints, certain parts of Africa, either on a North/South or East/West axis, can only be accessed via Europe. This makes no business or economic sense, and the peoples and economies of Africa suffer as a consequence, and opportunities for improved aviation, including profitability and development of Intra – African Trade and tourism, cannot be effectively responded to.

3.5 By comparison, the European Union implemented an Open Skies Policy in the mid-nineties, and within a period of five years the number of City Pairs operated doubled; passengers carried doubled; air fares were reduced; the number of airlines increased and the profitability of the airlines improved significantly. There has to be a message in this for African aviation, and the sooner we understand the consequences of lost opportunities the better.

3.6 In certain Regional Economic Communities little progress has been recorded in terms of liberalizing certain critical elements of the Bilateral Air Services Agreements entered into with Member States of the Abuja Treaty. Some states still maintain the seat-capacity regimes, single, dual and triple designation of operators on specific routes, severely limited capacity and restrictive commercial arrangements between operators. As a interim measure, South Africa has embarked on the review of bilateral air services arrangements in line with YD principles.

3.7 There has been considerable resistance by African airlines, and in particular government-owned airlines, to the process of liberalization, both in the domestic market, the intra-Africa market, and the Inter-Continental market. A number of countries have deregulated their domestic markets, and any airline that meets the required safety standards is free to operate any domestic City Pair of its choice. South Africa is one of these countries, and through liberalization, open competition and withdrawal of barriers to entry, the number of routes operated, coupled with reduced air fares, has seen the domestic market develop cumulatively at double-digit rates.

3.8 The Low Cost Carriers have been key in the development of the domestic market and have been the drivers of growth, which is likely to continue in the future. It is also the industry view that once an Open Skies Policy within Africa is introduced, it will be the African Low Cost Carriers that will open up Africa from an aviation and tourism perspective.

4. SOUTH AFRICA'S POSITION ON LIBERALIZATION

4.1 It is South Africa's position that Africa needs to consolidate its own market and industry in order to remain relevant. The individual African members states need to support the Regional Economic Communities' initiatives.

4.2 South Africa, has since July 2006, adopted a five-year Airlift Strategy which sets out to enhance the air transport sector's contribution to sustainable growth and development. The implementation of the Airlift Strategy supports the government's aim to increase the volume of international air traffic capacity to and from South Africa as well as creation of capacity ahead of demand.

4.3 In particular, the strategy recognizes the adoption and Implementation of the key principles of Yamoussoukro Decision (YD) continentally and the regulation of the International markets through the Bilateral Air Services systems with managed liberalization.

4.4 South Africa has to date implemented the YD with those States that are ready and willing to adopt these principles on bilateral basis pending the multilateral implementation with all institutional mechanism required to regulate the industry having been established continentally under the auspices of the African Civil Aviation Commission.

4.5 One of the critical aspects of competition - and this is particularly relevant in the deregulated South African domestic market - is the almost unrestrained increase in airline capacity. It seems to be an accepted trend in the South African domestic market that when a route shows growth potential it becomes saturated with capacity in a short space of time. The inevitable consequence is that airlines, in their quest for greater market share, reduce air fares to the benefit of consumers.

5. CONCLUSION

5.1 South Africa hereby states that it:

- a) fully supports the common African position on liberalization;
- b) supports the principle of an open market in the African region for African operators, in which the consumer of such services would receive services of high quality and reliability;
- c) encourages the African States to consolidate their Aviation Market and Industry in order to enhance their competitiveness; and
- d) urges African States to strengthen the Regional Economic Commissions in the drive to implement the YD.

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