

**WORLDWIDE AIR TRANSPORT CONFERENCE: CHALLENGES AND
OPPORTUNITIES OF LIBERALIZATION**

Montreal, 24 to 29 March 2003

**Agenda Item 4: Consideration of global framework for ongoing liberalization
4.1: Mechanisms to facilitate further liberalization**

**LIBERALIZATION WITH A HUMAN FACE: THE AVIATION
DIMENSION**

(Presented by the World Tourism Organization)

SUMMARY

In the context of a global politico-economic framework which is highlighting poverty alleviation, developing state inclusion and triple bottom line sustainability, tourism is emerging as a catalyst for development amongst the worlds poorest countries. Good, low cost air services and essential aviation infrastructure are a key component of sustainable tourism markets. But in a globalizing, liberalizing aviation marketplace the worlds poorest countries are a typical “market failure”. This paper suggests that the international community recognize this reality and builds effective support mechanisms into development strategies.

1. The World Tourism Organization (WTO) is committed to the development of the Tourism Sector within the evolving global marketplace and the development system of the United Nations and the Bretton Woods Institutions. At the core of our strategies are:

- a) the **United Nations (UN) Millennium Development Goals** designed to halve poverty by 2015;
- b) the **New Global Framework** emerging from the Doha, Monterrey and Johannesburg Summits placing *sustainable development, the interests of developing states and poverty alleviation* as primary policy and implementation objectives; and

- c) our own **Global Code of Tourism Ethics**, recognized by the UN General Assembly as a vital guidance for public and private sector action in all aspects of tourism operation.

2. We believe furthermore that tourism – business and leisure, domestic and international – has become one of the most important development sectors of the international economy and the global community. It generates directly and indirectly a higher quantity of Gross Domestic Product (GDP), jobs and investment than most other economic activities. This is particularly the case in developing and emerging countries where tourism is the principle service sector activity and a particularly effective catalyst for gender equality, employment for young people, rural regeneration, cultural preservation and nature conservation. Properly managed, with sustainability and inclusion at the core, **tourism can become the world development industry – particularly for the poorest countries.**

3. WTO has established a program of “Liberalization with a Human Face” designed to promote the wise growth of the sector, with developing states, sustainability and poverty as key components and with specific programmes to implement the concept.¹ Progressive air transport liberalization is an important component of this program.

4. Air transport is a core element in a substantial number of domestic and international tourism markets. **And it is fundamental to all intercontinental tourism which includes most of the traffic flows between the industrialized and developing countries.**

5. Historically air transport to and from the world’s poorest countries has been characterized by the following aspects:

- a) high costs and low service/frequency levels;
- b) inadequate infrastructure for market development and safety;
- c) unsuccessful, heavily subsidized nationalized airlines;
- d) ineffective competition in service, in quality and market performance; and
- e) lack of human resource capacity.

6. Over the past half century, outstanding work has been undertaken by International Civil Aviation Organization (ICAO), International Air Transport Association (IATA), Airports Council International (ACI) as well as regional airline and airport organizations to support, airline, airport, network, infrastructure and human capacity building in developing countries. Much has been achieved and there are important examples of success stories and champions across all areas of air transport plant and infrastructure activity.

6.1 BUT the stark reality is that despite decades of declarations and good intentions in general air transport to and from Least Developed Countries (LDC) markets is high cost, high priced, with poor service levels, inadequate infrastructure and only a prospect of subsidy or foreign carrier domination – or both.

¹ See “ST-EP” – WTO/OMT with UNCTAD: **Liberalization White Paper** for WTO/OMT: **Countdown 2012** implementing para 43 (and related) of the WSSD Declaration. www.world-tourism.org/liberalization

6.2 It is difficult to visualize sustainable tourism growth in these markets with this kind of service delivery pattern.

7. In so concluding, we note that this paper does not specifically address the wide range of issues relating to the impact of expanded air transport operations and the environment. We acknowledge that these must be taken fully into account in any evolving policy framework. We see this matter in the following context:

- a) the Johannesburg World Summit on Sustainable Development (WSSD) implementation program and our related “Countdown 2012” program to promote maximum sustainability in the Tourism sector for the next Earth Summit. Aviation is an important component;
- b) our broad support for the leadership work of ICAO in this area, as well as studies evolving within United Nations Environment Programme (UNEP) to explore specific impact reduction programs; and
- c) our firm belief that air transport services to and from developing states are such a small portion of the overall travel market, that any reduction programs can more appropriately be made in industrialized markets where there are already high service levels and where it will be possible to offset any foreseeable service increase in developing markets in the next decade. New services to and from emerging markets should however meet the environmental benchmarks proposed from time to time by ICAO and other specialized bodies and within appropriate laws and regulations.

8. Against this background WTO would favour any practical measures to increase the air transport service levels and decrease the price levels in developing state markets – including national, bilateral, regional, regional lateral or multilateral policies and programs. We recognize that many such actions are in train and support initiatives within ICAO, the World Trade Organization, IATA, or other institution, separately and collectively, to advance such measures. Specifically we endorse proposals to liberalize national ownership and control restrictions.

9. We believe, however, that even such constructive policy change will not be sufficient to redress the *aviation market failure* in the world’s poorest countries – and with it the *tourism market failure*. We suggest the entire Tourism & Aviation community should mobilize efforts to respond to this situation and we propose the following general direction of approach:

- a) to acknowledge the aviation and tourism market failures in respect of the world’s poorest countries and to recognize the adverse impact of this on the potential for tourism the world’s development catalyst to function in those areas where it is most potentially potent and most needed;
- b) to recognize that in industrialised countries and regions where the market economy is in operation there have been specific programs to strengthen distressed market failure regions and most particularly to strengthen market failure aviation areas. In the latter context the United States Essential Air Services System and the parallel EU approach have been based on the provision of substantial central funds to be made available for supplemental payment to airlines willing to operate under special licences to such

regions.² This is to reflect the reality that such market failure routes nevertheless need to be operated for national and regional interest reasons;

- c) to recognize further that such an approach could have relevance in the provision of increased air services between developed and developing state markets under carefully specified conditions which encouraged a long term sustainable tourism system as well as a sustainable air service operating regime;
- d) it is to be emphasized that this framework envisages provisions of funds to increase services and not to support airlines. Indeed one of the conditions of such a system would be that it conforms to evolving norms on national ownership and control. It can be further envisaged that a possible consequence to be explored would be the mutual benefit of strengthening the economic viability of routes served by airlines based in developing and developed states – while specifically benefiting the world’s poorest countries through sustainable tourism growth;
- e) to support the establishment of a multitask holder group to analyse the situation described herein and to prepare a position paper and recommendations for aviation, tourism, trade and development policymakers at national, regional and international levels; and
- f) to invite the ICAO Council to keep this matter under review and report back each year on progress.

10. WTO seeks to be a founding partner in such an initiative and extends an invitation to ICAO to consider its merits and to determine how to advance it appropriately .

— END —

² In fact many countries have individually applied such concepts to national routes – what is relevant here is that US and EU markets are prime examples of industrialised nation response to market failure in a globalizing, liberalizing environment.