AIR TRANSPORT DEVELOPMENT: SETTING THE COURSE

Nearly 300 air transport industry, civil aviation, regulatory, academia, and legal experts gathered at the International Civil Aviation Organization (ICAO) headquarters in Montréal, Canada in May to tackle the challenges of ensuring the sustainable development of air transport. The representatives of a broad spectrum of aviation stakeholders were attending the second ICAO Air Transport Symposium (IATS 2014) with the theme “Development of Air Transport: Setting the Course,” hosted by ICAO and the Air Transport Research Society (ATRS).

“Whether fragmentation is geographic or economic, or a combination of the two, the barriers posed to an economically sustainable air transport system are inherited from the regulatory framework,” said Boubacar Djibo, Director of the ICAO Air Transport Bureau. He kicked off the IATS 2014 event by highlighting the elements of fragmentation in the aviation sector that ICAO Secretary General Raymond Benjamin identified in 2012 as the main impediment to sustainable air transport. These barriers impede efficiency, generate friction, hinder growth, and lead to a reduction in air transport connectivity, Djibo explained, which is basically moving passengers, mail, and cargo through the fewest transit points as quickly as possible at the minimum price possible with optimal user satisfaction.
The sustainable development of air transport requires that the international community overcome these impediments to enhance connectivity. Djibo said, and ICAO must show leadership in market access liberalization, consumer protection, and principles of competition. He reminded the group the 2013 Assembly of 191 Member States agreed the group should continue liberalizing market access—which will help eliminate a main impediment to current connectivity levels, eliminating some consumer frustration with air travel.

“This symposium, in the context of our wider ambitions to constantly enhance air transport connectivity and end-user satisfaction,” Djibo added, “will be an essential tool for ICAO’s continuing efforts to improve and refine the civil aviation economic framework and will provide a framework by which to guide our work in the future.”

University of British Columbia Professor Tae Hoon Oum, Chairman of the ATRS, agreed with these sentiments, stating: “The international communities expect us to find the ways for sustainable development of air transport.” He stressed the important contributions needed from experts to “find directions” to address the critical issues facing the aviation sector in the next decade—and where full consensus is not achieved, to crystallize the points of contention for future discussion.

Oum’s comments led the way for the eight panel presentations and discussions. Experts gave presentations from the perspectives of airports, airlines, air navigation service providers (ANSPs), the air cargo and tourism sectors, and regional, national, and international regulators and organizations.

NEW REGULATORY FRAMEWORK CHALLENGES
Speakers discussed the challenges of the new regulatory framework to be implemented for the air transport industry at large—including sustainable development to areas such as market access, air carrier ownership and control, consumer protection, air cargo, financing the air transport system, and the effects of taxes and levies on aviation.

In the first session, Contributors’ Views for the Sustainable Development of Air Transport, panelists explained that sustainable development will require continued liberalization (which could include multilateral approaches) and a new assessment of where regulation is needed and where it is harmful. It also will require a commitment to increase and enhance aviation system capacity and efficiency, an awareness of the risks of missing out on potential growth, environmental responsibility by stakeholders, a focus on the vital importance of tourism to global economic growth, and strategies to recruit and retain talented people.

The growth and immensity of air transport today was central to most of the group discussions in the International Agreements: Building for the Future session. There was consensus on the inefficiency of the existing bilateral system for exchanging traffic rights and the need for further liberalization. These panelists supported going beyond the bilateral paradigm to a multilateral approach—and confronting the fragmentation inherent in the “substantial ownership and effective control” clause found in most bilateral air services agreements.

During Lifting Barriers to Air Transport’s Growth, panelists addressed the problem of aeroprotective liberalism—or the need to focus on normalization of the sector rather than the concept of a level playing field. They noted it’s important to give airports a voice in the negotiation of agreements and the development of regulations, and recognized the danger of not giving sufficient attention to regional air services that meet the needs of the world’s low-demand/short-haul markets.

The Symposium ended Day 1 with Meeting the Expectations of Consumers, during which panelists discussed consumers’ needs with respect to price transparency and assistance with delays and cancellations, as well as the need to strike a balance between consumer protection and industry competitiveness. They demonstrated the growing importance of social media and emphasized the need to view customer complaints as opportunities to learn and make improvements—which led to a cluster of fundamental questions including: when is regulation needed? when will regulation likely do harm? when can market solutions work? and how can airlines achieve the greater transparency that today’s customers demand? One discussion topic wasn’t questioned—indeed, ICAO’s development of core principles on consumer protection and its approach by travel stage drew high praise.

The first session on Day 2, Getting the Most Out of the Air Cargo System, concentrated on the need to streamline the cargo system, reduce complexity, and do a better job of incorporating the views of users and regulators. Panelists described the important differences between passenger and cargo transport and identified measures that could contribute to future growth and success, including:

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- Tae Hoon Oum, Chairman, Air Transport Research Society (ATRS)
- Greater market liberalization
- Simplified customs procedures and other trade facilitation measures
- Enhanced availability of timely and accurate market data
- Improved air traffic control and aviation infrastructure
- Broader ratification of the 1999 Montréal Convention
- Uniform global security and security standards.

During **Funding and Financing the Air Transport System**, panelists confronted the central question of “who should pay” for the significant expansion and enhancements needed for the sustainable development of air transport – users, the public, or some combination of the two. Currently, various combinations of user and public financing are common, although the relative shares vary by function. All of the session leaders agreed no single approach to funding is right for all cases and decision processes should involve all stakeholders, aiming for transparency, non-discrimination, and cost-relatedness. They said Public Private Partnerships (PPPs) can be valuable, but only if government parties know what they want, and only if there is a good business plan and good governance.

Expanding on the issue of funding, the session on **The Impact of Levies on Air Transport Sustainability** yielded strong consensus. Attendees expressed that taxation of the sector is excessive, particularly when compared to other modes of transport – and the current trend is toward even more levies on aviation. This trend brings with it the potential for undermining the commercial viability of airlines and blunting the contribution the sector provides for tourism and other key determinants of economic growth. The panel agreed that aviation should properly be seen more as an input for the world economy, not as an output – and emphasized taxes and other levies can only undermine air transport sustainability, and the role that aviation plays in facilitating tourism, trade, and overall economic development.

**Realizing the Vision** was the Symposium’s final session, during which the speakers focused on how to build convergence on practical measures to promote and identify priorities for the efficient development and sustainability of air transport. Michel Wachtenheim, former President of the 38th session of the Assembly and current Senior Adviser of Public Affairs for Airbus, said, “The more the connectivity is good, the more the passenger should be satisfied. The real ideal system for the future: air services which take you where you want, in the shortest time, for the lowest possible price and the best quality of service.”

The challenges to reaching that ideal system, however, are daunting – with major airports facing gridlock; burgeoning passenger demand in regions such as Latin America and Asia; air traffic control needing urgent modernization; and customs, immigration, and security checks causing major delays and congestion at terminals in many countries. All this comes at a time when direct government financing for improvements is exhausted and airport and airport revenues are sometimes siphoned away through fees and taxes that fund non-aviation projects. The discussion identified priorities...
to meet these challenges, including better, smarter regulation; more uniformity of national rules on matters such as consumer protection; consistent, evidence-based evaluation of new safety and security requirements; and greater reliance of information flow and data analysis (not more personnel) to speed customs and immigration procedures at ports of entry.

“A common thread through all of the discussions around these challenges was “a wish to see ICAO play a stronger leadership role in fostering the promotion of sound regulatory and business practices to ensure the sustainable development of civil aviation,” Abdennoubi said.

Assuring the group ICAO is ready to meet that request, she said the Sixth Worldwide Air Transport Conference (ATConf/6) held last year produced several essential recommendations for the modernization of the international aviation regulatory framework – and ICAO is already actively working to implement them. For example, to address the issue of financing and funding the modernization of the air transport system, Abdennoubi said ICAO “established a multi-disciplinary working group to provide business cases and best practices regarding effective implementation of the aviation system block upgrade (ASBU)... and has developed extensive comprehensive policies and guidance on the funding of infrastructure.”

Reiterating ICAO’s commitment to help set the course for air transport’s development, she said, “Continually improving and harmonizing the air transport regulatory system in the interest of all stakeholders is the main ICAO objective. There is no doubt that this is a complex process involving different views and approaches and one which will require time and energy.”

“The governance of the international air transport system is based both on national sovereignty and on cooperation. We at ICAO are proud to be the facilitators of this cooperation,” Abdennoubi concluded.