



WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

Montréal, 18 to 22 March 2013

Agenda Item 2: Examination of key issues and related regulatory framework

Agenda Item 2.1 : Market access

LIBERALIZATION OF MARKET ACCESS

(Presented by Turkey)

REVISION NO. 1

EXECUTIVE SUMMARY

This working paper highlights the experience and views of Turkey regarding liberalization of market access and suggests that the conference reflect on them with a view to making further progress in liberalization of market access at global level.

Action: The Conference is invited to agree to the recommendations presented in paragraph 3.

References: ATConf/6 reference material is available at www.icao.int/meetings/atconf6.

1. BACKGROUND INFORMATION AND WHY LIBERALIZE

1.1 Civil aviation is one of the business models that require a global approach as it extends beyond national borders. Safety, security and environmental aspects of civil aviation are common concerns and endeavours of all nations. ICAO has 191 Member States with varying level of economic development and civil aviation infrastructure. Many of them are yet to have a strong civil aviation industry which is of strategic importance for their economic development. Civil aviation industry today has many components, including air transport (airlines), Maintenance Repair Organizations (MRO), training facilities such as Flight Training Organizations (FTO), airports, terminals, ground support divisions, catering and cargo facilities. However, human element is always at the core of every civil aviation activity.

1.2 While the level of implementation of rules set by ICAO for safety, security and operations increases globally every year, restrictive national regulations on commercial issues in aviation sector still prevail over liberal approaches. Many countries are yet to liberalize their sectors as their airlines and related aviation facilities are still state-owned.

1.3 Liberalization of market access offers many benefits to air transport as it generates business opportunities for the industry and creates competition for the supply of goods and services – potentially delivering jobs and growth and ultimately resulting in cost and quality benefits for consumers. With this understanding, as a Member of ICAO and ECAC, and having a customs unions with and being an acceding country to the European Union, Turkey encourages ICAO to promote on-going liberalization of international air transport and favours a step-by-step approach to this end.

1.4 Turkey has a good experience in utilizing a Step-By-Step Liberalization Approach (SBSLA) over the last decade. There had only been one state-owned air carrier in Turkey for many years which was the only option for passengers with overpriced services. However, within the last decade, the market and the sector were restructured and reorganized. As a first step, the internal market was opened to competition for all domestic airlines. The second step was the privatization of the state-owned air carrier. As a third step, international flights were opened to competition for all domestic carriers. With the fourth step, additional traffic rights were granted to international carriers and more liberal ASAs were adopted. The on-going final step is the regional /multi-regional liberalization which is expected to be achieved through a case-by-case approach with the consent of all stakeholders. All these steps were accompanied by the adoption of new national regulations and infrastructure investments realized mostly through a model of BOT (Build, Operate and Transfer). The outcome has been very rewarding. The number of passenger tripled, the air fares went down, more and more businesses were created. While taking all these steps, Turkey has also been promoting regional cooperation and assisting states to develop their civil aviation capacity through training, seminars and conferences.

2. TURKEY'S PERSPECTIVE

2.1 Turkey believes in the advantage of gradual liberalization of market access. While supporting the ECAC/EU working papers pertaining to “Basic Principles of Fair Competition”, “Performance of Air Navigation Services”, “EU and ECAC Industry Regulatory Developments”, “Slot Allocation”, and “Basic Principles of Consumer Protection”, Turkey has a slightly different perspective on: “ Air Carrier Ownership and Control” and “ Liberalization of Market Access”. In particular the Liberalization of Market Access is considered to be one of the most complicated issues as it relates to fair competition, slot allocation, consumer protection and other similar concepts.

2.2 Although the liberalization of market access contributes to creating strong air carriers and making them more sustainable, it may also lead to creating monopolies and thus weakening the small carriers' position in the market. Moreover, liberalization of market access may not necessarily help the sustainability of States' civil aviation industries, which is considered to be more crucial. Markets dominated by strong carriers may not be willing to provide services for the less profitable routes and thus may ignore public service requirements.

2.3 In this framework, Turkey believes that principal ownership and control (O&C) of the air carriers should be kept in the agreements regarding market access with the possibility of waiving and/or relieving it gradually on a case-by-case-basis with the consent of all stakeholders.

2.4 Turkey favours that the following points should be taken into consideration during the liberalization of market access process for the benefit of all stakeholders:

- a) liberalization of market access should be considered together with more liberal access of aviation personnel to employment opportunities worldwide;

- b) Reaffirming the important role of the continuous development and sustainability of global aviation, the developed markets should acknowledge the needs of the developing markets through transferring technical knowledge and promoting investments in air transport sectors of developing States;
- c) it is important to support the development of technical, training, maintenance and infrastructure capabilities of developing states in the civil aviation field without harming their national development; and
- d) sustainable air transport is only possible if it is globally and fairly distributed all over the world.

3. **RECOMMENDATIONS**

3.1 The Conference is invited to request ICAO to:

- a) consider a Step-By-Step Liberalization Approach in order to provide a smooth and balanced functioning of market access for all stakeholders;
- b) develop principles of gradual liberalization of market access;
- c) consider taking necessary steps and measures to prevent air carrier monopolies;
- d) continue to develop practices for sustainable air transport while considering sustainable and globally distributed civil aviation capacity all over the world;
- e) encourage developed countries to acknowledge the needs of the other markets which are still under development; and
- f) evaluate liberalization and access to market issues in a comprehensive framework including investment requirements to developing markets and easy access at global level to aviation job market for aviation professionals.

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