



WORKING PAPER

TENTH SESSION OF THE STATISTICS DIVISION

Montréal, 23 to 27 November 2009

Agenda Item 1: Civil aviation statistics — ICAO classification and definition

REVIEW OF DEFINITIONS OF DOMESTIC AND CABOTAGE AIR SERVICES

(Presented by the Secretariat)

SUMMARY

Currently, ICAO uses two different definitions to identify the traffic of domestic flight sectors of international flights; one used by the Statistics Programme, based on the nature of a flight stage, and the other, used for the economic studies on air transport, based on the origin and final destination of a flight (with one or more flight stages). Both definitions have their shortcomings and may affect traffic forecasts produced by ICAO for domestic operations. A similar situation arises with the current inclusion of cabotage services under international operations. After reviewing these issues, the Fourteenth Meeting of the Statistics Panel (STAP/14) agreed to recommend that no changes be made to the current definitions and instructions.

Action by the division is in paragraph 5.

1. INTRODUCTION

1.1 In its activities in the field of air transport economics and statistics, ICAO is currently using two different definitions to identify the domestic services of an air carrier. The first one used by the Statistics Programme has been reaffirmed and clarified during Ninth Meeting of the Statistics Division (STA/9) and it is the one currently shown in the Air Transport Reporting Forms. The second one is being used by the Secretariat in the studies on international airline operating economics which have been carried out since 1976 and in pursuance of Assembly Resolution A36-15, Appendix G (reproduced in Appendix A).

1.2 Also, since 1 April 1997, any European Union (EU) carrier is able to operate domestic services in a European Union country other than its own home base which tantamount to cabotage. Under the current definition used for statistical purpose, this traffic is considered as international. However, this does create a problem since the traffic is clearly domestic in nature. To continue to include these data as

international could lead to a distortion in the traffic forecasts ICAO regularly produces for domestic and international traffic.

1.3 The purpose of this paper is to review the issues related to the definition of domestic services and to discuss the need to identify the volume of cabotage services within the European Union.

2. DEFINITIONS OF DOMESTIC SERVICES

2.1 For the ICAO Statistics Programme, this definition is based on the notion of a flight stage. The principal elements of this definition are shown below while the definition of a flight stage in its entirety is reproduced in Appendix B. A flight stage is classified as either international or domestic based on the following definitions:

***International.** A flight stage with one or both terminals in the territory of a State, other than the State in which the air carrier has its principal place of business.*

***Domestic.** A flight stage not classifiable as international. Domestic flight stages include all flight stages flown between points within the domestic boundaries of a State by an air carrier whose principal place of business is in that State.*

2.2 On the other hand, for the economic studies on air transport, where the Secretariat collects data on cost and revenues at a route group level (for example, within Europe, Europe-Middle East, North Atlantic), the split between international and domestic services is done at a level of a flight, where a flight is defined as:

The operation of an aircraft on a flight stage or number of flight stages with the same flight number.

2.3 Consequently, all data referring to domestic flight stages of international operations are included as *international* in the route group concerned. Any service with a single flight number is allocated to the route group which covers travel from the point of origin to the point of destination^{1,2}

3. DISCUSSION

3.1 The problem with the definition based on flight stages shown in the Air Transport Reporting Forms, is exactly the same one addressed by the economic studies, namely the domestic stages of international flights and how to report the international traffic on-board the domestic portion of a flight which has both domestic and international stages.

3.2 For the Statistics Programme, the current instructions state that the number of passengers carried is obtained by counting each passenger on a particular flight (with one flight number) once only and not repeatedly on each individual stage of that flight, with a single exception, that a passenger flying

¹ For example, a flight Zurich-Geneva-Abidjan-Dakar is reported in its entirety for the Europe-Africa route group and not split between domestic and Europe, Europe-Africa and within Africa.

² It should be noted that for airport traffic the distinction between international and domestic traffic is done at the on-flight origin and destination level for passengers, freight and mail, and at the level of the flight (which may consist of several flight stages) for aircraft movements regardless of the air carrier nationality. However, in this case, no attempt is being made to link capacity with traffic.

on both the international and domestic stages of the same flight should be counted as both a domestic and an international passenger.

3.3 The reason for this exception is because the distinction between domestic and international services occurs at the flight stage level from which all operational and distance related traffic parameters (such as passenger-kilometres performed, freight tonne-kilometres performed, seat-kilometres available, etc) are derived. However, the figures for passengers and cargo³ tonnes carried are obtained from the on-flight origin and destination statistics. Consequently the need to count through passengers numbers and cargo tonnes twice, both as domestic and international, is for consistency with the traffic and operational data reported for the sectors.

3.4 This exception has created problems for some air carriers which do not wish to see direct transit traffic between the domestic and international sectors of a flight double counted. For example, when the average tariffs per passenger or tonnes freight are separately computed for domestic and international operations the former would contain an element of double counting for the through traffic continuing its journey on the international sectors of the same flight.

3.5 Neither solution is perfect. Adopting the definition used for the economic studies based on the origin and final destination of a flight removes the issue of double counting certain traffic on the domestic portion of that flight. However, in this case, carriers would be understating not only the number of truly domestic traffic carried but also the number of domestic operations performed (in terms of aircraft landings, hours, kilometres flown and capacity offered) as these would be considered as an integral part of their international operations.

3.6 *Recommendation of the Fourteenth Meeting of the Statistics Panel (STAP/14-2).* The panel discussed this issue and agreed that since these two definitions of domestic services served different purposes they should be retained in their current format for the appropriate application (STAP/14-2 a)

4. CABOTAGE

4.1 As stated above, cabotage has been allowed in air transport in the countries which form part of the European Union since 1 April 1997. The issue of reporting cabotage services was discussed both at STAP/13 and STA/9. At that time there was no indication what the impact of the new rules would have on the domestic services of the member countries. The proposal reviewed by the division was to add an additional column to Air Transport Reporting (ATR) Form A – Traffic, Commercial Air Carriers. On that occasion, the conclusion reached by the Division was that “in view of the additional reporting burden it is recommended that cabotage traffic should be included as “international” and not recorded separately in Form A.”.

4.2 For a number of years there appeared to be little appetite by the established carriers to make forays into other countries domestic services except through locally franchised domestic/regional carriers. However, low cost carriers, such as Air Berlin, Easyjet and Ryanair, seem to have accepted the opportunity offered to enter the domestic market of other major States in the EU.

4.3 According to data derived from the schedules for Air Berlin (from Germany), Easyjet (United Kingdom) and Ryanair (Ireland) shown in the OAG, it is estimated that in 2008 a total of some 12 million seats (or about 10 per cent of their seats on international services) were offered by these three

³ Where cargo means freight plus mail.

carriers for cabotage flight operated in France, Germany (excluding Air Berlin), Italy, Portugal, Spain, and the United Kingdom (excluding Easyjet). As these and other low cost carriers (LCCs) continue their expansion of cabotage services, there is an increasing risk of downplaying the increase of domestic traffic in the EU area which in turn would distort any future traffic forecasts produced by ICAO and other entities for this area. List of possible EU LCCs is attached as Appendix C.

4.4 Though at present this is an issue affects only a handful of States in the EU this may become more significant with the enlargement of the Union and if the same liberalization process is emulated by other economic blocks.

4.5 *Recommendation of the Fourteenth Meeting of the Statistics Panel (STAP/14-2)*. The panel reviewed the question whether cabotage services should be identified separately from international services. During the meeting it was stated that given the liberalization of air transport services in the EU the relevance of statistically monitoring cabotage rights or even the national registration of carriers in the Union was no longer of interest. Therefore the panel thought it prudent not to increase the complexity of the existing reporting requirements by requesting a separate collection of traffic and capacity data on cabotage services (STAP/14-2 b)).

4.6 Nevertheless, the Secretariat is still concerned that by not identifying this traffic in its correct context the traffic forecasts for Europe will be distorted. Consequently, in order to have an indication of the size of the problem, the Secretariat would like to stress that in Forms B – OFOD and C – TFS, States should cover all international flights *including* cabotage services.

5. **ACTION BY THE DIVISION**

5.1 The division is invited to agree that:

- a) for air carrier statistics and economic studies both definitions of domestic services (shown in paragraphs 2.1 and 2.3) can coexist as they serve different purposes; and
- b) States be reminded that they **must** include data for cabotage services with their international traffic reported in all the relevant Air Transport Reporting Forms, in particular in Forms A – Traffic, commercial air carriers, B – OFOD and C – TFS.

APPENDIX A

ASSEMBLY RESOLUTION A36-15, APPENDIX G

Air carrier economics

Whereas there is a continuing interest among users, including international organizations with interests in tourism, aviation and trade, in the level of international air carrier costs of operation, fares, rates and appropriate revenue yields;

Whereas the objective studies by ICAO on international air transport costs and revenues are widely used by Contracting States and other international organizations, have promoted neutrality and have resulted in a more equitable system of revenue sharing; and

Whereas ICAO requires air carrier revenue, cost and operational data to assist the Council in assessment of the effectiveness of measures proposed for the implementation of the Strategic Objectives of the Organization, and for environmental planning, investment studies and other purposes;

The Assembly:

1. *Requests* the Council to instruct the Secretary General to issue periodically a study on regional differences in the level of international air transport operating costs, analysing how differences in operations and input prices may affect their levels and the impact that changes in costs may have on air transport tariffs; and
2. *Urges* Contracting States to make every effort to obtain from their international air carriers with the least possible delay the cost, revenue and other data requested by ICAO.

APPENDIX B

DEFINITION OF A FLIGHT STAGE

A flight stage is the operation of an aircraft from take-off to its next landing. A flight stage is classified as either international or domestic based on the following definitions:

***International.** A flight stage with one or both terminals in the territory of a State, other than the State in which the air carrier has its principal place of business.*

***Domestic.** A flight stage not classifiable as international. Domestic flight stages include all flight stages flown between points within the domestic boundaries of a State by an air carrier whose principal place of business is in that State. Flight stages between a State and territories belonging to it, as well as any flight stages between two such territories, should be classified as domestic. This applies even though a stage may cross international waters or over the territory of another State.*

Notes:

1. In the case of multinational air carriers owned by partner States, traffic within each partner State is shown separately as domestic and all other traffic as international.
 2. "Foreign" cabotage traffic (i.e. traffic carried between city-pairs in a State other than the one where the reporting carrier has its principal place of business) is shown as international traffic.
 3. A technical stop does not result in any flight stage being classified differently than would have been the case had the technical stop not been made.
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APPENDIX C

LIST OF POSSIBLE EUROPEAN UNION LCCS

Area	Country	Airline	ICAO Code	Code	Formed	Ceased	Ownership relations with other airlines	Former names	Notes
EU	Albania	Belle Air	LBY	LZ	2005				
EU	Austria	InterSky	ISK	3L	2001				
EU	Austria	Niki	NLY	HG	2003		24% Air Berlin (2004-)		Formed from former Aero Lloyd Austria operation
EU	Belgium	Virgin Express	VEX	TV	1991	2007	51% Virgin Group (max 100%, min 51%, 1996-2007)	EuroBelgian (1990-1996)	Merged with SN Brussels Airlines under a holding company SN Airholding in 2005; Brussels Airlines was formed in 2006 and took over both SN Brussels Airlines and Virgin Express in 2007
EU	Bulgaria	Wizz Air Bulgaria	WVL	8Z	2005		100% Wizz Air (2005-)		
EU	Czech Republic	Smart Wings	TVS	QS	2004		100% Travel Service Airlines (2004-, Travel Service has been majority owned by Icelandair Group since 2007)		
EU	Denmark	Sterling	SNB	NB	1994	2008	100% Fons Eignarhaldsfelag hf (majority owner company of Iceland Express, 2005), FL Group (parent company of Icelandair, 2005-2008), 100% Cimber (2008-)	Sterling European Airways (1994-2005)	Bankrupted and Cimber acquired 100% in 2008
EU	Finland	Blue 1	BLF	KF	1987		SAS (1998-)	Air Botnia (1987-2004)	
EU	Finland	Flying Finn	FFW		2002	2004			
EU	France	Aeris	AIS	SH	1990	2003		Air Toulouse (1990-1999)	
EU	France	Flywest			2004	2005			
EU	France	Virgin Express France	VEX		1995	1999	100% Virgin Express Holdings (1997-1998)	Air Provence Charter (1995-1997)	

Area	Country	Airline	ICAO Code	Code	Formed	Ceased	Ownership relations with other airlines	Former names	Notes
EU	Germany	Air Berlin	BER	AB	1978				Merged with dba in 2007
EU	Germany	Condor Flugdienst	CFG	DE	1955		24.9% Lufthansa (max 100%, min 10%, 1959-), 75.1% Thomas Cook Group (max 90%, 2001-)	Deutsche Flugdienst (1955-1961)	All the flights started to fly under Thomas Cook Banner in 2003
EU	Germany	Dauair	DAU	D5	2005	2006			
EU	Germany	dba	BAG	DI	1978	2007	40% Crossair (1978-1992), 100% British Airways (min 49%, 1992-2003), 64% owner of Germania (2005), 100% Air Berlin (2006-2007)	Delta Air Regionalflugverkehr (1978-1992), Deutsche BA (1992-2003)	Merged with Germania Express in 2005; Merged into Air Berlin in 2007
EU	Germany	Germania Express (gexx)	GMI	ST	2003	2005	100% Germania (2003-2005), 100% dba (2005)		Merged into dba in 2005
EU	Germany	Germanwings	GWJ	4U	2002		100% Eurowings (2002-2008), 100% Lufthansa (2009-)		
EU	Germany	TUIFly	HLC/HLF	X3	2002		100% TUI AG (2002-)	Hapag-Lloyd Express (HLX, 2002-2007)	Integrated with Hapagfly to become TUIFly in 2007 (Hapag-Lloyd Express became a marketing brand)
EU	Hungary	SkyEurope Hungary	TVL	5P	2003		100% SkyEurope Airlines (2003-)		
EU	Hungary	Wizz Air	WZZ	W6	2003				
EU	Iceland	Iceland Express	AEU	HW	2002				
EU	Ireland	Aer Arann	REA	RE	1970				
EU	Ireland	Eujet	EUJ	VE	2003	2005			
EU	Ireland	JetMagic	JMG	GX	2002	2004			
EU	Ireland	Ryanair	RYR	FR	1985				Merged with Buzz in 2003
EU	Ireland	Virgin Express (Ireland)	VEX	TV	1998	2001	100% Virgin Express Holdings (1998-2001)		
EU	Italy	Air Europe	2EB	PE	1988	2008	27.5% Eurofly (1991-1998), 49.9% SAir Group (1998-2002), 100% Alitalia (2006-)		Merged with Volare Airlines in 2000 (became one brand of Volare)
EU	Italy	Air Service Plus			2003				Currently operated by Axis Airlines
EU	Italy	Blu-Express	BPA	BV	2005		100% Blue Panorama Airlines (2005-)		
EU	Italy	Ciao Fly			2002	2002			
EU	Italy	ItAli Airlines	ACL	9X	2003				
EU	Italy	Meridiana	ISS	IG	1963			Alisarda (1963-1991)	
EU	Italy	Myair (My Way Airlines)	MYW	8I	2004				

Area	Country	Airline	ICAO Code	Code	Formed	Ceased	Ownership relations with other airlines	Former names	Notes
EU	Italy	Volare Airlines (volareweb.com)	PVL	VA	1997		49.9% SAir Group (min 34%, 1998-2002), 100% Alitalia (2006-)		Merged with Air Europe in 2000; Ceased operations in 2004; Resumed operations in 2005
EU	Italy	Wind Jet	JET	IV	2003				
EU	Malta	Britishjet			2004	2008			Licensed by UK CAA
EU	Malta	Fare4U			2004	2006	a division of Air Malta (2004-2006)		Integrated into Air Malta in 2006
EU	Netherlands	Basiq Air	TRA		2000	2005	100% Transavia (owned 100% by KLM and then Air France-KLM, 2000-2005)		Merged into Transavia in 2005
EU	Netherlands	Dutchbird	DBR	5D	2000	2004			
EU	Netherlands	Transavia.com	TRA	HV	1966		100% KLM (min 40%, 1988-2004), 100% Air France-KLM (2004-)	Transavia Limburg (1965-1966), Transavia Holland (1966-1986), Transavia Airlines (1986-2005)	Merged with Basiq Air and re-branded as Transavia.com in 2005
EU	Netherlands	V Bird	VBA	VX	2003	2004			
EU	Norway	Color Air	CLA		1998	1999			
EU	Norway	Norwegian Air Shuttle	NAX	DY	1993		5% Finnair (2007-)		Formed in 1993 following collapse of Busy Bee Airlines
EU	Poland	Air Polonia	APN	4P	2001	2004			
EU	Poland	Centralwings	CLW	C0	2004	2009	100% LOT Polish Airlines (2004-)		Became a charter-only operation in 2008
EU	Portugal	Hi Fly	HFY	LK	1988			Air Luxor (1988-2005)	Concentrated on charter operations as a result of sale of scheduled operations to Longstock Financial Group in 2006
EU	Romania	Blue Air	JOR	0B	2004				
EU	Russian Federation	SkyExpress	SXR	XW	2006		80% KrasAir-related investors		
EU	Slovak Republic	SkyEurope Airlines	ESK	NE	2001				SkyEurope Holding AG was established in Vienna in 2005
EU	Spain	Clickair	CLI	XG	2006	2009	20% Iberia (voting 80%, 2006-2009)		Merged into Vueling in 2009
EU	Spain	Vueling	VLG	VY	2004		3.7% JetBlue Airways' investors (max 7%, 2004-2009), 45% Iberia (2009-), 5% Nefinsa (parent company of Air Nostrum, 5%, 2009-)		Merged with Clickair in 2009
EU	Sweden	FlyMe	FLY	SH	2003	2007			

Area	Country	Airline	ICAO Code	Code	Formed	Ceased	Ownership relations with other airlines	Former names	Notes
EU	Sweden	Flynordic	NDC	LF	2000	2008	100% Finnair (min 85%, 2003-), 100% Norwegian Air Shuttle (2007-2008)	Nordic AirlinK (2000-2004)	Integrated into Norwegian Air Shuttle in 2008
EU	Sweden	Snalskjutsen	SCW		2002	2005	a division of Malmo Aviation (2002-2005)		Integrated into Malmo Aviation in 2005
EU	Sweden	Snowflake	SDK		2002	2004	a division of SAS (2002-2004)		Integrated into SAS in 2005
EU	Sweden	Sverigeflyg	ETS		2001				Comprises of Blekingeflyg, Gotlandsflyg, Kalmarflyg, Kullaflyg and Sundsvallsflyg
EU	Switzerland	easyJet Switzerland	EZS	DS	1988		100% Trans European Airways (1988-1991), 49% easyJet (min 40%, 1998-)	TEA Basel (1988-1998)	
EU	Switzerland	Flybaboo	BBO	F7	2003				
EU	Switzerland	Helvetic Airways	OAW	2L	2001			Odette Airways (2001-2003)	
EU	Turkey	Atlasjet Airlines	KKK	KK	2001				
EU	Turkey	Corendon Airlines	CAI	7H	2005				
EU	Turkey	Onur Air	OHY	8Q	1992				
EU	Turkey	Pegasus Airlines	PGT	H9	1989		a controlling stake by Aer Lingus (1989-1994)		
EU	Turkey	SunExpress	SXS	XQ	1990		50% THY Turkish Airlines (1990-), 50% Lufthansa (1990-1995, 2007-), 50% Condor (1995-2007)		
EU	United Kingdom	AB Airlines	AZX		1992	1999		Air Bristol (1992-1995)	Formed in 1992 by a group of former Brymon Airlines
EU	United Kingdom	Air Scotland	GRE		2002	2006			Formed in 2002 for Electra Airlines (Greece); Switched agreement to Air Holland in 2003; Ceased agreement with Air Holland and formed Greece Airways in 2004
EU	United Kingdom	Air Southwest	WOW	WO	2003				
EU	United Kingdom	BMI Baby	BMI	WW	2002		100% Airlines of Britain Group (parent company of BMI British Midland, 2002-)		
EU	United Kingdom	Buzz	BUZ		1999	2003	100% KLM UK (1999-2003), Ryanair (2003)		Merged into Ryanair in 2003
EU	United Kingdom	Debonair	DEB	2G	1995	1999			

Area	Country	Airline	ICAO Code	Code	Formed	Ceased	Ownership relations with other airlines	Former names	Notes
EU	United Kingdom	easyJet	EZY	U2	1995		16.9% FL Group (then parent company of Icelandair, min 8.4%, 2005-2006)		
EU	United Kingdom	Flybe	BEE	JY	1979		15% British Airways (2007-)	Jersey European Airways (1979-2000), British European Airways (2000-2002)	Merged with Spacegrand Aviation in 1985, Merged with BA Connect in 2007
EU	United Kingdom	FlyGlobespan	GSM	Y2	2002				
EU	United Kingdom	GO		GO	1997	2002	100% British Airways (1997-2001), 100% easyJet (2002)		Merged into easyJet in 2002
EU	United Kingdom	Jet Green			2004	2004			
EU	United Kingdom	Jet2.com	EXS	LS	2002		a division of Channel Express (2002-2006)		Channel Express was rebranded and replaced by Jet2.com in 2006
EU	United Kingdom	Manx2	BRS	NM	2006				
EU	United Kingdom	Monarch Scheduled	MON	ZB	2004		a division of Monarch Airlines (2004-)		
EU	United Kingdom	Mytravellite			2002	2005	100% Mytravel Airways (2002-2005)		Integrated into Mytravel Airways in 2003
EU	United Kingdom	Now Airlines			2002	2004			Never started
EU	United Kingdom	Thomson Airways	TOM	BY	2004		100% TUI AG (2004-2007), TUI Travel Plc (2007-)	Thomsonfly (2004-2008)	Merged with Britannia Airways in 2005, Merged with First Choice Airways to form Thomson Airlines in 2008
EU	United Kingdom	XL Airways	XLA	JN	1994	2008	100% Sky Airlines Cyprus (Libra Group, min 33%, 2000-2004), 100% Air Atlanta Icelandic (Avion Group, min 40.5%, 2004-2006)	Sabre Airways (1994-2002), Excel Airways (2002-2006)	