

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

**Montreal, 24 to 29 March 2003**

**Agenda Item 2: Examination of key regulatory issues in liberalization**  
**2.2: Market access**

**LIBERALIZING AIR CARGO SERVICES**

(Presented by the United States of America)

**SUMMARY**

Many air services agreements in force today fall short of open-skies, and therefore lack the commercial and operational flexibility necessary to allow air cargo carriers to meet user demand as efficiently, economically, and expeditiously as possible. The rights granted in the U.S. model open-skies and similar agreements provide that flexibility, and furnish the basis upon which the air cargo industry can best flourish. While preferring full open-skies agreements, the United States believes that the pursuit of air cargo liberalization separately from passenger liberalization is appropriate where it does not inhibit liberalization of the passenger sector.

In addition to the negotiation of market access, States should consider the effect on the air cargo industry of regulatory restrictions that fall outside air services agreements. The imposition of restrictions such as night curfews and their effect on air cargo carriers is of particular concern. States should not impose operating restrictions, including those on night flights, as a first resort, but should implement the balanced approach to noise management contained in ICAO Assembly Resolution A33-7.

Action by the Conference is in paragraph 4.1.

## 1. INTRODUCTION

1.1 The growing significance of air cargo to the global economy is widely recognized. Increasingly recognized, too, are the distinct features of air cargo transportation when compared to passenger transport. Many of these distinct features are not sufficiently addressed when cargo is included as an adjunct to the exchange of market access rights typically found in less than fully liberal passenger services agreements. While the United States believes that open-skies liberalization of both passenger and cargo is the best approach, the United States has supported the pursuit of air cargo liberalization separately from passenger liberalization in appropriate instances.

## 2. THE PARTICULAR CASE OF AIR CARGO

2.1 Several distinct features of air cargo need to be taken into account when considering the exchange of air cargo service rights:

- a) Cargo traffic generally moves one way, while passengers generally travel round trip, and traffic volumes in one direction rarely match those in the other. Triangular operations, hubbing, and frequent route adjustments are therefore necessary to conduct commercially viable cargo operations. To address these needs, open-skies agreements should include open route structures, equivalent scheduled and charter rights, and 1st through 7th Freedoms for all-cargo services.
- b) Cargo can be consolidated at hubs for more efficient shipping, stored temporarily, and routed as most commercially efficient. For this reason, 5th and 7th Freedoms, full change-of-gauge rights, co-terminalization, combination of flight numbers on a single aircraft operation, no restrictions on type or capacity of aircraft, and route flexibility are critical to the cargo carriers' ability to respond quickly to market requirements and to include points where stand-alone cargo volume would not support service.
- c) Whereas passengers get themselves to and from the airport, cargo requires handling from point of packing to point of delivery. It is thus important for air cargo service providers to have effective ground handling and intermodal rights to enable them to supply the seamless service that users of cargo services require.

2.2 In an increasingly globalized environment, most agreements that fall short of the open-skies level of liberalization lack the commercial and operational flexibility necessary to allow air cargo carriers to meet user demand as efficiently, economically, and expeditiously as possible. Such agreements can limit the ability of air carriers to respond to market developments and to exploit the regional and global market potential that would otherwise be available. This is particularly true for transport of high-value and time-sensitive freight. Open-skies commitments are a clear way of providing the needed flexibility.

2.3 The model open-skies agreement used by the United States addresses all of the special concerns of air cargo carriers. The essential provisions of open-skies agreements (see ATConf/5-WP/50, paragraph 2.3) apply equally to cargo and passenger carriers. In addition to those rights, the United States seeks to include 7th Freedoms for all-cargo services in all of its open-skies agreements. Our experience has shown that this collection of rights provides the basis upon which the air cargo industry can best flourish.

2.4 The United States prefers to enter into full open-skies agreements with its partners, as greater economic benefits accrue to those States that open both the passenger and cargo sectors. We have, however, urged States that for whatever reason are not yet prepared to fully liberalize the passenger sector to consider cargo-only open skies, provided that so doing would not inhibit liberalization of the passenger sector. Our experience shows that liberalizing cargo may build confidence and provide an important step towards full liberalization.

### **3. OPERATIONAL RESTRICTIONS**

3.1 In addition to the negotiation of market access, States should consider the effect on the air cargo industry of regulatory restrictions that fall outside air service agreements. Operational restrictions placed on aircraft to address environmental concerns can unnecessarily impact the market, if no regard for the effect on operators or consideration of other more cost-effective measures is given. The imposition of restrictions such as night curfews and their effect on air cargo carriers is of particular concern. Far more than is the case with passenger aircraft, air cargo carriers must have the flexibility to operate aircraft in off-business hours, particularly in slot-constrained airports. This is particularly true of the air service providers whose customers demand expedited shipping, including late pick-up and early delivery. Many cargo carriers typically pick up packages in the evening, then move them to a centralized hub where they can be sorted and delivered by mid-morning the next business day. Restrictions on night operations not only undermine these carriers' efficiency and competitiveness, but also diminish regional commercial activity and the economic welfare of local residents and communities.

3.2 The United States recognizes that air cargo transport can continue to grow, and its benefit to the economy increase, only if it is conducted in a safe and environmentally responsible manner. However, States should not impose operating restrictions, including those on sensitive nighttime operations, as a first resort. ICAO Assembly Resolution A33-7, unanimously adopted in October 2001, provides ICAO Member States with an internationally agreed upon approach to address noise problems in an environmentally responsive and economically responsible way. Further, ICAO Member States agreed that operating restrictions should be considered only after all available measures for addressing noise and capacity problems have been considered, and the costs and benefits of the various measures have been evaluated in consultation with all stakeholders. The goal is to address noise problems in the most cost-effective way. We urge ICAO Member States to implement the balanced approach to noise management contained in Resolution A33-7. Such an approach is the only way to meet the environmental concerns of communities, while at the same time preserving the economic benefits of air cargo service operations.

### **4. ACTION BY THE CONFERENCE**

4.1 The Conference is invited to consider the views expressed above, and to conclude that:

- a) the distinctive features of air cargo need to be taken into account when discussing the liberalization of air service rights;
- b) open-skies agreements provide the best basis for the air cargo industry to flourish; and
- c) States should consider implementing cargo-only open skies agreements, provided so doing would not inhibit liberalization of the passenger sector.

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