



ICAO AND THE WORLD BANK AIR TRANSPORT DEVELOPMENT FORUM  
MAXIMIZING CIVIL AVIATION'S CONTRIBUTION TO GLOBAL DEVELOPMENT



The World Bank

**Aviation Development Focus on Asia — Pacific: Safe, Secure and Sustainable Air Transport**

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## CONCLUSIONS

### PANEL 1: AIR TRANSPORT SERVICES AS ECONOMIC CATALYSTS FOR ASIA-PACIFIC

Panel Moderator: Professor Rigas Doganis

The air transport industry is not only a vital engine of global socio-economic growth but is also of vital importance as a catalyst for economic development in most countries and for many regions within each country. Its importance arises not only from its ability to facilitate the movement of people but also its ability to expedite the movement of goods.

Currently, rising operating costs, stoked by the high price of aviation fuel combined with slowing or even negative demand growth, will lead to dramatic restructuring of the airline industry and the collapse of many airlines especially smaller ones. Reduced access to air services for both passengers and freight may put many communities at a disadvantage.

The air transport industry needs not only to be financially sound to be effective as an economic catalyst for growth but also to be environmentally responsible. Governments need to be sensible, transparent and long-term in their approach. Priority must be given to tackling obstacles such as inefficient and fragmented ATMs, restrictive air service agreements, inadequate airport infrastructures and unjustified government charges and taxes. The development of more fuel efficient aircraft and engines must also be encouraged.

### PANEL 2: THE FUEL CHALLENGE

Panel Moderator: Vijay Poonoosamy

The fuel challenge is a multiple one because of its financial, environmental, political and operational ramifications.

The challenge posed by rising fuel prices is a wake-up call for the aviation industry to be financially and environmentally responsible. Governments must do what it takes to allow air transport to make its socio-economic contribution to the world (e.g. enhancing cost-effectiveness and efficiency of ATM, promoting the production of fuel-efficient engines and aircraft, protecting supply of fuel, liberalizing air transport). Governments must also desist from imposing additional charges and taxes on the air transport industry.

## CONCLUSIONS

The spike of the oil price of 2008 was primarily driven by speculative forces, which were fuelled by low inventories and rising demand in emerging markets. The subsequent decline in oil prices does confirm this thesis. However, the overall increase of the price of oil since 2003 raises concerns about future supply. While most oil producing countries have peaked in production of conventional oil, the future increase in demand must be met by a few producers in the Middle East. In addition, there are non-conventional sources of oil, such as heavy oil, and alternative fuels, such as Biofuels, which could provide additional supply in the future. However, it is questionable if these other sources will be sufficient once conventional sources have peaked. A potential shortage of oil would have a severe impact on the airline industry. It is therefore necessary that the industry actively pursues and discusses strategies and policies concerning a global approach on avoiding an energy crisis.

While socio-economic benefits from aviation are significant, so are environmental impacts on climate change, which are affected by fuel burn and consumption. However, aviation has a track record of significant improvements. It has, for example, successfully mitigated local environmental impacts by noise despite strong growth. The airline industry must therefore cope with its rising level of CO<sub>2</sub> emissions, which is increasingly politically and economically challenging. IATA has declared that it aims at zero growth in CO<sub>2</sub> beyond 2020, and at a carbon free industry by 2050. However, given the strong growth in projected fossil fuel consumption, and given the fact that fossil fuel production may peak in the coming years, large investments are needed in technology and alternative fuel to reach the declared objective.

Rising fuel prices in 2007 resulted in many established Asian airlines' recording second quarter losses. They also brought to bear the fact that airlines' responses to this trend - in imposing additional baggage charges, downsizing of fleets and routes and the reduction of jobs raised a legal and regulatory dimension which called upon the air transport industry to take stringent measures and to act prudently. It was the conclusion of the Panel that, instead of reactively imposing surcharges on the consumer, airlines should act prudently in ensuring the rights of the passenger by maintaining, to the extent possible, essential services traditionally offered in the contract of carriage while ensuring efficiency of operations. The Panel concluded by outlining several ways in which airlines could ensure the optimum use of fuel and minimum fuel burn. The initiatives taken by ICAO in introducing Performance Based Navigation (PBN), Air Traffic Flow Management (ATFM) and the Reduced Separation Vertical Minima (RSVM) criteria were also recognized as useful tools in this regard.



## CONCLUSIONS

### PANEL 3: MARKET ACCESS AND INFRASTRUCTURE IN ASIA-PACIFIC

Panel Moderator: Andrew Herdman

An example of efforts to achieve multilateral liberalization in the region would be the work by the Association of South East Asian Nations (ASEAN). Although some progress has been made, experience has shown that ambitious declarations are not always followed by prompt implementation. Individual national interests may result in delays, exceptions and modifications to the agreed consensus on timelines and key milestones. Consideration should also be given to the need for greater disclosure of underlying bilateral air service agreements, with the added complication that key elements of such agreements may be contained in confidential MOUs.

The U.S. Government strongly supports the spread of “Open Skies” air services agreements, eliminating limits and restrictions on airline designation, routes and fares giving customers more choice. Liberalization encourages innovation and experimentation, making it easier for airlines to open up new markets or conversely to reduce capacity when demand conditions change. However, it was noted that even “Open Skies” agreements still include restrictions on national ownership and control with domestic markets remaining closed to foreign investment and services. Further multilateral initiatives will be required to address such issues.

Aviation infrastructure, including airports and air navigation service providers (ANSPs), needs to keep pace with the growth in demand for air travel. Asia-Pacific traffic is expected to triple over the next 20 years, with a six-fold increase in China and India. Substantial investments will be needed in both major hub airports as well as up and coming secondary airports across the region.

Emphasis must be placed on more effective development of new technologies, including satellite-based navigation systems. In particular, further efforts are needed to ensure inter-operability of national and regional systems on a global basis. Furthermore, ANSPs must recognize the parallel need for “business transformation”, with a greater focus on customer service performance standards. Further consolidation of the highly fragmented patchwork of individual ANSPs will require political will, as well as strong organizational support skills.

### PANEL 4: THE SAFETY AND SECURITY CHALLENGE

Panel Moderator: Dr. Stewart Schreckengast

Aviation stakeholders (government, industry service providers, financial institutions), must work efficiently to properly communicate, organize, and harmonize their efforts within the Asia-Pacific Region. Stakeholders with resources need to aggressively assist and mentor those in need.

## CONCLUSIONS

Regional initiatives for aviation safety (Cooperative Development of Operational Safety and Continuing Airworthiness Programme – COSCAP) and aviation security (Cooperative Aviation Security Programme – CASP) groups must take advantage of resources from other local, regional and international organizations. Whenever possible, this cooperation requires proactive and seamless planning, training, and resources for sustainability.

The international health response to potential pandemics was achieved through Cooperative Agreement for the Prevention of the Spread of Communicable Diseases through Air Travel (CAPSCA) and its operationally-oriented objectives. This new pandemic preparedness is an integral element of safe air travel.

There must be an appropriate balance between legislation, accountability, and enforcement in order to ensure long-term sustainability, not just verbal commitment for the short-term. The industry-developed Global Aviation Safety Roadmap is a key guidance resource for the aviation community.

To bridge the current economic challenges to the aviation industry, investors are looking for a total package of safety, security, efficiency and environmental leadership from the industry.

### PANEL 5: FUNDING AND RESOURCE MOBILIZATION FOR CIVIL AVIATION

Panel Moderator: Charles E. Schlumberger

Governments and the private sector play a dominant role in the Asia-Pacific region for funding the aviation sector. However, while many projects in emerging countries, even large infrastructure works, may have been entirely financed by private or public funds, a few countries still depend on other support as they are lacking necessary resources.

Several institutions are available to finance the sector. The International Financial Facility for Aviation Safety (IFFAS) of ICAO has financed smaller capacity building projects in the area of aviation safety and security. The World Bank Group (IBRD<sup>1</sup>, IDA<sup>2</sup> & IFC<sup>3</sup>), with its aviation sector portfolio of US\$ 1.3 billion, finances both the public and private sector. While IBRD and IDA have funded a few infrastructure projects in the region, IFC has substantially increased its private sector lending for the sector, by focussing on air carriers and airports. In addition, it has carried out several advisory mandates involving the privatization of several airlines. The Asian Development Bank has a long history of aviation-related infrastructure financing. However, in the past decade only two capacity building projects (concerning Afghanistan & PASO<sup>4</sup>) were financed in the region.

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<sup>1</sup> International Bank for Reconstruction and Development

<sup>2</sup> International Development Association

<sup>3</sup> International Finance Corporation

<sup>4</sup> Pacific Aviation Safety Office



## CONCLUSIONS

Finally, the air transport sector has become very challenging and complex with an ever increasing demand for both technical and managerial skills. There is a general lack of sufficiently trained human resources in the region, given the rapid expansion of air services. One instrument to address this issue could be the ACI-ICAO Airport Management Professional Accreditation Programme (AMPAP), which is a well-structured training course that can be undertaken by airport professionals in a three year period while continuing in their professions.