

ICAO/ATAG/WB Development Forum

Maximizing Civil Aviation's Economic Contribution

*Safe, Secure and Sustainable Air Transport in Open Skies –
Challenges and Potential*

ICAO Headquarters, 24 – 26 May 2006

Working Group 2 – Air Carriers

Facilitator: John Begin, Air Transport Bureau, ICAO

I. KEY QUESTION AND ANSWERS

1. In the process of restructuring and commercialization of the airline industry, what incentives and external pressures do carriers in developing economies have to adapt their business models and improve their competition conditions in an increasingly liberalized regulatory environment?

- The airline restructuring process may result in coexistence of the emerged business models: legacy carriers, established low-cost carriers (LCCs), new LCC start-ups; airline within an airline alongside state-owned airlines.
- Improving air transport connectivity (passenger and cargo) supports broader economic development. In addition to route development strategies for tourism destinations, there's a need to strengthen regional feeder routes in Africa (especially East/West), to serve local markets and populations with the propensity to travel.
- Liberalisation is a necessary and important step to drive market-led development but it must be supported by an appropriate regulatory regime that ensures fair and open competition.
- Liberalisation is perceived as a threat only by those air carriers who resist change in terms of adopting business models and management strategies that help carriers to achieve commercial viability, financial stability and to build capacity.
- Airline failures are not necessarily caused by liberalization measures. Failures can also arise from other causes *inter alia* mismanagement, under-capitalization, outdated fleet and information technology, distorted competition conditions, etc.
- As carriers with deficiencies become increasingly aware of the importance of safety and security to their survival and success, aircraft maintenance bases will evolve into an attractive and profitable business along the value chain.

— END —



World Bank



International
Civil
Aviation
Organization



Air Transport
Action Group