OECD WORKSHOP ON PRINCIPLES FOR THE LIBERALISATION OF AIR CARGO TRANSPORTATION, PARIS, 4-5 OCTOBER 2000

(Note by the Secretariat)

This note reproduces the text of a room document circulated to the Council on 26 October 2000. It is provided to the CMIT for information.
Background

1. OECD work on air cargo transportation liberalisation was reported to Council on 10 November 1999 [C/M(99)22/PROV), item 318], including announcement of a workshop to be held on this subject. This note reports on that workshop.

2. The October 2000 Air Cargo Workshop was convened by the OECD Secretariat to continue deliberations on the best approach to regulatory reform of air cargo transportation. The Workshop in particular considered whether the proposed liberalisation packages (protocol to existing air service agreements/multilateral air cargo agreement) would establish a regime enabling air cargo service providers to better respond to the needs of the market.

Attendance

3. The Workshop was chaired by Mr. H. de Jong (Head, International Affairs, Ministry of Transport, The Netherlands). There were 90 participants including representatives from 20 Member countries plus representatives from Singapore and Chile (which had asked to be present), 12 airlines and five air cargo operators, IATA, the WTO, World Customs Organisation and ICAO as well as 13 other international organisations and associations. Participants were invited to speak in a personal capacity.

Outcome

4. A principal outcome of the Workshop was strong industry and government support for continuing to consider air cargo liberalisation under the aegis of the OECD. Industry was strongly of the view that current air transport regulatory arrangements are inappropriate for the needs of air cargo transportation and supported the liberalised approaches outlined by the Secretariat. To a large extent, government representatives shared these views.

5. The Workshop identified five key issues presenting barriers to regulatory reform:

i) leasing of aircraft [especially leasing of an aircraft together with the crew (wet-lease) from third countries]

ii) ownership and control of airlines/air cargo carriers

iii) liberalised traffic rights for air cargo services
iv) safety and security protections required under a liberalised regime
v) competition safeguards/legislation.

6. During discussions, it became clear that like-minded governments wishing to liberalise air cargo would only be in a position to assess the two principal options for doing so (i.e. amendments to bilateral air services agreements or development of a multilateral air services agreement) when the key issues had been fully addressed.

7. Representatives from Member countries agreed these key issues should be addressed and that proposed approaches should be developed by small groups led by a Member country in co-operation with other interested countries and industry. The workshop strongly supported the issues being pursued - and resolved where possible - over the next six to nine months. Depending on the outcome, the Secretariat will elaborate a revised liberalisation package and convene a further air cargo liberalisation workshop for mid-2001.

Summary of the Workshop discussions

8. The principal purpose established for the Workshop was to consider liberalisation and regulatory reform aimed at facilitating improved services to users. This would require an appropriate balance between the objectives of Member countries and the interests of operators, users and all other parties involved.

9. Introductory comments included that the bilateral air services arrangements system had served the international community well. Industry presentations stressed that current regulatory arrangements, which were developed primarily for outbound and return international passenger services, were not well suited to the unidirectional and diffuse nature of international air cargo flows. Air cargo is growing faster than passenger volume and air cargo-specific arrangements are required.

10. Industry representatives indicated a preference for pursuing liberalisation through progressive changes in aviation-specific arrangements rather than through WTO/GATS action. Industry supported liberalisation and changes along the lines the OECD Secretariat had outlined. Most Member country participants supported the need for regulatory reform but views differed on whether amendment of existing bilateral agreements or development of a new multilateral air cargo agreement would be the better approach. The International Civil Aviation Organisation considered that existing arrangements, which are based on the Chicago Convention, were flexible enough to accommodate further change.

11. The Workshop addressed the principles for liberalisation identified in the OECD Secretariat documentation, devoting time to discussion of the key issues. There was some questioning of the scope of the reforms outlined, including whether they should encompass air carriers or all air cargo service providers, consumer protection, and go beyond principles to outline detailed provisions on customs and ground handling. The Workshop agreed that the issues should continue to be examined.

12. Industry representatives requested that the actions taken reflect the strong support from the trade that had been demonstrated at the Workshop. Almost all Member country participants confirmed their support for the work being continued through the OECD forum. The Workshop called on the OECD Secretariat to continue its work in this area, taking into account detailed comments provided at the workshop and afterwards on the documentation prepared. There was recognition of the importance of consultation and liaison with APEC and other parties on a number of possible liberalisation initiatives.