



# **Symposium on Liberalization of Air Transport in Asia/Pacific**

*(Shanghai, 25 – 27 May 2005)*

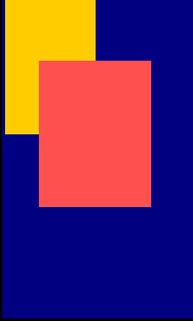


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# Opening Session

## Topic 1:

“The air transport regulatory scene  
globally and in Asia/Pacific ”



# The evolution of regulation

- The on-going process of liberalization
- ICAO's World Air Transport Conferences
- What has happened since 2003
  - Globally
  - In Asia/Pacific



# The process of liberalization



# The meaning of “liberalization”

- The scope of economic regulation:
  - Designation and ownership of carriers
  - Capacity, routes, ports, tariffs, etc.
- Shift from:
  - oversight by governments to discipline of market forces
  - Controlled behaviour of operators to laissez faire regime

# ICAO's global conferences

- The ICAO Council convened ATConf/5 to:
  - develop a framework for the progressive liberalization of international air transport;
  - with safeguards to ensure fair competition, safety and security; and
  - including measures to ensure the effective and sustained participation of developing countries
- ATConf/5 reaffirmed commitment to liberalization and requested that the Secretariat undertake several supporting tasks

# Template Air Services Agreement

|                     | Traditional | Transitional | Fully Liberalized |
|---------------------|-------------|--------------|-------------------|
| Market access       |             |              |                   |
| Designation         |             |              |                   |
| Alliances           |             |              |                   |
| Ownership & control |             |              |                   |

# Overview of global regulatory and industry trends



# Multilateral regulation – the IASTA

- Exchange of rights for over-flight and non-traffic stops for scheduled services
- Number of signatories
  - 1994 = 99
  - 2003 = 119
  - 2005 = 122
- ICAO Council and ATConf/5 urge States to become parties



# Bilateral liberalization

- Bilateral ASAs – the prevailing approach
- 70% of the 800 ASAs concluded between 1995 and 2004 contain forms of liberalization
- Growth in number of “open skies” agreements

# Regional & plurilateral approaches

- Prior to ATConf/4
  - EU/EEA – 18 member States (11 more added)
  - Andean Pact – 5 member States in South America
- Eight more since 1994, including:
  - Caribbean & South America
  - Africa
  - Middle East
  - Asia and Pacific

# Trade in services - GATS

- GATS Annex on Air Transport
- WTO-OMC commenced its first review of the Annex in 2000 with a view to expansion of its coverage
- No consensus when review ended in 2003
- Second review to commence in December 2005

# A special case – air cargo

- Different characteristics – sensitivity to elapsed time, intermodal, one-way
- Cargo has become a business in its own right
- ATConf/5 concluded States should consider accelerating liberalization of air cargo
- Prepared an Annex on Air Cargo with a model clause for use by States

# Industry trends

- Growth in the industry
- Carrier strategies
  - Network development
  - Alliances
  - Mergers, acquisitions and ownership
  - “Service/price” positioning
- Volatile market conditions and cost pressures

# The situation in Asia/Pacific



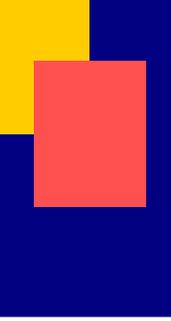
# Conditions in the industry

- Underlying robust market conditions
  - Population, economy, tourism, trade
- Pressures to enhance capacity and open new routes
- Industry showing resilience to the continuing “shocks” (e.g. SARS)
- “Hub” ambitions
- The new entrepreneurs

# Regulatory responses

- IASTA
- Bilateral ASAs and open skies in Asia/Pacific
- Regionalism and plurilateralism
  - MALIAT, ASEAN, CLMV, PIASA, others





# The future?

