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ESSENTIAL SERVICE and TOURISM ROUTE DEVELOPMENT (ESTDR) SCHEME

Yuanzheng WANG

ICAO



Presentation to cover:

- Background of the ICAO/UNWTO study
- What is the ESTDR scheme?
- How it works?
- Conclusions



In a liberalized environment:

- Issues of Aviation Sustainability and Participation for Developing Countries;
- Aviation as an economic catalyst: How about remote regions? How to help tourism development?
- Issues of State aid, subsidies and other support for aviation



Background of the Study

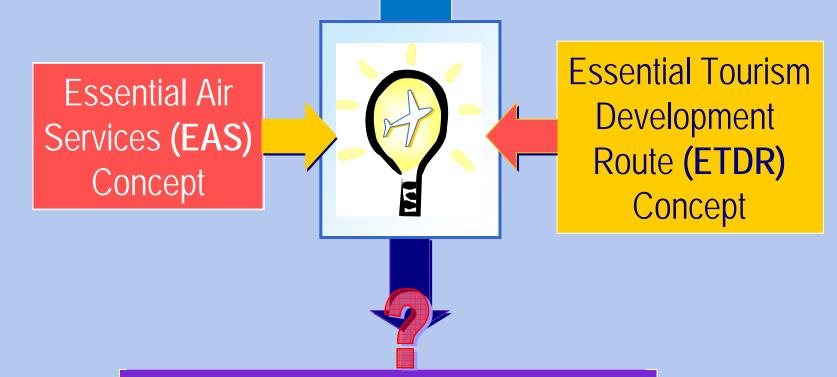
Issues of State aid, subsidies and other support

- Direct / generic;
- Indirect
- Implicit

Is there a better way to use subsidies for economic development through aviation?



The Challenge



To develop a regulatory scheme to apply each concept



Background of the Study

Study Parameters and Methodology

- Practical; feasible under bilateralism;compatible with liberalization
- Aviation support issues; existing schemes;
 construct regulatory scheme for States to use



What is the ESTDR scheme?

2 Main Objectives

- Assure lifeline provision of air services for remote or peripheral destinations
- Facilitate and drive economic development develop tourism

States considered to be in most need of such schemes are: Least Developing Countries (LCDs), and small Island or land-locked Developing Countries.



What is the ESTDR scheme?

Borrow from existing EAS schemes, and apply internationally

- Some similar schemes across the world:
 - USA Essential Air Service schemes to subsidies services between remote communities
 - Public Service Obligation schemes in EU, e.g. France, Greece, Ireland, Portugal, Spain
 - Regional Route Development Funds in parts of UK

 But mostly domestic, "patchy" usage, and lack of
 consistency



What is the ESTDR scheme?

The Principles of ESTDR

ESTDR are a form of Essential Air Service scheme...

"a mechanism whereby support, in the form of a financial subsidy and/or an exclusive concession, can be provided to airlines for the provision of certain services of a public service nature..., on routes where such services simply would not be supported by market forces alone"

EU experience showed that targeted assistance has been beneficial in allowing critical lifeline routes to remain viable, thereby protecting the interests of some of Europe's peripheral communities.



How it works?

The two key tests

Test 1: Demonstration of need - does the community or region need air service?

- air service is needed because the region and/or airport is very remote
- vital economic sectors cannot remain viable without air service
- social or political reasons
- "development area" receiving tourism funding development

If the airport or region meets one or some of these criteria, it is anticipated that the process then moves to the next test



How it works?

The two key tests

Test 2: Economic Justification

Route economics will be scrutinised to see if:

- air service is not immediately viable
- but, with a realistic level of support it can be viable in the medium term.



How it works?

The potential ESTDR Scheme structure

Once the key tests have been passed, the emphasis moves to the construction of the scheme.

A step-by-step approach:

- route selection including demonstration of need
- service level specification
- carrier selection
- contract duration
- subsidy payments
- sources of financing
- supplementary options
- regulatory arrangements



Conclusions – The Scheme

- A practical regulatory approach for participation and sustainability in a liberalized environment
- Can be used for either type of route
- Adaptable and flexible
- Usage entirely in the hands of States



Conclusions - Benefits

- Improve access and sustainability
- Help LDCs better develop tourism sector
- Shift airline support from generic to route-based

How to move ESTDR forward?

ICAO/UNWTO:

Promote the Scheme, raise States awareness, provide training

States:

- Recognize role of air service development as a catalyst for overall regional/national economic development
- Need synergy between air service development and regional/national tourism strategy
- Need partner support to ESTDR (e.g. in bilateral ASA)

International Development Agencies and Banks:

- Consider supporting accessibility rather than just infrastructure
- Development agencies in major tourism source markets (North America/Europe/Asia-Pacific) to assess financial participation

Most of all, need to translate concept into practice - Who is willing to meet the challenge?



Study available on ICAO website http://www.icao.int

Thank you!