

## 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

#### AIR CARGO LIBERALIZATION

(Presented by Airports Council International (ACI))

##### SUMMARY

The air cargo market should be liberalized. This will encourage the optimal use of airport and airspace capacity and bring about related economic and social benefits.

Action by the Conference is in paragraph 4.1.

## 1. INTRODUCTION

1.1 The global economy is increasingly dependent on a sophisticated logistics chain involving the timely transcontinental movement of components of high value goods by air during different stages in the manufacturing process, as well as ultimate delivery of the final product, often direct to the door of the customer. Each step in the logistics chain is time-sensitive. Reliable, seamless air transport and rapid and efficient transfer of the product at each stop is crucial in today's competitive economy. An estimated 40 per cent of all world trade, over USD 2 500 billion in value terms, moves by air. ACI believes that figure could rise considerably, to the benefit of the world economy, if the current regulatory environment for cargo were progressively liberalized to allow market forces to drive air transport.

1.2 ATConf/5-WP/10 thoroughly describes the current operation of the market for air cargo services, the distortions of market forces inherent in linking passenger and cargo traffic rights and the important distinctions between passenger and cargo operations. It also provides a cogent and convincing argument for liberalizing all-cargo international services where they have not already been liberalized. This paper will focus on the impact of liberalized cargo services on airport operators.

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<sup>1</sup> French and Spanish versions provided by Airports Council International

## 2. **DISCUSSION**

2.1 ACI's most recent cargo forecasts predict a 4.4 per cent average annual increase in volume through 2020. These forecasts were compiled from a sample of 300 airports, many of which are capacity constrained. In a more liberalized international cargo environment, currently under-utilized secondary airports could accommodate higher growth rates of all-cargo traffic, and overall growth rates could be even higher.

2.2 Cargo traffic is very sensitive to tariff variations in other modes of transport, particularly rail, road and sea. While a high proportion of total international freight in terms of value moves by air, some of this could be diverted to other modes, particularly rail and trucking, if air transport becomes less competitive for certain products, for example due to the rising cost of fuel or costly new security measures. Liberalization of cargo traffic rights could reduce "modal diversion" by opening up new, more direct services between secondary airports and bypassing costly transfers from hubs to secondary airports, thus helping to keep air transport competitive.

2.3 Airport operators are increasingly appreciative of air cargo, both as an efficient means of maximizing scarce capacity resources and of diversifying income streams.

## 3. **CONCLUSIONS**

3.1 Liberalization of air cargo market access would give a major impetus to economic growth by permitting market forces to determine flows of cargo in the interdependent global marketplace. Most importantly, cargo liberalization would open up new opportunities for secondary airports, relieve pressure on capacity-constrained hubs, lead to a more efficient use of scarce airport capacity in general, and provide a stimulus for world trade and job creation.

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

4.1 The Conference is invited to urge ICAO Contracting States to liberalize all-cargo traffic rights in a fair and equitable manner.

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