

Liberalisation of Air Transportation

A Global perspective

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1. Trend of liberalisation in aviation sector
2. New roles of airport
3. Impact of digitalisation
4. Safeguard
5. Way forward



1. Trend of liberalisation in aviation sector





Andrew Card

1992-1993,
US Secretary of Transportation

Open Skies !



Restructuring of aviation market

- M & A
- Partnership
- Growth of LCC



Economic benefits of liberalisation

- Competition and new business models in formerly protected, distorted markets
- Consolidation and hub & spoke re-organisation
- Lower fares, higher efficiency
 - Growth in traffic
 - Growth in user benefits / consumer welfare



Today's Five Major Themes in Transport

Economic



Social



Environmental

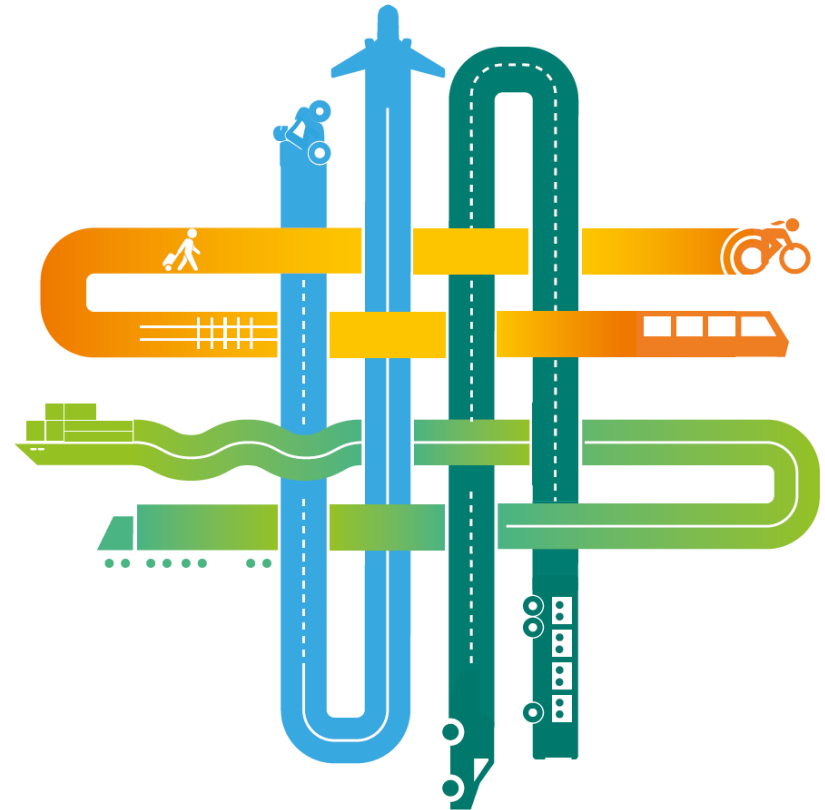
Mutually Non-Exclusive !



TRANSPORT CONNECTIVITY

for Regional Integration

22-24 May 2019 | Leipzig, Germany



Airlines partnerships

- Airlines want to work with other airlines to share air networks, flight frequency, operational facilities and staff, even cost and revenue



Joint Venture : Delta – Korean Air

- History
 - March 2017 : Signed Joint Venture MOU
 - November 2017 : Approved by U.S. authorities (DOT)
 - March 2018 : Approved by Korean authorities (MOLIT)
 - May 2018 : Launched Joint Venture
- Two airlines can connect 80 destinations in Asia and 290 destinations in Americas with JV agreement
- Two new direct flight routes are launched between Incheon and Minneapolis, Incheon and Boston in April 2019





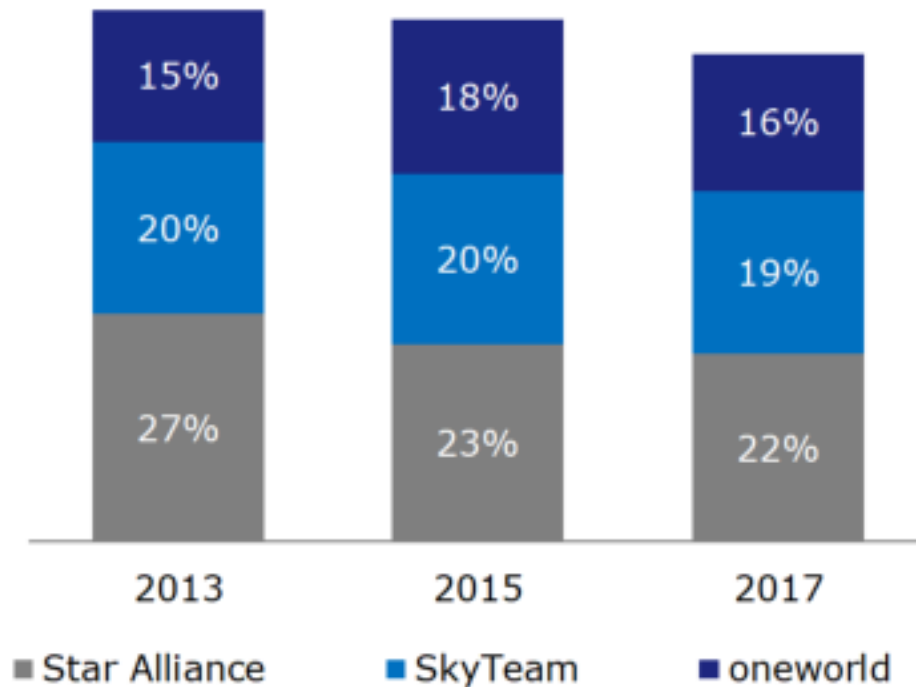
However,
most growth
over recent years
has been due to
LCC expansion !



Alliances hold most of the market share, but their importance is...

Alliance market share

Total scheduled traffic (revenue passenger km)



Since 1997
27 full members



Since 2000
19 full members



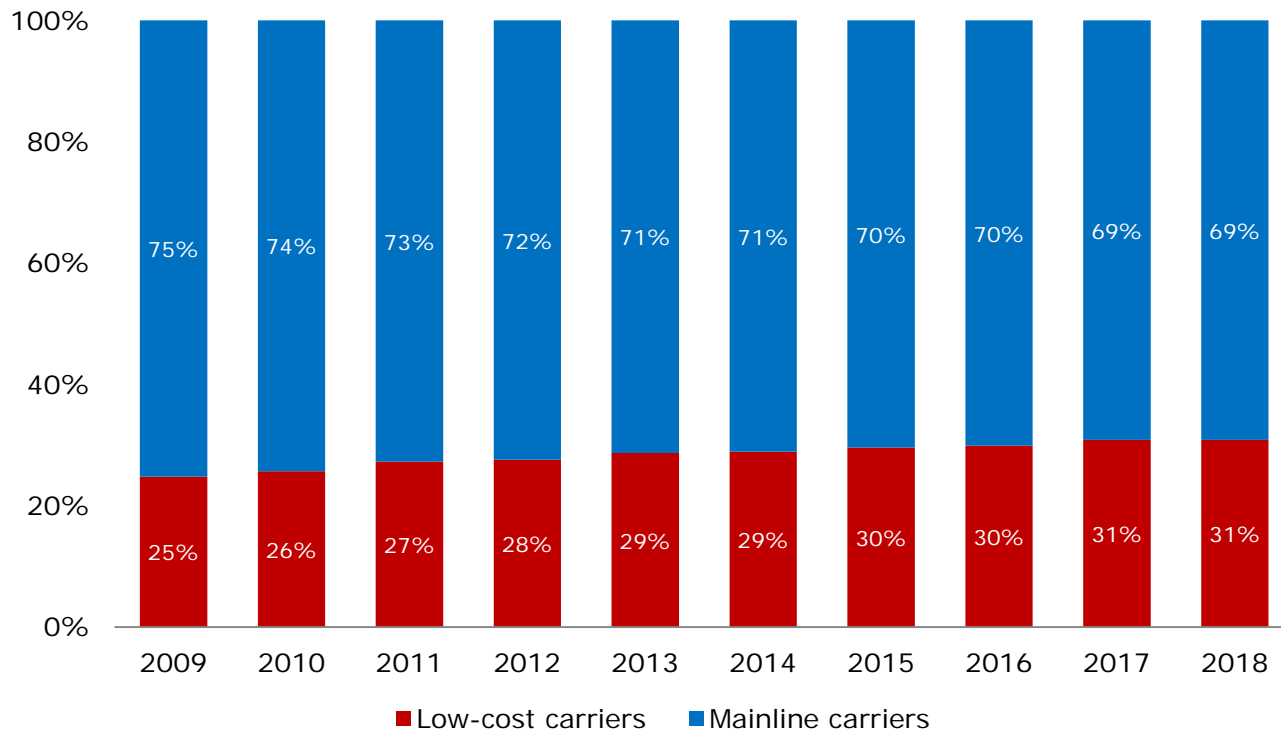
Since 1999
13 full members

Source: IATA



American low-cost market (2008-2018)

Annual market share of seats

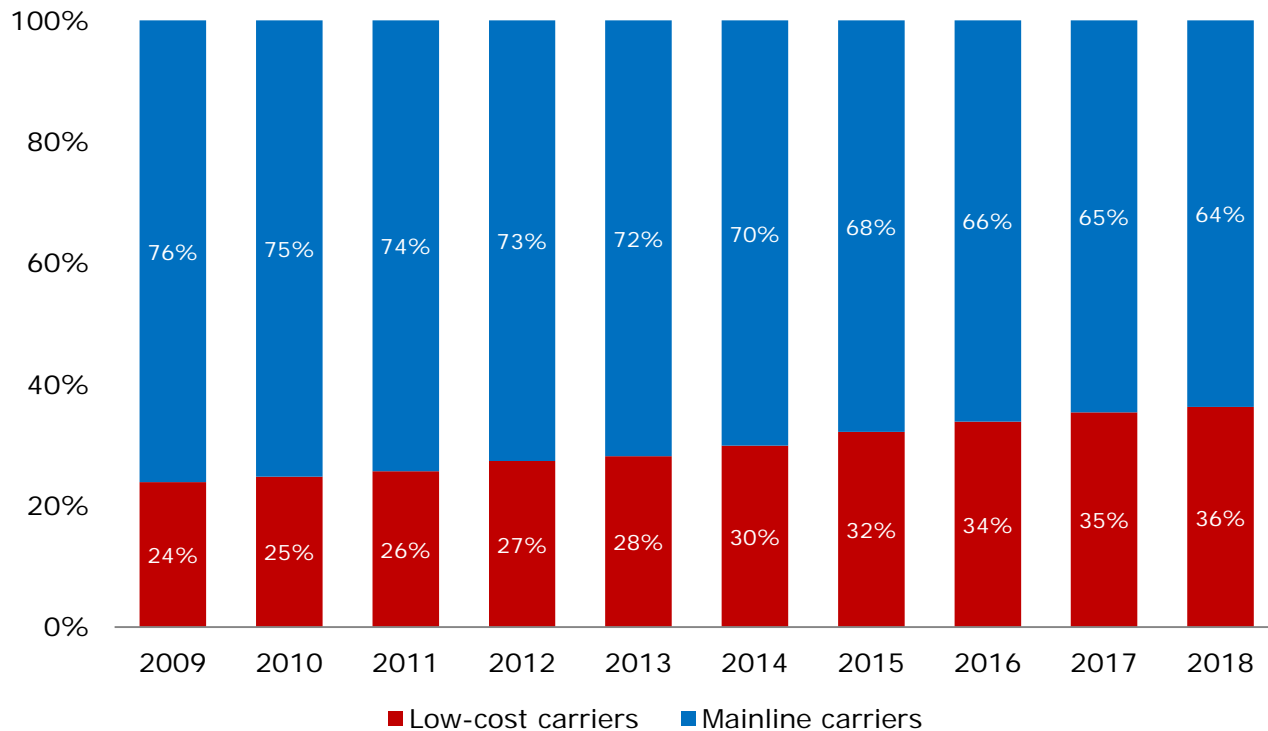


Source: OAG Schedules Analyser data



European low-cost market (2009-2018)

Annual market share of seats

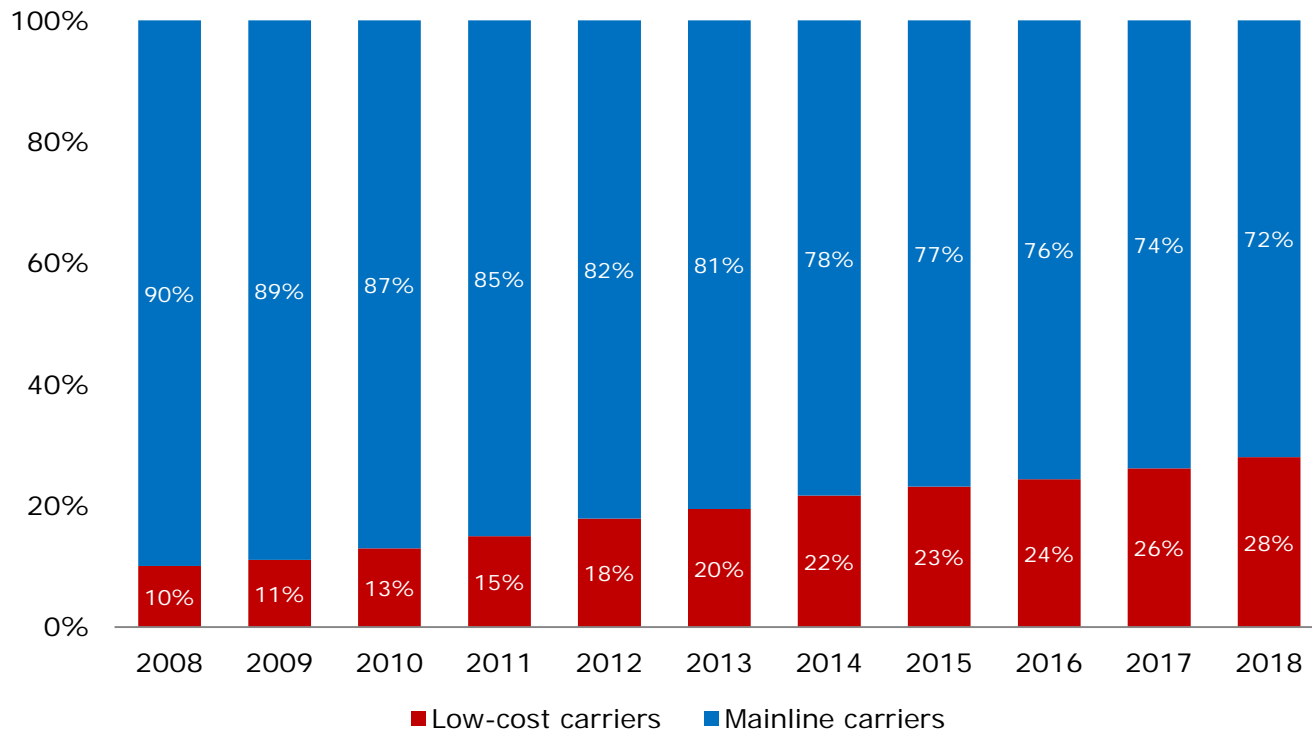


Source: OAG Schedules Analyser data



Asian low-cost market (2008-2018)

Annual market share of seats



Source: OAG Schedules Analyser data

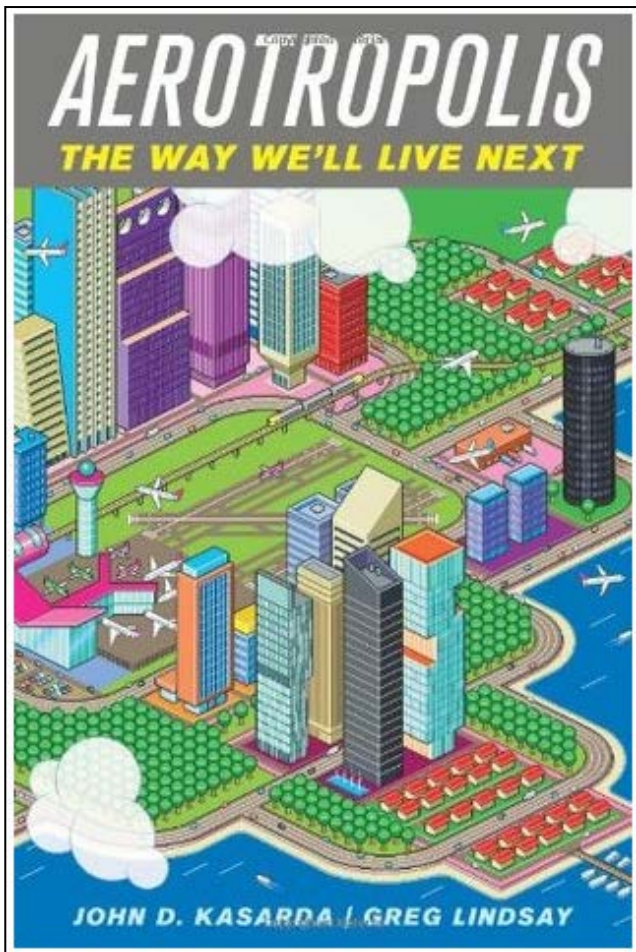


| Legacy carriers | Low-cost carriers |
|--|---|
| Hub-and-spoke networks | Point-2-point connections on the thickest or previously unserved routes |
| A range of different aircraft (from 737 to A380) | Small, efficient aircraft (737, A320) |
| Based at hub airports, often close to large agglomerations | Based at primary or secondary airports |
| Branding, extensive route network, loyalty programmes | Affordability, availability at secondary airports |
| Short-haul and long-haul | Predominantly short-haul |
| Business and leisure | Predominantly leisure |

2. New roles of airport



AEROTROPOLIS = Airport of the future



- A combination of giant airport, planned city, shipping facility, and business hub
- The aerotropolis approach to urban living is now reshaping life of metropolitan areas
- For example, Amsterdam Schiphol is currently working on creating a sustainable multimodal transportation hub that would further integrate air, rail, and road connections

New airport projects, however, are often delayed and very expensive

Major expansion planned for Dublin Airport

DAA to invest €900m in piers and stands, with another €320m earmarked for new runway

Fri, Sep 7, 2018, 04:50

Heathrow's third runway expansion faces yet more legal obstacles

A High Court challenge to the expansion begins today (11 March 2018) and climate change are cited as reasons for delay.

Who will pay for Heathrow airport's £14bn third runway?

Fears mount that taxpayers and passengers will be landed with big chunk of bill

Costs of finishing Berlin's disaster airport to swell to over €7 billion

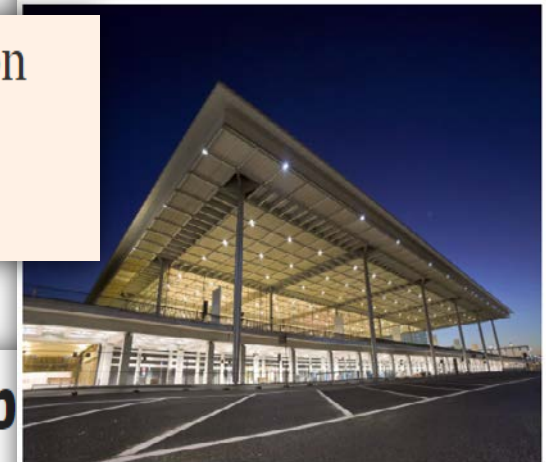


Photo: DPA

The state company behind Berlin's long-delayed international airport needs a further €770 million in order to finish the job, broadcaster RBB reported on Friday.

Denver Airport Renovation Project Faces Possible Delay

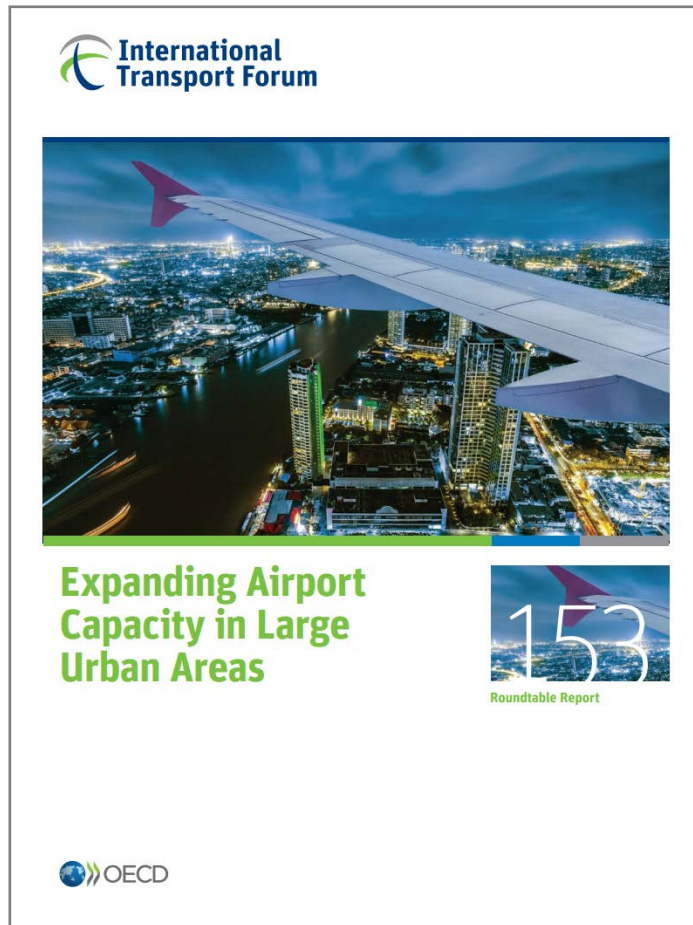
By ASSOCIATED PRESS • FEB 19, 2019

Perth Airport unveils \$2.5b expansion plan

Iqaluit's new \$300M airport

Challenges are local and national

- Local communities don't want to suffer from more noise, increased congestion on the roads, and busier busses, trams, metro lines
- The space to expand is often limited
- Planning and improving road/rail links to the airport is often complex
- National climate change and other environmental considerations may also pose a challenge
- ITF helps its countries overcome these challenges and create frameworks to improve decision making on airport expansion and build consensus among stakeholders



New airport projects

Istanbul new airport (up to 150 M. pax)



Beijing Daxing (up to 200 M. pax)



CPK – New Hub, Poland (up to 100 M. pax)



Western Sydney Airport (up to 82 M. pax)





China

- As of 2018, 234 civil airports
- Civil Aviation Administration of China (CAAC): “216 new airports by 2035”.
- Beijing’s new airport to open this year (USD 12 bn)
- USD 6 bn expansion project of Urumqi Airport in Xinjiang

India

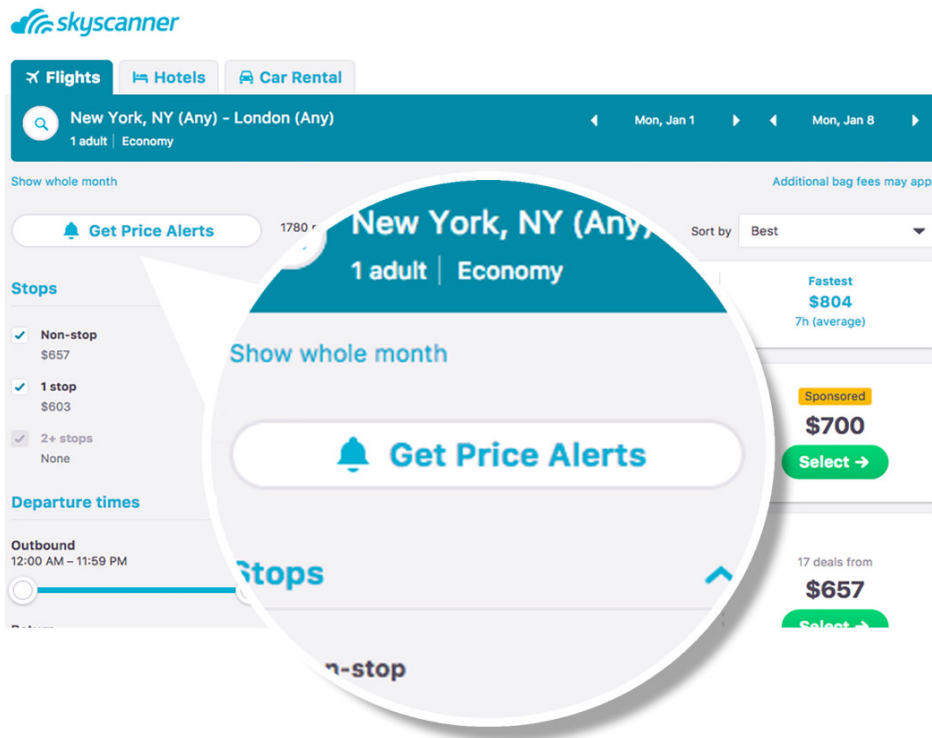
- 101 airports operational in India of which 7 added in last four years
- 18 new airports to be developed under the Regional Air Connectivity Scheme
- New Jewar airport Delhi to open in 2022 (USD 3.1 bn)
- New Navi Mumbai airport to open in 2021 (USD 2.4 bn)



3. Impact of digitalisation



Prices are changing in real time

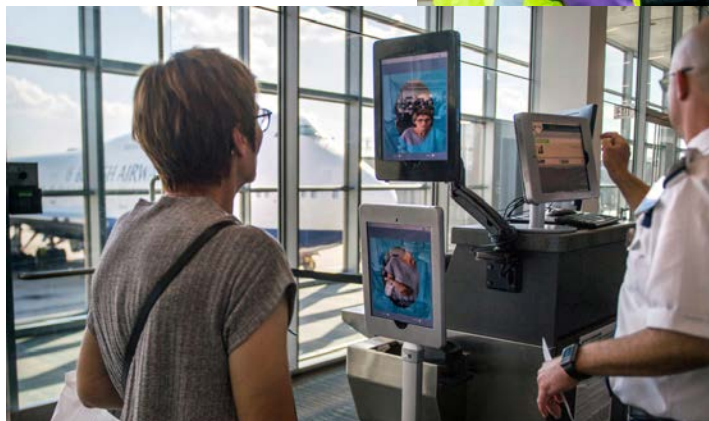


Airports embrace technology to improve connectivity on the ground and in the air



Passenger Tracking Apps for Staff

Airport Accessibility Apps for Passengers



Biometrics use is becoming widespread



Estimated 34% of airports are planning blockchain R&D programmes by 2021

But technology can also create new challenges for airports and policy makers

Flights diverted after Gatwick Airport 'drone sighting'

🕒 28 April 2019



Gatwick drone shutdown



Biometric screening at airports is spreading fast, but some fear the face-scanning systems

The same technology that promises greater convenience for airline passengers raises privacy concerns.



Human-machine interface

Boeing 737 MAX 8



MAXIMUM SEATS: **210** ENGINE: **LEAP-1B** from **CFM INTERNATIONAL**

BOEING 737 MAX 8 CRASHES

October 29, 2018: LION AIR FLIGHT 610
189 people killed

IN-OPERATION: Aug 15, 2018–October 29, 2018

March 10, 2019: Ethiopian Airlines flight 302
157 people killed

IN-OPERATION: June 30, 2018 - March 10, 2019



Source: Boeing, Al Jazeera | March 10, 2019



ALJAZEERA



Threat

connectivity



4. Safeguard



Safeguards

- ▶ States may consider safeguards 1) to have its own air carrier, 2) to secure assurance of service 3) to provide essential air service, 4) to achieve a fair competitive market and 5) unilateral regulation imposed by another state
- ▶ ICAO encourages States to use the relevant ICAO guidance on safeguard measures in their regulatory practice
- ▶ ICAO continues to monitor development with respect to safeguard and keep related guidance current and responsive to change




5. *Way forward*



Factors driving global aviation trends

- Regulation (international, national, local)
- New aircraft technology
- Behaviour of aviation users

Global aviation sector: 2 parallel trends

- Consolidation, partnership & network integration (legacy carriers)
 - Budget travel, mostly offered by new entrants (low-cost carriers = LCCs)
- 

Outlook for liberalisation

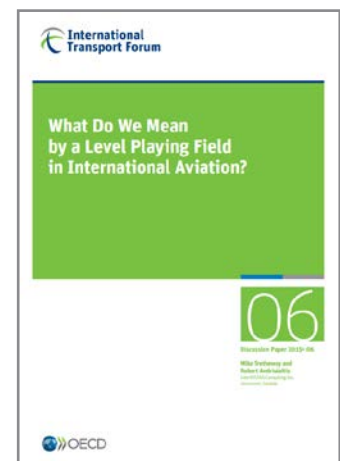
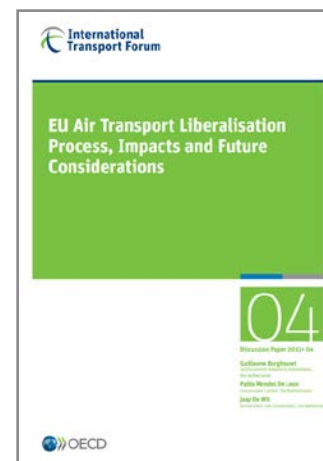
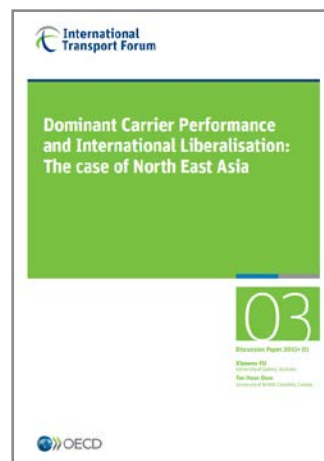
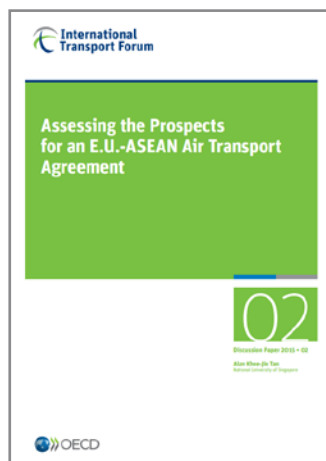
Impossible to predict the future, but some conclusions seem possible:

- Airport and air traffic congestion can limit growth potential in mature markets
- Demand for international and domestic air travel will continue to grow, forcing markets to open
- Centre of gravity of aviation moving East, this may bring strain to carriers in mature markets

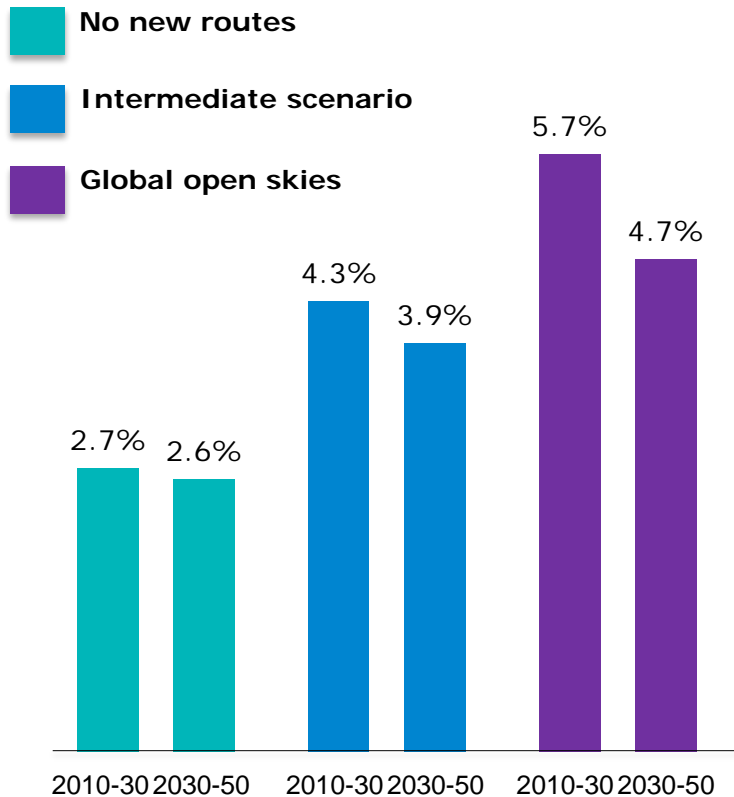


ITF's WG on Aviation Liberalisation

- Chaired by ICAO
- Participants from 13 countries (BE, CA, DE, DK, FI, FR, KR, MA, MX, NL, NO, NZ, UK), 2 IGOs (ICAO, WTO), and IATA
- Expert meeting in February 2015 to finalise policy debate
- Publication of 4 commissioned discussion papers on the ITF website



ITF modelled the impact of liberalisation



**International revenue passenger kilometers,
Compound annual growth rate (CAGR)**

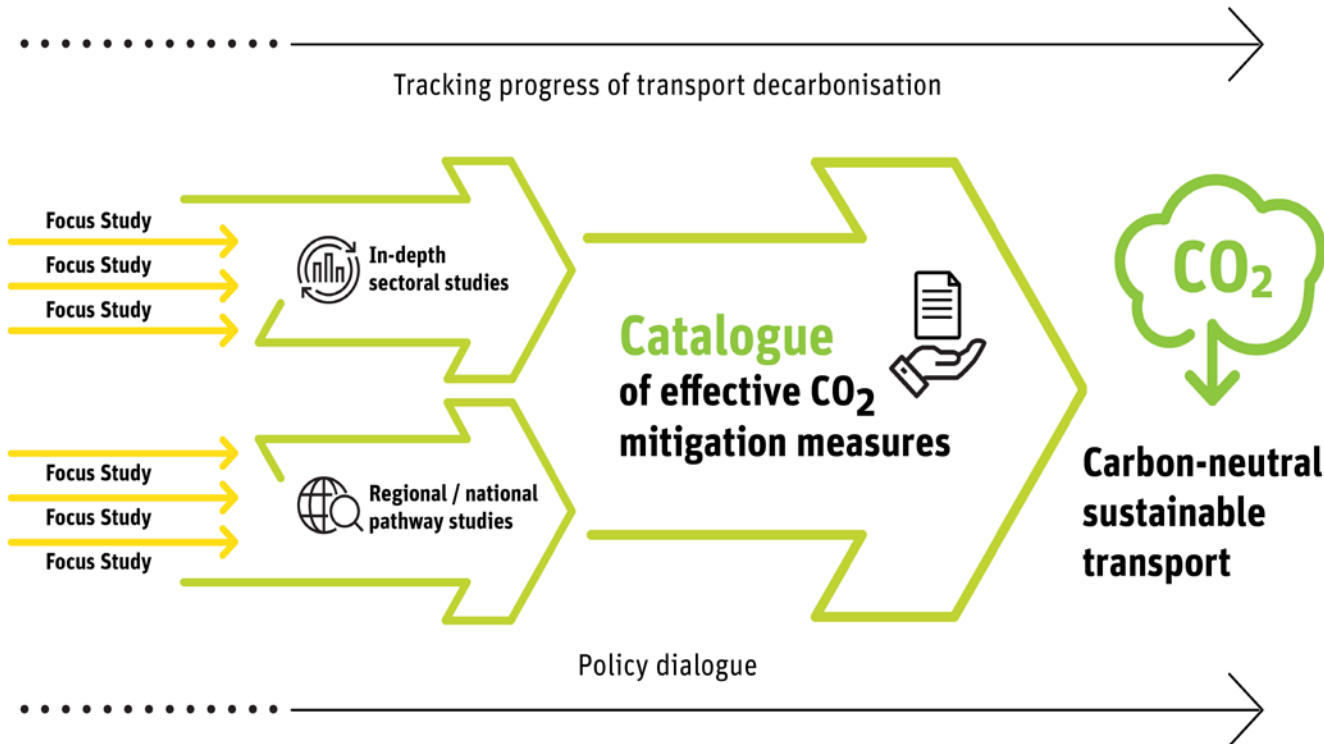
ITF finding:

- RPK nearly double when liberalisation is fully allowed to take place with variations by regions
- Without full liberalisation industry forecasts appear unlikely to be met
- This means that the industry is expecting liberalisation to significantly progress over the coming years



Decarbonizing Transport

The Decarbonizing Transport initiative helps decision-makers to choose CO₂ reduction measures that work



Working together with international partners



Thank you

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