



**DIRECTORS GENERAL OF CIVIL AVIATION - ICAO EUROPEAN AND NORTH ATLANTIC
REGIONS**

2023 MEETING (EUR/NAT-DGCA/2023)

(Paris, France, 20 June 2023)

Agenda Item 4: ICAO Updates

AIR TRANSPORT UPDATES

(Presented by the Secretariat)

SUMMARY

This information paper provides updates on the economic and traffic forecasts at global and EUR/NAT levels as well as updates on ICAO's work related to air transport liberalization.

1. Introduction

1.1 The Economic Development of Air Transport is one of the five Strategic Objectives of ICAO. It aims at fostering a sound and economically viable civil aviation system that provides the freedom to travel affordably, enhances economic efficiency and transparency, facilitates access to funding and financing for aviation infrastructure development, promotes technology transfer and capacity building to support the growth of air transport for the benefit of all stakeholders as well as providing various economic analyses required for air navigation capacity and infrastructure planning, environmental protection, and the efficiency of the air transport system. The Organization has therefore continued to support States by ensuring that policy and guidance materials in the field of air transport economics remain current.

1.2 This paper presents the air traffic recovery trend from the COVID-19 pandemic and traffic forecasts at both global and EUR/NAT levels. It also provides an update on ICAO's work related to air transport policy and regulation as well as infrastructure management.

2. Discussion

Air traffic recovery from the COVID-19 pandemic and traffic forecasts

2.1 The year 2022 has been marked with much stronger recovery in air travel compared to 2021. In particular, international travel has gained significant momentum after a long period of traffic decline. According to ICAO's Economic Impact Analysis of COVID-19 on Civil Aviation, in 2022, seat capacity offered by airlines recovered to around 80 per cent of the pre-pandemic levels, and the number of passenger traffic recovered to over 70 per cent (<https://www.icao.int/sustainability/Pages/Economic-Impacts-of-COVID-19.aspx>).

2.2 Traffic recovery in Europe showed slightly more resilience compared to the world average pace, with total passenger traffic recovering to around 75 per cent of the pre-pandemic level. International and domestic passenger traffic in Europe recovered to approximately 72 and 80 per cent, respectively. The cargo traffic in 2022 recorded 99 per cent of the 2019 level.

2.3 Current estimates for air cargo in 2022 can be compared to 2021 levels, while showing a marginal growth compared to the pre-pandemic level. The pace of growth for air cargo is however expected to be lower in 2023, given the slowing global economic growth, although long-term air cargo growth remains in line with previously estimated trend that indicates a strong long-term growth.

2.4 ICAO forecasts that air passenger demand in 2023 will rapidly recover to pre-pandemic levels on most routes by the first quarter and that growth of around 3 per cent higher than 2019 figures will be achieved by year end. Looking further ahead, air passenger demand in 2024 is expected to be stronger, at around 4 per cent higher than 2019. In terms of Compound Annual Growth Rate (CAGR), this translates to a growth of 0.7 per cent over the 2019-2024 period.

2.5 Passenger traffic in Europe is expected to track the forecast of global recovery closely, reaching 92 per cent of 2019 levels by the end of 2023. The traffic for the region is forecasted to be 3.5 per cent higher than 2019 by the end of 2024, translating to 0.9 per cent CAGR for the 2019-2024 period. International traffic is expected to grow at a slightly faster pace at 0.9 per cent compared to 0.7 per cent CAGR for domestic traffic during the same period.

Cooperation with Other UN Entities on Air Cargo Digitalization

2.6 COVID-19 drew much attention to the critical role played by global supply chains, including air cargo services. The demand for air cargo services to transport personal protective equipment, vaccines, as well as consumer goods and e-commerce by air showed the limits of the paper-based operating environment. To keep up with global demand while maintaining cargo safety, security, and efficiency, digitalization of supply chains is identified as a priority and the Montreal Convention of 1999 provides the legal basis for ICAO activities in this regard.

2.7 Recognizing that the supply chain is a multimodal environment of which air cargo is an important part, ICAO and the United Nations Economic Commission for Europe (UNECE) collaborated in developing the Multimodal Transport Reference Data Model of the UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT) so it can help Member States and industry achieve a number of benefits that are key to economic integration and development through trade. Among others, it can:

- a) allow for seamless data and document sharing along the supply chain in accord with existing ICAO provisions,
- b) boost interoperability in exchanges of safety, security, and operational information between various modes of transport, sectors, countries, and continents,
- c) limit person-to-person contacts and help improve the safety of international transport and trade in the face of the pandemic and other crises, and
- d) generate efficiency gains in global trade to advance economic development goals.

2.8 Over the course of developing the deliverables, ICAO was contacted by the European Commission (DG MOVE) to discuss how the innovative digital tools being developed through this collaboration could help in implementing the EU Electronic Freight Transport Information (eFTI) Regulation, which comes into effect in 2025. The eFTI implementers now refer to these deliverables the possible foundation for global interoperability. In May 2023 ICAO, alongside the European Commission, supported Member States implementation by contributing to the UNECE 14th International Capacity-Building Seminar on Trade and Transport Facilitation that was held in Baku, Azerbaijan. The major objective of the seminar was to link developers of international (UN) standards for multimodal data and document exchange in the supply chain with practitioners implementing digitalization, notably from Azerbaijan, Georgia, Kazakhstan,

Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Türkiye, Ukraine and Uzbekistan. One of the recommendations developed by the Seminar was to increase efforts to include aviation stakeholders (e.g., ICAO, civil aviation authorities) in pilot projects and other activities through targeted capacity-building events.

Air transport liberalization

2.9 **ICAO’s Long-term Vision for International Air Transport Liberalization.** The recently held 41st Session of the ICAO Assembly (A41), urged all Member States to give regard to, and apply, the *ICAO Long-term Vision for International Air Transport Liberalization* in their policy-making and regulatory practices. ICAO has therefore embarked on enhancing dialogue and exchange of information amongst Member States and industry on liberalization of market access for passenger and air cargo services through various fora, including the annual ICAO Air Services Negotiation Event (ICAN) and the **World Air Services Agreement (WASA) database** (<https://data.icao.int/wasa>).

2.10 **Liberalization of air carrier ownership and control, operational flexibility for air cargo services and the operations of unmanned aircraft.** At the Sixteenth Meeting of the Air Transport Regulation Panel (ATRP/16) held in April 2022, the Panel discussed: (i) a revised draft Convention on Foreign Investment in Airlines to liberalize air carrier ownership and control; (ii) whether there is a need for a specific international agreement to facilitate further liberalization of air cargo services; and (iii) whether there is a need to develop guidance material on economic regulation of international operations of unmanned aircraft. Based on the Panel’s recommendations and the Air Transport Committee’s (ATC) endorsement of those recommendations, the A41 subsequently requested:

- a) continuation of the work to progress the development of the Convention on Foreign Investment in Airlines;
- b) examination of whether there is a need to consider the development of a specific international agreement to facilitate further liberalization of air cargo services; and
- c) conduct of in-depth assessment on whether there is a need to develop guidance for economic regulation of international operations of unmanned aircraft system and for the ATRP to liaise with other ICAO Panels and expert groups on relevant aspects of the subject matter.

2.11 **Response to crisis.** At the 41st Session of the ICAO Assembly, the Council was requested to prepare guidelines in order to provide States with the flexibility to temporarily respond to international crises, whilst protecting the integrity of air services agreements, facilitating the continuation of traffic during a crisis and ensuring a return to “normal”. The task is currently being addressed by the ATRP.

Competition

2.12 **Compendium of Competition Policies and Practices.** As recommended by the Sixth Worldwide Air Transport Conference (ATConf/6) and by the ATRP, ICAO produced the Compendium on Competition Policies and Practices, which is available online (<https://www.icao.int/sustainability/Compendium/Pages/0-default.aspx>). The Compendium contains useful information on States’ competition policies, laws and regulatory practices in the field of competition. It also holds information on competition cooperation engaged by regional organisations. In encouraging effective information sharing, States and regional organizations are encouraged to share with ICAO updates on their respective competition policies and practices.

Consumer protection and Emergency Response Planning

2.13 **The Convention for the Unification of Certain Rules for International Carriage by Air (Montréal Convention of 1999) and ICAO Core Principles on Consumer Protection.** At the 41st Session of the ICAO Assembly, Member States that had not yet become parties to the Montréal Convention were urged to consider doing so. To date, 139 States are signatories to the Montréal Convention. States and concerned stakeholders were encouraged to give due regard to and apply the ICAO Core Principles on Consumer

Protection in policy-making, regulatory and operational practices, including in cases of massive disruptions impacting aviation. Member States were also encouraged to keep ICAO informed of the experiences gained or issues encountered in their application.

2.14 **Compendia on consumer protection.** In promoting information sharing among Member States, ICAO continues to update the Compendium on Consumer Protection (<https://www.icao.int/sustainability/Pages/ConsumerProtectionRules.aspx>) and Compendium on States' Emergency Response Plan (<https://www.icao.int/sustainability/ERP/Pages/Compendium.aspx>). Both Compendia respectively contain information from 193 States on national regulatory regimes related to consumer protection and best practices in the matter of response to and coordination of massive airport/airline disruption.

Infrastructure management

2.15 ICAO continues to make efforts in aviation infrastructure development, including developing and updating policies and guidance on the charging for airports and air navigation services and the funding and financing of aviation infrastructure. The Eighth Joint Meeting of the Airport Economics Panel and the Air Navigation Services Economics Panel (AEP-ANSEP/8), held in December 2021, has further progressed the work on these aspects.

2.16 **Update of ICAO guidance on air navigation services economics.** A comprehensive review was made to the *Manual on Air Navigation Services Economics* (Doc 9161), aiming at providing updated guidance on the charging for air navigation services and economic and financial management.

2.17 **New guidance and tools to support investment decisions on financing aviation infrastructure.** A new standalone *Manual on Economic and Financial Analyses for Aviation Infrastructure Projects* (Doc 10170) was developed to provide detailed guidance on how to conduct economic and financial analysis for the evaluation of costs and benefits of aviation infrastructure projects.

2.18 **Development of guidance on funding for the provision of services to civil aviation.** Work is ongoing to address the cost recovery for the provision of aeronautical meteorological (MET) services and the provision of space weather information services. Work is also ongoing to assess the economic aspects of the unmanned aircraft systems (UAS) and explore possible funding mechanisms to support its operation.

2.19 **Modernization of Tariffs for Airports and Air Navigation Services (Doc 7100).** Continuous enhancement is made to the online application of Aero Tariffs (<https://data.icao.int/aerotariffs>), which converts the paper-based Doc 7100 into a web tool. The application provides an analytical platform in the formulation and benchmarking of airports and air navigation services charging scheme.

2.20 **Review of ICAO's Policies on Charges for Airports and Air Navigation Services.** Work is ongoing on the review of ICAO's policies on charges contained in Doc 9082 through a Working Group established at the AEP-ANSEP/8. An in-person meeting of the Working Group took place at the ICAO EUR-NAT Office from 22 to 25 May 2023.

3. Action by the Meeting

3.1 The meeting is invited to note the information provided.

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