



HERMES

AIR TRANSPORT ORGANIZATION

THE MAGAZINE

01 | JANUARY - MARCH 2018

HENRIK HOLOLEI

Interview with
European
Commission's
Director General
for Mobility
and Transport





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Vijay Poonoosamy
President
Hermes Air Transport Organization



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EDITORIAL



Dr Kostas Iatrou
Director General
Hermes - Air Transport Organization

Dear Hermes members,

I would like to welcome to the new way of communication of Hermes. Every three months you will have the opportunity to hear from your organization on their latest developments as well the latest developments of air transportation. This is your magazine and authors are mainly members of the organisation. ICAO and ACI have agreed to provide us with data that will be included in the magazine.

This year issues will focus on ownership and control in aviation. All the interviews and articles will be related to this topic. During ACI WAGA in Mauritius last October Hermes hosted a reception honoured with the presence of the Deputy Prime Minister of the country. In March we launched our annual Leaders Forum in Ekali.

Athens, Greece with the participation of important people of the air transport Industry; this is the first leg of our strategy to contribute to this Industry by providing it with recommendations. In June Hermes will host two receptions, in IATA AGM in Sydney (2 June) and in ACI WAGA in Brussels (18 June), thanks to the constant support of both IATA and ACI.

Your contribution is important for the success of Hermes.

Kostas



WELCOME



Vijay Poonoosamy
President
Hermes - Air Transport Organization

Welcome to this very first edition of your HERMES Magazine!

According to the WTTC, the Travel and Tourism sector generates more than 292 million jobs (1 in 10) and contributes almost USD 7.9 trillion (10.2%) to global GDP. It is therefore clearly in the vested interests of all to do what it takes to ensure that nothing is done to clip the wings of a sector that makes communities take off.

With the formidable growths of both passenger numbers (IATA forecasts that the number will double to 7.8 billion in 2036) and security threats, we must also ensure that everything is done to develop a strategic and holistic roadmap to promote the safe, secure, sustainable and seamless growth of Travel and Tourism.

Let us all work effectively together to promote and protect the Travel and Tourism chain recognizing that it can never be stronger than its weakest link.

I also invite you to contribute to the HERMES Magazine's efforts to make the Travel and Tourism chain stronger. Thank you and safe travels.

Vijay

2/01/2018

EAMONN BRENNAN TAKES OFFICE AS DIRECTOR GENERAL OF EUROCONTROL

Eamonn Brennan was appointed by the 41 Member States of EUROCONTROL to lead the organisation as its Director General from 1 January 2018. Before joining EUROCONTROL, Eamonn Brennan was the Chief Executive of the Irish Aviation Authority (IAA) where he was responsible for the provision of Air Traffic Management (ATM) services in Irish controlled airspace, aeronautical communications on the North Atlantic, and Air Traffic Control at the major Irish Airports, as well as the safety and security regulation of the Irish civil aviation industry. *Source: EUROCONTROL*



15/01/2018

NORWEGIAN SETS NEW RECORD TRANSATLANTIC FLIGHT TIME FROM NEW YORK TO LONDON BY A SUBSONIC AIRCRAFT

Norwegian has set a new record time for the fastest ever transatlantic flight by a subsonic passenger aircraft this week using the Boeing 787-9 Dreamliner. Norwegian flight DY7014 from New York JFK to London Gatwick on Monday 15 January completed the full duration of the flight in 5 hours and 13 minutes – the fastest transatlantic flight recorded on a subsonic commercial aircraft. The previous record was 5 hours and 16 minutes. The flight carrying 284 passengers departed New York at 11:44am and arrived at London at 9:57pm – 53 minutes early. *Source: Norwegian*

16/01/2018

SESAR PROJECT SHOWS HOW AIRCRAFT SEPARATION METHODS CAN INCREASE RUNWAY CAPACITY

EUROCONTROL successfully completed a SESAR real-time simulation with AustroControl (COOPANS) using an optimal runway delivery tool (ORD) supporting controllers to optimise aircraft separation on final approach.

The simulation also involved the participation of representatives from the SJU IAA, NATS, DSN, Thales, NAVIAR, LfV, Croatia Control and DFS who participated in briefings and observed exercises.

The simulation combined time-based separation (TBS) - a SESAR solution that replaces current distance separations with time intervals - with RECAT pairwise wake separations under mixed mode runway operations.

17/01/2018**ICAO: CONTINUED PASSENGER TRAFFIC GROWTH AND ROBUST AIR CARGO DEMAND IN 2017**

A new record 4.1 billion passengers were carried by the aviation industry on scheduled services in 2017, according to the preliminary figure, released today by the International Civil Aviation Organization (ICAO). This indicates a 7.1% increase over 2016. The number of departures rose to approximately 37 million globally, and world passenger traffic, expressed in terms of total scheduled revenue passenger-kilometres (RPKs), posted an increase of 7.6% with approximately 7.7 trillion RPKs performed. This growth is a slight improvement from the 7.4% achieved in 2016.

**22/01/2018****BOEING'S 787-10 DREAMLINER CLEARED FOR COMMERCIAL SERVICE BY FEDERAL AVIATION ADMINISTRATION**

Boeing [NYSE: BA] announced today the 787-10 Dreamliner received an amended type certificate (ATC) from the U.S. Federal Aviation Administration (FAA), clearing the airplane for commercial service. The awarding of ATC caps a successful flight test program that began in March 2017 and involved three flight test airplanes that accumulated about 900 test hours. Boeing's flight test program team took the airplanes through a series of tests to confirm the airplane's handling, systems and overall performance met internal requirements and certification standards to ensure safety of flight. [Source: Boeing](#)

**18/01/2018****EMIRATES ORDERS 36 A380S WORTH US\$ 16 BILLION**

Emirates, the world's largest international airline, today announced a US\$ 16 billion (AED 58.7 billion) deal for 36 additional Airbus A380 aircraft, with 20 firm orders and 16 options. Emirates' A380 fleet operates both GE and Rolls-Royce engines, and the airline is evaluating engine options for its latest A380 order.

The additional Airbus A380s will be delivered to Emirates from 2020 onwards. Together with the airline's 101-strong A380 fleet and its current order backlog for 41 aircraft, this new order brings Emirates' commitment to the A380 programme to 178 aircraft, worth over US\$ 60 billion.

[Source: Emirates](#)**26/01/2018****100- TO 150-SEAT LARGE CIVIL AIRCRAFT FROM CANADA DO NOT INJURE U.S. INDUSTRY, SAYS USITC**

The U.S. International Trade Commission has made negative determinations in its final phase antidumping and countervailing duty investigations concerning 100- to 150-Seat Large Civil Aircraft from Canada.

Bombardier Statement on ITC Vote:

"Today's decision is a victory for innovation, competition, and the rule of law. It is also a victory for U.S. airlines and the U.S. traveling public. The C Series is the most innovative and efficient new aircraft in a generation. Its development and production represent thousands of jobs in the United States, Canada, and the United Kingdom. We are extremely proud of our employees, investors and suppliers who have worked together to bring this remarkable aircraft to the market. With this matter behind us, we are moving full speed ahead with finalizing our partnership with Airbus. Integration planning is going well and we look forward to delivering the C Series to the U.S. market so that U.S. airlines and the U.S. flying public can enjoy the many benefits of this remarkable aircraft."

28/01/2018

ESTABLISHMENT AND LAUNCHING OF A SINGLE AFRICAN AIR TRANSPORT MARKET (SAATM)

The Single African Air Transport Market will be formally established and launched on the 28 January 2018 on the margins of the African Union Summit in Addis Ababa, Ethiopia. Eligible airlines of the 23 countries are, effective this season, are entitled to conduct their business into the markets and fully operate the traffic rights provided for in the Yamoussoukro Decision. The launch event brings together the aviation industry in Africa and airline manufacturers to forge ahead the effective implementation of SAATM.

Objectives:

1. To commemorate the establishment and launching of the market, marking a notable milestone since the adoption of the Yamoussoukro Decision in 1999;
2. To gain insight into the exciting launch of SAATM from all stakeholders; and
3. To enhance publicity and global exposure on the establishment of the Single African Air Transport Market, a key AU Agenda 2063 flagship project – the first of the twelve flagship projects to be launched.

29/01/2018

QANTAS: THE WORLD'S FIRST US-AUSTRALIA DEDICATED BIOFUEL FLIGHT TAKES OFF

The world's first dedicated biofuel flight between the United States and Australia, QF96 from Los Angeles to Melbourne, is set to depart later today.

The historic trans-Pacific 15 hour flight will operate with approximately 24,000kg of blended biofuel, saving 18,000kg in carbon emissions.

Qantas will use biofuel processed from Brassica Carinata, a non-food, industrial type of mustard seed, developed by Canadian-based agricultural-technology company, Agrisoma Biosciences (Agrisoma). The flight is part of the partnership announced in 2017 which will also see the companies work with Australian farmers to grow the country's first commercial aviation biofuel seed crop by 2020.

31/01/2018

FIRST A321LR SUCCESSFULLY COMPLETES MAIDEN FLIGHT

Airbus' newest Single Aisle adds range up for transatlantic flight capability

Airbus' first A321LR(Long Range), MSN7877, has accomplished its maiden flight following a mission lasting 2 hours and 36 minutes. The aircraft powered by CFM Leap-1A engines is now set to undergo a nearly 100 hour flight test programme, including trans-Atlantic missions, for EASA and FAA Type Certification in Q2 2018. Entry into service is targeted for Q4 2018.

The aircraft's crew comprised: Experimental Test Pilots Yann Beaufilet and Peter Lofts as well as Flight Test Engineers Frank Hohmeister, Jim Fawcett, Cedric Favrichon and Cabin Specialist Alexander Gentzsch. During the flight, the crew tested the aircraft's flight controls, engines and main systems including flight envelope protections, both at high and low speed. [Source: Airbus](#)



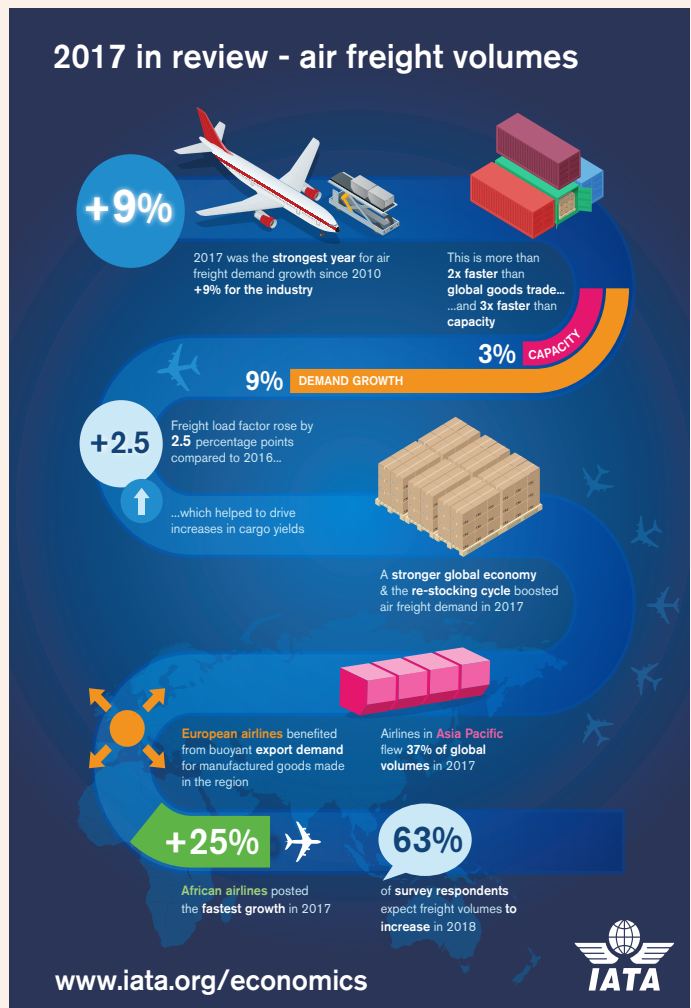
31/01/2018

IATA: AIR FREIGHT DEMAND UP 9% IN 2017, STRONGEST GROWTH SINCE 2010

The International Air Transport Association (IATA) released full-year 2017 data for global air freight markets showing that demand, measured in freight tonne kilometers (FTKs) grew by 9.0%. This was more than double the 3.6% annual growth recorded in 2016.

Freight capacity, measured in available freight tonne kilometers (AFTKs), rose by 3.0% in 2017. This was the slowest annual capacity growth seen since 2012. Demand growth outpaced capacity growth by a factor of three.

Air cargo's strong performance in 2017 was sealed by a solid result in December. Year-on-year demand growth in December increased 5.7%. This was less than half the annual growth rate seen during the middle of 2017 but still well above the five-year average of 4.7%. Freight capacity grew by 3.3% year-on-year in December. Full-year 2017 demand for air freight grew at twice the pace of the expansion in world trade (4.3%). This outperformance was a result of strong global demand for manufacturing exports as companies moved to restock inventories quickly. [Source: IATA](#)



1/02/2018

IATA: 2017 MARKED BY STRONG PASSENGER DEMAND, RECORD LOAD FACTOR

The International Air Transport Association (IATA) announced global passenger traffic results for 2017 showing that demand (revenue passenger kilometers or RPKs) for the year ended 31 December rose 7.6% compared to 2016. This was well above the 10-year average annual growth rate of 5.5%. While the rate of demand growth slowed to 6.2% in December 2017, compared to December 2016, this largely was owing to less favorable comparisons to the even stronger growth trend seen in the year-ago period. Full year 2017 capacity rose 6.3%, and load factor climbed 0.9 percentage point to a record calendar-year high of 81.4%.

16/02/2018

EASA PUBLISHES THE 2018-2022 EUROPEAN PLAN FOR AVIATION SAFETY

The European Aviation Safety Agency published the 2018-2022 European Plan for Aviation Safety (EPAS), which also includes the Agency's rulemaking programme. The EPAS, a key component of the European Aviation Safety Programme, provides a coherent and transparent framework for safety work at European level, helping the identification of major safety risks and defining the actions to take. It also supports the Member States of the European Union to implement their State Safety Programmes and facilitates the sharing of best practice and knowledge.

20/02/2018

QATAR AIRWAYS TAKES DELIVERY OF THE WORLD'S FIRST AIRBUS A350-1000

Qatar Airways today celebrated the delivery of the world's first Airbus A350-1000 as the aircraft's global launch customer before an audience of international media at the Airbus Delivery Centre in Toulouse, France. It is the first Airbus aircraft to be fitted with Qatar Airways' revolutionary Qsuite Business Class seat. *Source: Airbus*



H55 COMPLETES ITS FIRST FINANCING ROUND WITH NANODIMENSION

After building the 2 Solar Impulse electric airplanes and flying around the world, covering 42'000 km, Solar Impulse's Co-Founder André Borschberg together with several former colleagues, is now bringing electric propulsion to the world of aviation to make air transport cleaner, quieter, safer and more affordable. H55 has just completed its first VC financing round with NanoDimension, a Silicon Valley and Swiss based Venture Capital firm, to further develop the potential of electric propulsion for existing airplane designs and new aviation solutions such as flying cars, drones and VTOLs.

22/02/2018

IATA RELEASES 2017 AIRLINE SAFETY PERFORMANCE

The International Air Transport Association (IATA) released data for the 2017 safety performance of the commercial airline industry showing continued strong improvements in safety.

- The all accident rate (measured in accidents per 1 million flights) was 1.08, an improvement over the all accident rate of 1.68 in 2016 and the rate of 2.01 for the previous 5-year period (2012-2016).
- The 2017 rate for major jet accidents (measured in jet hull losses per 1 million flights) was 0.11, which was the equivalent of one major accident for every 8.7 million flights. This was an improvement over the rate of 0.39 achieved in 2016 and also better than the five-year rate (2012-2016) of 0.33.
- There were 6 fatal accidents with 19 fatalities among passengers and crew. This compares with an average of 10.8 fatal accidents and approximately 315 fatalities per year in the previous five-year period (2012-2016). In 2016 there were 9 fatal accidents and 202 fatalities.
- None of the 6 fatal accidents involved a passenger jet. Five involved turbo-prop aircraft and one involved a cargo jet. The crash of the cargo jet also resulted in the deaths of 35 persons on the ground, as well as the crew of the jet.

Aviation Safety in 2017
No passenger fatalities on jet aircraft

Global jet hull loss rate*

0.11

IATA Members jet hull loss rate*

0.00

IATA member airlines had zero fatal accidents

There was one major jet accident for every 8.7 million flights

19 accident fatalities in 41.8 million flights**

*Jet hull loss rate is measured in hull losses per million flights
**In addition 35 persons on the ground were killed in the crash of a cargo aircraft.



26/02/2018

IATA: AIM FOR 1 BILLION PASSENGERS TO FLY ON SUSTAINABLE AVIATION FUEL FLIGHTS BY 2025

The International Air transport Association (IATA) set out an aim for one billion passengers to fly on flights powered by a mix of jet fuel and sustainable aviation fuel (SAF) by 2025. This aspiration was identified on the tenth anniversary of the first flight to blend sustainable aviation fuel and ordinary jet fuel.

On 24 February 2008, a Virgin Atlantic Boeing 747 flew from London to Amsterdam with sustainable aviation fuel in one of its engines. The flight demonstrated the viability of drop-in biofuels, which can be blended with traditional jet fuel, using existing airport infrastructure. A flight completely powered by sustainable fuel has the potential to reduce the carbon emissions of that flight by up to 80%.



28/02/2018

AIRBUS: FIRST ULTRA LONG RANGE A350 XWB MAKES ITS DEBUT

The first Ultra Long Range version of the A350 XWB has rolled out of the Airbus final assembly line in Toulouse. The latest variant of the best-selling A350 XWB Family will be able to fly further than any other commercial airliner and will enter service with launch operator Singapore Airlines later this year. Altogether, Singapore Airlines has ordered seven A350-900 Ultra Long Range aircraft, which it will use on non-stop flights between Singapore and the US, including the world's longest commercial service between Singapore and New York. [Source: Airbus](#)

06/03/2018**ACI WORLD ANNOUNCES THE WORLD'S TOP AIRPORTS FOR CUSTOMER EXPERIENCE IN 2017**

Airports Council International (ACI) World announces the winners of the 2017 Airport Service Quality (ASQ) Awards. In 2017, over half of the world's 7.7 billion travelers passed through an ASQ airport.

This year an unprecedented sixteen airports are first time winners, challenging best-in-class airports in the delivery of top-quality customer service. This phenomenon reflects the increasingly competitive airport industry operating environment, where continuous service improvement is a key ingredient in business performance. Airports make the customer experience a high priority.

09/03/2018**TURKISH AIRLINES CLOSES AIRBUS AND BOEING ORDERS**

Turkish Airlines today announced on the PDP that, in order to insure the need for wide body aircraft, the Incorporation has decided to purchase 50 firm and 10 optional aircraft, a total of 60 wide body aircraft, of which 6 to be delivered in 2019, 14 in 2020, 10 in 2021, 12 in 2012, 11 in 2023 and 7 in the year 2024. According to this, a total of 30 B787-9 aircraft, of which 25 firm and 5 optional, will be purchased from Boeing and a total of 30 A350-900 aircraft, of which 25 firm and 5 optional will be purchased from Airbus.

13/03/2018**BOEING RECOGNIZED BY GUINNESS WORLD RECORDS™ FOR 10,000TH 737**

Thousands of Boeing (NYSE: BA) employees gathered at the company's Renton, Wash. factory today to celebrate the 10,000th 737 to come off the production line. With this airplane, a 737 MAX 8 for Southwest Airlines, the 737 has broken the GUINNESS WORLD RECORDS title for the most produced commercial jet aircraft model.

14/03/2018**IATA INNOVATES DANGEROUS GOODS HANDLING**

The International Air Transport Association (IATA) has launched an innovative new solution for the air cargo industry: Dangerous Goods AutoCheck (DG AutoCheck) that will enhance safety and improve efficiency in the transport of dangerous goods by air and support the industry's goal of a fully digitized supply chain.

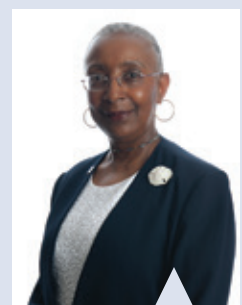
15/03/2018**ICAO COUNCIL ADOPTS NEW AMENDMENT ENABLING MORE INTEGRATED AND RESPONSIVE GLOBAL AIR TRAFFIC MANAGEMENT**

In an important step toward a more integrated and responsive global air traffic management (ATM) system, the ICAO Council, during its ongoing 213th Session, has adopted a new amendment to Annex 15 to the Convention on International Civil Aviation (Chicago Convention) covering Aeronautical Information Services.

16/03/2018**ACI WORLD CALLS FOR THE SLOT ALLOCATION SYSTEM TO BE REFORMED BY THE AVIATION COMMUNITY ON AN EQUAL BASIS**

Angela Gittens, Director General of Airports Council International (ACI) World, has today addressed aviation leaders at the CHIASA conference in Mexico City.

Gittens spoke on the challenges facing the world's airports including aviation security, airport infrastructure financing, ownership structures, and the environment. Gittens called for continued collaboration on these issues which will help facilitate aviation to continue generating meaningful value as a major contributor to global economic prosperity.



16/03/2018**BOEING 737 MAX 7 COMPLETES SUCCESSFUL FIRST FLIGHT**

Boeing's [NYSE: BA] new 737 MAX 7 successfully completed its first flight today. The airplane remains on schedule and now begins a comprehensive flight test program leading to certification and delivery in 2019.

Source: Boeing

**21/03/2018****BOEING DELIVERS FIRST 737 MAX 9**

Boeing [NYSE: BA] and the Lion Air Group today celebrated the very first 737 MAX 9 to be delivered. The airplane will go into service with Thai Lion Air, where its added capacity will help the airline launch several international routes.

IATA EXPANDS ITS MONTREAL HEAD OFFICE OPERATIONS WITH THE ADDITION OF KEY FINANCIAL SERVICES FUNCTIONS

The International Air Transport Association (IATA) announced it is increasing its Montreal headquarters operations with the expansion of its Financial and Distribution Services (FDS) division. The move is expected to grow IATA's employment in Montreal to more than 400 with the addition of 27 full-time jobs—some newly created, others relocated from Geneva, Switzerland.

24/03/2018**2018 AIR TRANSPORT AWARDS – EMIRATES, SINGAPORE CHANGI AIRPORT, ABDUL WAHAB TEFFAHA AND JEFF POOLE AMONG THE WINNERS**

Continuing the tradition of hosting the award ceremony in exclusive and landmark places, this year ceremony took place in the iconic Burj Al Arab.

The ceremony started with a concert with the distinguished pianist, Mrs Evgenia Votanopoulou.

In particular, the winners by category are as follows:

-Manufacturer of the Year:

Bombardier

-Service Provider of the Year: SITA

-Airport of the Year under 20 Million Passengers:

Athens International Airport

-Airport of the Year above 20 Million Passengers: Singapore Changi Airport

-Airline Alliance of the Year: Star Alliance

-Airline of the Year: Emirates Airline

-Editor Choice Award - Individual:

Catalin Radu

-Editor Choice Award - Corporate: Air Arabia

-“Katerina & George Iatrou” Lifetime

Achievement Award: Abdul Wahab Teffaha, Secretary General, AACO

-Leader of the Year: Jeff Poole, Director General, CANSO

Source: Air Transport Awards



24/03/2018**QANTAS STARTS HISTORY-MAKING FLIGHT DIRECT TO LONDON**

Qantas' first Perth to London flight has taken off, marking the start of the only direct air link between Australia and Europe – and the fastest way of traveling between the two continents.

The history-making QF9, carrying more than 200 passengers and 16 crew, pushed back just before 7pm on Saturday evening and will land in London at 5am on Sunday.

Operated by a Boeing 787-9, the flight reduces total travel time by eliminating stopovers and taking advantage of the most favourable winds on any given day without having to factor in a mid-point in the Middle East or Asia when choosing a flight path.

25/03/2018**BOEING DELIVERS WORLD'S FIRST 787-10 DREAMLINER TO SINGAPORE AIRLINES**

Boeing (NYSE: BA) and Singapore Airlines today celebrated the delivery of the first 787-10 airplane, the newest and largest member of the Dreamliner family and a jet that will set a new global standard for fuel efficiency.

About 3,000 people marked the milestone at Boeing's facility in North Charleston, South Carolina where the latest 787 model is manufactured.

Source: Boeing

**28/03/2018****DELTA AND KOREAN AIR TO LAUNCH WORLD-CLASS JOINT VENTURE PARTNERSHIP**

Delta Air Lines and Korean Air will launch a new joint venture partnership that will offer customers world-class travel benefits across one of the most comprehensive route networks in the trans-Pacific market.

The joint venture has now been approved by regulatory authorities in the U.S. and Korea, including the U.S. Department of Transportation and the Korean Ministry of Land, Infrastructure and Transport.

**DELTA****KOREAN AIR**



On the occasion of the 2017 ACI Africa and World Annual General Assembly in Mauritius Hermes hosted a reception with the presence of the Deputy Prime Minister of Mauritius, **Ivan Collendavelloo**. During the event **Tan Sri Bashir Ahmad**, **Datuk Mohd Badlisham bin Ghazali** Managing Director of MAHB and **Olivier Jankev** Director General of ACI Europe become members of Hermes.



From left: **Dr Kostas Iatrou**, Director General of Hermes - Air Transport Organization, **Datuk Mohd Badlisham bin Ghazali** Managing Director of MAHB & **Vijay Poonoosamy**, President of Hermes - Air Transport Organization



From left: **Frederick Piccolo**, Chief Executive Officer and President of Sarasota Manatee Airport Authority & **Declan Collier**, CEO of London City Airport



From left: **Vijay Poonoosamy**, President of Hermes - Air Transport Organization, **Angela Gittens**, Director General of ACI, **Ivan Collendavelloo**, Deputy Prime Minister of Mauritius, & **Dr Kostas Iatrou**, Director General of Hermes - Air Transport Organization



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2018

HERMES LEADERS FORUM Ownership and Control in Aviation

Friday 2 March 2018 · Ekali · Greece





Air transport promotes freedom of movement and brings people closer together. Yet the providers of this freedom, the airlines, operate in a cage of regulatory complexities second to no other international industry. One of these complexities is the “ownership and control clause” found in international air services agreements and most national (or regional - EU) legislation alike. Ownership and Control (O&C) restrictions, by the way applicable only to airlines and no other part of the aviation value chain (airports, manufacturers etc), have caused airlines some headaches:

First, the restrictions prevent cross-border mergers which are an important component to expansion, consolidation of operations and growth in any other industry. Airlines have had to make do with (awkward) structures of joint ventures and airline groups (even within the EU where actually O&C has been fully liberalised). This was the only way to achieve economies of scale and expand networks to better accommodate consumer demands but does not replace or

fully realise the potential and benefits of full mergers.

Second, the airline industry is highly cost intensive, characterised by cyclical demands, vulnerability to external shocks, and low profit margins compared to other industries. These difficulties are aggravated by the EU air carriers’ limited access to financing. For some airlines securing capital from foreign investors is vital to their survival. Limiting foreign investment also negatively impacts transfer of know-how to the EU airline business and may deprive EU passengers from stronger competition.

In light of all this, why stick to the O&C restrictions? What purpose do they still serve today? And what impact would their removal or liberalisation have on the industry, workers and consumers?

Some of the arguments put forward in favour of maintaining O&C restrictions are: the maintenance of traffic rights under bilateral air service agreements, providing a clear identity and link to a regime of national labour law and safety and security oversight, preventing “abuse” of traffic rights by nationals of States that

do not have rights under the governing air services agreement.

The Forum will provide a good opportunity to explore these arguments as well as the impact of O&C restrictions on changes in the aviation market. For example, an interesting current development is the effort at international level to promote recognition and acceptance of clauses that focus on the principal place of business of air carriers rather than their ownership and control. At the same time however, new business models based on reducing operating costs by outsourcing have arguably eroded the notion of principal place of business in the EU. What is the experience in other parts of the world?

Is O&C the only remaining element giving airlines an identity allowing a strong link to safety, security and social oversight? Must the liberalisation of O&C go hand in hand with the creation of a new concept of regulatory control? What would this look like? How can national and international authorities provide the best business environment for airlines while ensuring the highest standards in quality and safety to passengers?

2018 HERMES LEADERS FORUM: OWNERSHIP AND CONTROL IN AVIATION | PROGRAM

<p>09:00–09:30 Registration</p>	<p>12:00–13:15 SESSION 2 – THE INDUSTRY POSITION AND CHALLENGES – Part 1 Moderator John Hanlon, <i>Head of International Government and Industry Relations, Norwegian</i></p>
<p>09:30–09:35 Welcome Address Dr Kostas Iatrou, <i>Director General, Hermes – Air Transport Organization</i></p>	<p>PANEL Abdul Wahab Teffaha, <i>Secretary General, AACO</i> Dr Yiannis Paraschis, <i>CEO, Athens International Airport</i></p>
<p>09:35–10:00 Keynote Speech Filip Cornelis, <i>Acting Aviation Director, DG Mobility and Transport, European Commission</i></p>	<p>13:15–14:30 Lunch</p>
<p>10:00–11:30 SESSION 1 – SETTING THE SCENE Moderator Professor Andreas Papatheodorou, <i>Editor-in-Chief, Journal of Air Transport Studies</i></p> <p>PANEL Pavel Telicka, <i>Vice President, European Parliament</i> Salvatore Sciacchitano, <i>Executive Secretary, ECAC</i> Rob Huyser, <i>Acting Director General for Civil Aviation, Netherlands</i></p>	<p>14:30–15:45 SESSION 2 – THE INDUSTRY POSITION AND CHALLENGES – PART 2 Moderator John Hanlon, <i>Head of International Government and Industry Relations, Norwegian</i></p> <p>PANEL Haydar Yalcin, <i>Deputy Director General, Turkish DGCA</i> Jeffrey N. Shane, <i>General Counsel, IATA</i> Mauro Oretti, <i>co-author of “Airline Choices for the Future”</i></p>
<p>11:30–12:00 Coffee break</p>	<p>15:45–16:30 Coffee break</p> <p>16:30–17:00 CONCLUDING SESSION – CONCLUSIONS AND THE WAY FORWARD Chair and Moderators</p> <p>17:00–19:00 Reception</p>

2018 HERMES LEADERS FORUM: OWNERSHIP AND CONTROL IN AVIATION

Friday 2 March 2018 • Ekali • Greece



From left:

Christos Petrou - CEO, FSF Mediterranean & Executive Director, EATEO

Robert Deillon - VP, Hermes - Air Transport Organization

Mario Nemeth - Director General, CAA Slovakia

Dr Kostas Iatrou - Director General, Hermes - Air Transport Organization



From left:

Alexandre Zinell - CEO, Fraport Greece

Theresa Cissell - Manager, Qatar Airways

Dr Kostas Iatrou - Director General, Hermes - Air Transport Organization

Abdul Wahab Teffaha - Secretary General, AACO



From left:

Dr Kostas Iatrou - Director General, Hermes - Air Transport Organization

Pavel Telicka - Vice President, European Parliament

Jeffrey Shane - General Counsel, IATA



From left:

Mario Nemeth - Director General, CAA Slovakia

Salvatore Sciacchitano - Executive Secretary, ECAC

Haydar Yalcin - Deputy Director General, Turkish CAA

Rob Huyser - Acting Director General for Civil Aviation, Netherlands

2018 HERMES LEADERS FORUM: OWNERSHIP AND CONTROL IN AVIATION

Friday 2 March 2018 • Ekali • Greece



From left:

Prof Andreas Papatheodorou - Editor-in-Chief, Journal of Air Transport Studies*

Rob Huyser - Acting Director General for Civil Aviation, Netherlands

Salvatore Sciacchitano - Executive Secretary, ECAC

Pavel Telicka - Vice President, European Parliament

Dr Kostas Iatrou - Director General, Hermes - Air Transport Organization



From left:

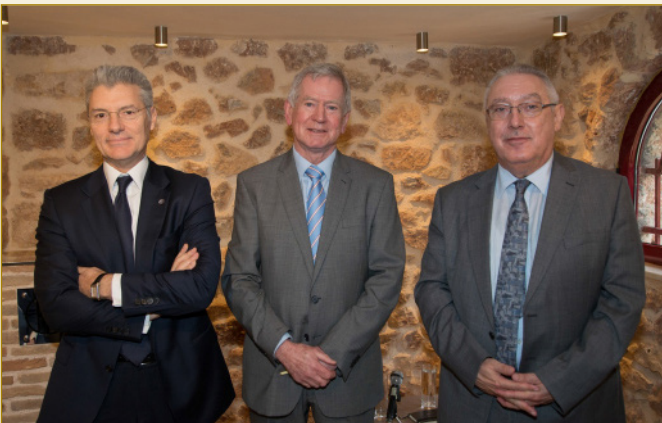
Jeffrey Shane - General Counsel, IATA

John Hanlon - Head of International Government and Industry Relations, Norwegian

Mauro Oretti - co-author of "Airline Choices for the Future"

Haydar Yalcin - Deputy Director General, Turkish CAA

Dr Kostas Iatrou - Director General, Hermes - Air Transport Organization



From left:

Dr Yiannis Paraschis - CEO, Athens International Airport

John Hanlon - Head of International Government and Industry Relations, Norwegian

Abdul Wahab Teffaha - Secretary General, AACO



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Concert by Yiannis Iatrou (left) & George Iatrou (right)



REPORT

Keynote Speaker: **Filip Cornelis**

There are good prospects in aviation industry nowadays and IATA expects that passengers will double.

The key to survival for airlines is to have access to capital. However, there are currently many restrictions regarding ownership and control in the aviation industry.

Alliances serve the second best solution for airlines with a strong desire for cooperation and closer consolidation. Such cooperation is formed mainly through bilateral agreements as airlines in the international level have limited choices and alternatives regarding ownership control and cooperation.

One of the main reasons that airlines need foreign investments is the fact that airlines need to secure access to financial capital so as to be able to be competitive in the market by offering lower fares and expanding their profitability.

In the European Union the majority of stakeholders of airlines are in favor of liberalization. One of the options having today is the full relaxation of all restrictions regarding ownership and control. An idea forwarded is that the nationality of each airline should be determined by its principal place of business.



Session 1: **SETTING THE SCENE**

Moderator: **Prof. Andreas Papatheodorou**
(Editor-in-Chief, Journal of Air Transport Studies)

Choosing between relaxing constraints or not is of strategic importance and should be examined and evaluated carefully.



Pavel Telicka *(Vice President, European Parliament):*

The topics of legislation and competition in the aviation industry are highly political and sensitive. The reality is different however, as restrictions are imposed not only in EU but also in other areas. Implications on the restrictions in ownership and control should be carefully reflected and analyzed and even with certain guidelines it won't be still so easy to do.

Similarly, it is not at all easy for the European Commission to detect who is controlling all those constraints and barriers, but as long as guidelines are provided, there may be progress regarding finding who are behind the control in aviation industry.



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We should not care about “who owns what”, instead, it is service that really matters along with prices and the environmental and social aspects.

Bilateral agreements should be made on time in order to help consolidation and access to capital.

ICAO is the place for this opportunity and the organization that provides certain leadership. On the other hand, there are several obstacles that prevent that kind of freedom such as social factors including jobs. The political courage is needed in order to go on.

Salvatore Sciacchitano (*Executive Secretary, ECAC*):

“Why there is this kind of rule and restrictions in aviation sector and not in the maritime or the railway sector?”

A common rule in aviation was that the control of an airline by the state had to be at least at the portion of 49%. But nowadays, air transport reflects to a great extent privatization and competition but designation is really difficult.

The European Union plays a significant and leading role in the liberalization process. Although it is crucial that progress is seen in the next few years, the economic market should not be prejudiced.

ICAO has made several reflections on liberalizing the market based on multilateral agreements.

The designation issue is really crucial and needs to be examined not only at the level of individual countries and airline but again on the international level. However, addressing the issue does not mean that there will be “open doors” to “the flags of convenience”.

ICAO should consider the real change that should be made and should move forward by creating compatible conditions for the globalization of the aviation market.

A good step forward is to progress internally and to propose conventions that may facilitate regional agreements.

Liberalization should be promoted and applied but always with regard to safety, consumer rights, environmental protection etc.

International aviation is a global phenomenon which is the reason why there should be a global agreement. Therefore, a way should be found to apply freedom. However, there is lack of confidence. Even when agreeing between two regions, agreement between more countries will come afterwards. We should work all together to create the conditions for a global decision.

Rob Huyser (*Acting Director General for Civil Aviation, Netherlands*):

In the past, the aviation industry and the governments were strategically aligned but this has now become a core challenge because the current aviation industry has been moved on in its effort to seek new ways and new alternatives for cooperation.



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Globalization has pushed and enabled the aviation to change and develop making the current prevailing rules outdated.

In the European Union, several external aviation policies have been developed they include bilateral agreements which are partly liberalized. The aim of the entire liberalization of the aviation sector may seem too ambitious but ICAO works for it and we should remain positive whatever the current outcome of these efforts that have been concluded in bilateral and regional agreements for now may be. Real and drastic decisions should be taken between the industry and the states by merging the aviation policies with the state concerns and by convincing the public that such a progress is good and beneficial is essential.

IATA can apply freedom through concentric circles and convergence.

Freedom in skies should be promoted and applied but at the same time we should have in our minds security, safety and any sociopolitical damages.

Session 2: THE INDUSTRY POSITION AND CHALLENGES – PART 1

Moderator: **John Hanlon**
(Head of International Government and Industry Relations, Norwegian Panel)

Due to globalization and liberalization, there are several restrictions reviewed by regulators who may now enable and facilitate interesting opportunities. Liberalization could increase competition.



Abdul Wahab Teffaha *(Secretary General, AACO)*

There several obstacles as regulators and political agents create safety rights for businesses not for consumers. The current trend goes towards more liberalization that is driven by people, not businesses.

Regulators need to “push the envelope” and make a change and at the same time set the rules on how airlines should compete in the market and how consumers should be protected.

On the other side, airlines tend to operate through alliances and joint ventures in order to maximize control over the market and minimize competition.

A safety net should be created to protect customers not businesses from the market forces.



Dr Yiannis Paraschis (CEO, Athens International Airport)

Liberalization indeed appeals to more investments and attracts international capital. Aviation is a growing industry which needs not only the appropriate infrastructure but also a capital that may be difficult to reward and manage. Private airports attract more traffic but currently 75% of all airports worldwide are still public. In Europe, liberalization can lead to the formation of investor groups and both airlines and airports are able to deliver returns but the cost of capital may be increased.

Regulators should consider the consumers in order to secure a healthy and environmentally sustainable market.

All airlines still remain “national” despite the various long-haul routes expansions and connectivity is not yet as strong and developed as it could have been.

Above all, the priority should be the safety of people and then economy, liberalization and environmental impact will be examined and developed.



Session 3: THE INDUSTRY POSITION AND CHALLENGES – PART 2

Moderator: **John Hanlon**
(Head of International Government and Industry Relations, Norwegian Panel)



Haydar Yalcin (Deputy Director General, Turkish DGCA)

Even if the market conditions are positive, politicians do not like taking more risk by eliminating restrictions. However, liberalization leads in the creation of more jobs.

Ownership and control are sensitive but the same holds true for strategic issues that have social, political, commercial and technical management effects.

Politicians should take critical decisions and the timing is really important. Liberalization may be initially applicable at the regional level.



2018 HERMES LEADERS FORUM: OWNERSHIP AND CONTROL IN AVIATION

Jeffrey N. Shane (*General Counsel, IATA*)

The concept of effective control is of vital importance and is currently a big problem as the priority is being shifted towards security and safety. Effective control needs surgical reconstruction in the aviation industry which is the sector with the most regulations compared for example to maritime sector.

Foreign investments are really essential but complexities such as the “national flag” are important for governments.



Mauro Oretti (*Co-Author of “Airline Choices for the Future”*)

From the business perspective, removing restrictions can lead to increased profits, growth and more sales. However, from the regulatory perspective, governments are not harmonized yet as in reality their decisions are based on emotional elements and not on rational ones.



CONCLUSIONS

Foreign inward investment restrictions in the aviation sector do not exist in any other economic activity. Even within the aviation industry, they apply only to a single stakeholder in the value chain, namely airlines, while they do not apply to airports, ground handlers, IT providers, caterers and other concessionaires.

These restrictions are often “justified” by factors other than economic or based on misperceived effects on areas such as safety, security, defence, labor/social.

Why are those political concerns not justified in reality?

Safety, security and defence regulations and requirements would remain and apply under national jurisdiction, irrespective of the airline ownership structure.

Inward investment strengthens the airlines economic health, thereby enhancing and amplifying employment prospects and making airlines more attractive for future generations to work in.

On the other hand, there is a multitude of strong economic reasons to relax ownership and control restrictions.

New finance injection opportunities will allow new airlines to enter the market and incumbents to expand and improve their products, all to the benefit of the travelling public including enhanced connectivity, better value for money, higher convenience resulting from wider variety of service choice, greater ability to boost economic development, with positive externalities to all involved stakeholders.

Aviation facilitates globalisation and yet the industry is unjustifiably prevented from having free access to trans-border funding investment opportunities.

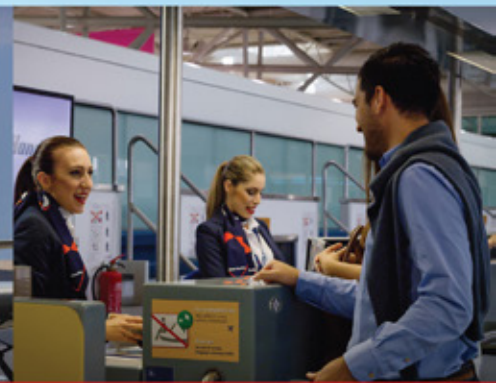
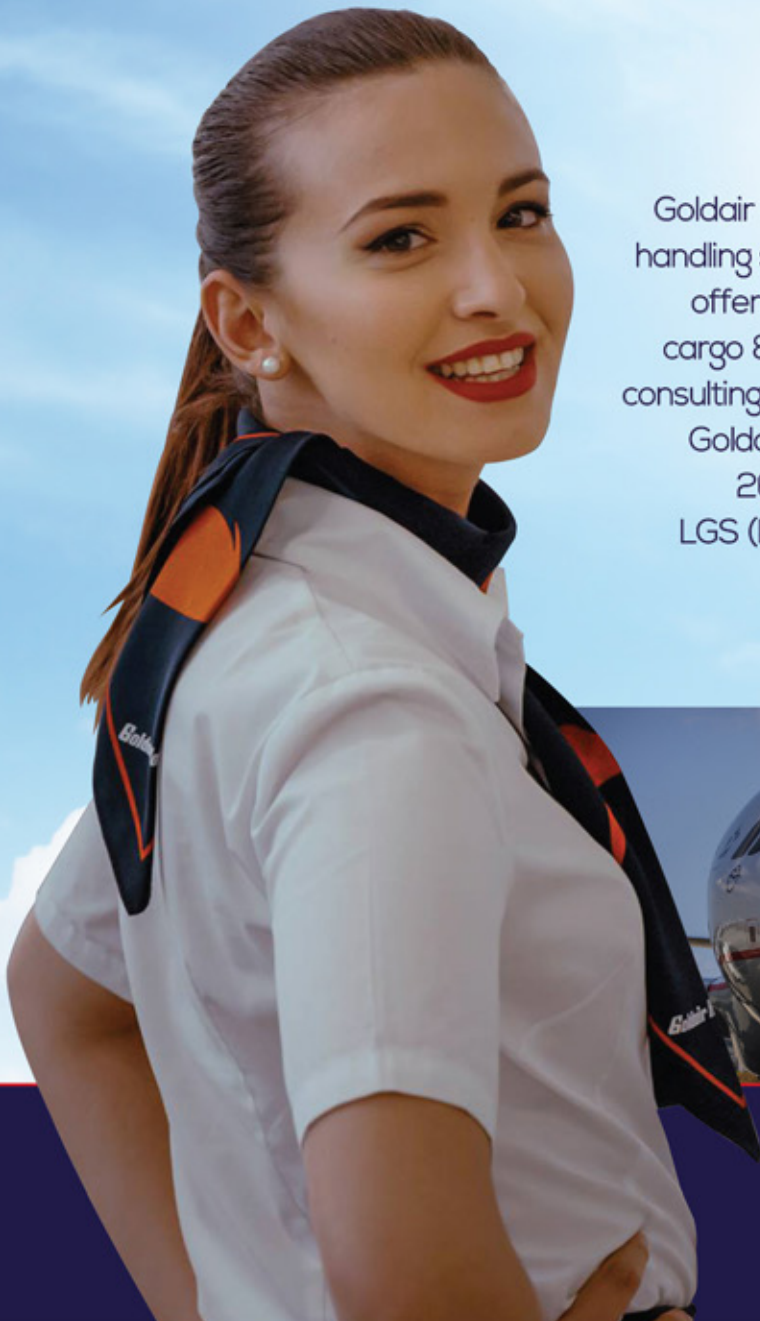
Strong consideration should be given to a step-wise relaxation of existing restrictions in the interest of a healthy and sustainable air transport sector not least to the direct advantage of consumers.



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HENRIK HOLOLEI

DG, for Mobility and Transport
European Commission

Is Ownership & Control giving airlines an identity and allowing a strong link to safety, security and social oversight?

Henrik:

In short, the answer is no. It is the DNA of the airlines which gives them an identity. As an example, if a French football club is owned by a third country national, does it make it less French and losing its identity? Well, the same can apply to aviation. If the airports' investments come mainly from third countries, are they less European than those owned or funded by the EU member states? I really do not think so.

Today, the restrictions in place are only for airlines and deprive airlines from access to the financing they need which also deprives the industry the creation of

real global multinational airlines. I think this debate is long overdue and I really don't see any reason why we keep these restrictions in aviation. I also believe that the ownership and control rules relaxation has nothing to do with safety, security or social aspects because all these are already embedded in the DNA of the airlines.

How can national and international authorities provide the best business environment for airlines while ensuring the highest standards in quality and safety to passengers?

Henrik:

First and foremost, the important thing is that capable oversight authorities are in place and these oversight authorities are making sure that the highest level of

safety is observed because safety is always the number one priority in aviation. At the same time, nowadays security has also moved up on the priorities list and needs to be of very high standard because people expect a safe and secure travel when they board a plane. There is no way to lower those standards so that's why you need the authorities to deliver the highest levels. Of course, for the business environment, you have different options and I believe that those States who treat aviation in a sensible manner are the ones which are getting the best results. What I mean by that is that there is no need to tax aviation more than any other industry. There is absolutely no need to put up restrictions. Many of the airports have fake capacity restrictions which are actually



the emergence of the aviation strategy which has helped to frame the key issues in relation to the European aviation industry as well as key challenges. But it varies also from one member state to the other and those member states that see aviation as a strategic asset are those that create the best conditions for that sector to grow.

Is the concept of a “EU aviation champion” relevant and important or is it just an excuse to justify protectionism and tolerate an abuse of dominant power?

Henrik:

I believe that first of all, protectionism is not an option. Europe opened up these markets 25 years ago and it has allowed aviation to grow and surpass 1 billion passengers. We are 26% of the world market, contributing 510 billion euros annually to the European GDP and supporting almost 10 million jobs. I think that this shows how the open markets have served Europe in terms of connectivity as well as in the interest of European citizens and businesses. Most importantly, we have also created competition in the market.

I don't believe in champions which are created artificially. Those champions emerge through competition and open markets. They are commercial and market-based but not artificial and we have already strong champions. We have airlines like Ryanair which is the largest European airline. We have also the Lufthansa group which is the largest airline group in Europe and very able to compete globally. So, those open markets are creating these champions. I don't think that this is something that the states should get involved.

Would the application of WTO rules make sense in aviation?

Henrik:

It hasn't been the case because the aviation sector hasn't been a part of the GATS agreement, but aviation sector is not completely excluded from the WTO rules. Manufacturers and a number of aviation services are subject to the WTO

not allowing them to use the available capacity. It is not really in the interest of anybody in the aviation sector.

We can also offer prospective business environment to airlines by allowing them to make use of the benefits of emerging third countries markets. For the EU, this means negotiating and signing comprehensive air transport agreements because they are the best tool to guarantee

a legally predictable framework for us, our partners and allowing our airlines to compete on global level

How strategic is the aviation sector considered in the context of the EU?

Henrik:

I would say that the importance of the aviation sector has definitely grown in the last years and this is also due to

rules. But the air transport services including traffic rights are outside of this scope and remain on a bilateral basis. Honestly, I don't think that there is much chance that this will change anytime soon. Many would also refer to the rule of the most favorite nation that stands in WTO as a strong obstacle and the majority of states remain attached to the concepts of bilateral agreements by which you can grant different market actions depending on the state you are concluding the agreement with. Having said all that, if aviation is brought under the WTO rules and the GATS, it will create the predictability and real multilateralism which can add value.

Why is aviation not a part of GATS and would its inclusion be a step in the right direction?

Henrik:

Inclusion in GATS may be a good objective in the long term but I believe that first and foremost we should try to reach an agreement in the context of the ICAO. This would be the first major step towards a global liberalization of air services.

It would be good but it is very unlikely that aviation can be brought under the GATS agreement but the EU is currently negotiating with ten countries, being the first block to block the agreement. So, we are also finding ways how to enhance our connectivity through this kind of multilateral agreements with good partners.

Do you believe that the relaxation of ownership and control rules should take place unilaterally in the EU (as in case of the EU-ETS) or in the context of a bilateral/multilateral negotiation agreement among different countries/regional blocks to ensure level-field playing?

Henrik:

First and foremost, what was one of the most important achievements of the liberalization of the EU's internal market was the liberalization of the ownership and control rules among the EU Mem-



ber States. Secondly, today in the EU we have one of the most liberalized ownership and control rule framework in the world. In Europe, third countries can own up to 49% of a European carrier, for example the figure in US is only 25%, in Japan 33% and in Brazil 20%. However, 49% is still a limitation that does not allow taking control over an airline and this can be an obstacle for investments. What is important is to understand that to fully relax the ownership and control rules in Europe and also to open up to non-EU investment would only be the half of the story. Given the international nature of air transport, we need a global agreement to allow us effectively liberalizing investment rules. Indeed, if countries A and B liberalize investment, then country C may still refuse flights by an airline of country A, if it is controlled by investors of country B. This might lead to a legal uncertainty for investment in airlines across jurisdictions, even where

rules have been liberalized unilaterally or bilaterally. Such investments might be prevented due to international constraints.

So, the problem is that bilateral agreements require actions to be undertaken at an international level to enable liberalization to investment rules to be truly effective. This is something which is also done at the moment in ICAO with the ATRP (Air Transport Regulatory Panel) but I don't feel that we are making too much progress. However, for me, the option of EU going alone and considering the relaxation of the ownership and control rules is something that we need to have a very thorough discussion about and I can see a lot of benefits but equally I can also sense a lot of resistance. To be able to move forward, a good discussion with arguments, pros and cons, need to be held to know how to take this issue forward. ↑



OWNERSHIP & CONTROL IN AVIATION

As highlighted in the conclusions of the 2018 Hermes Leaders Forum, only one of the aviation supply chain's main actors, namely airlines, is faced with limitations of foreign inward investment whereas they were the first to undertake the liberalisation process. The caps applied to foreign investment in airlines are a remnant of the history of air transport, when national air carriers were considered a State's key strategic asset. Thus, the introduction of restricted ownership and control clauses in Air Service Agreements, which still largely govern aviation relations today, was a reflection of these national security concerns about the foreign control of strategic resources. Today however, such restrictions appear to be conflicting with the progressive liberalisation that has been taking place in Europe since the deregulation packages (1987-1997) and today's trends towards privatisation.

SALVATORE SCIACCHITANO was appointed *Executive Secretary of ECAC* on 1 December 2010. He has spent his whole career in aviation. Mr Sciacchitano joined the Italian Airworthiness Authority (RAI) in 1980, where he held several managerial positions before becoming its Director General in 1996. Following the re-organisation of the civil aviation administration in Italy, he was appointed Deputy Director General of ENAC, the newly established Civil Aviation Authority, from 1999 to 2010. In this capacity, he coordinated ENAC's core activities in safety, airport, air traffic management and economic regulations. He was also Vice-President of the Italian Security Inter-Ministerial Committee.

At the international level, Mr Sciacchitano chaired the JAA Committee, represented Italy on EASA's Management Board and on EUROCONTROL Provisional Council, of which he was also Vice-President. He also taught several master's degree courses on aviation-related topics in various Italian universities.

Mr Sciacchitano was awarded the Paul Tissandier Diploma by the International Aeronautical Federation, the Personal Distinction Award by the Flight Safety Foundation – Mediterranean and the 2017 Lifetime Achievement Award by Air Transport News.

THE 49% OWNERSHIP AND CONTROL RULE FOR AIRLINES IN EUROPE: DOES IT REALLY WORK?

As part of the common aviation framework, the European Union introduced the concept of "European licence" as a licence granted to an airline by one of the Member States. With this licence, airlines are allowed to serve any intra-European route and, since 1997, also domestic routes. In order to obtain such a licence, the airlines should be 51%-owned by European citizens: "Member States and/or nationals of Member States own more than 50% of the undertaking and effectively control it, whether directly or indirectly through one or more intermediate undertakings, except as provided for in an agreement with a third country to which the Community is a party¹".

This ownership and control principle was designed as a reciprocity rule to

limit access to the European market to Europeans, in light of the fact that non-European countries typically maintain forms of market access restriction. The United States and Canada, for instance, currently allow a maximum share of 25% foreign ownership and effective control in national carriers². China stands at 35%³, Japan 33% and India only recent-

² To note, concerning the United States, a Bill seeking to increase caps on foreign ownership of United States commercial airlines from 25% to 49% has been introduced into Congress on 13 February 2018 ("Free to Fly Act"). The Canadian Government announced the cap would be risen up to 49% in 2018. China also announced it would make it easier for enterprises, either state or privately owned, to invest in its fast-rising aviation industry starting in January 2019 (with exceptions for some regional airports).

³ China also announced it would make it easier for enterprises, either state or privately owned, to invest in its fast-rising aviation industry starting on January 2019 (with exceptions for some regional airports).

¹ European Union Regulation (EC) No 1008/2008 L 293/6, Art 4.

ly agreed to raise the cap up to 49% (January 2018).

In Europe, several discussions have taken place to evaluate whether the ownership and control rule needs to be changed. The European Commission has clarified its interpretation, in particular with regard to the control of the company, and basically confirmed the rigidity of the 51% general rule.

Such interpretation can lead to question whether such limit remains timely in the current context. Indeed, the link between private capital and citizenship can appear very weak and, in some cases, difficult to establish. The shareholding of some European airlines, particularly in the case of the listed ones, shows that in some cases the control of the company could, at least in theory, be jointly managed by non-Europeans. In such a complicated context, the rule risks being ineffective.

Also, the 49% clause was designed to enable European airlines to compete symmetrically with other third-country airlines, thus avoiding the risk of a foreign company being able to acquire its European competitor, while the latter could not acquire the former. The core idea lies in defence of European companies and European interests, or at least of those airlines that emerge from the consolidation process.

Yet, the examples of the bankruptcy of Air Berlin and the financial crisis undergone by Alitalia in 2017, both 49%-owned by a non-European airline, lead to further questioning of the ownership and control rule as they contradict its expected



effect of consolidation and competition on the European market, especially in an environment with a progressive reduction of independent actors.

ICAO'S ROLE: LEADING THE VISION OF LIBERALISED GLOBAL AIR SERVICES

In the context of its long-term vision toward global air services liberalisation, ICAO can play a leading role in the process of relaxing the ownership and control rule for airlines worldwide. Indeed, ICAO's 38th Assembly requested the ICAO Council to develop an international agreement by which States could liberalise market access. An ICAO Working Group of the Air Transport Regulation Panel (ATRP) has been formed to develop the text for a global agreement.

Such multilateral agreement would help increase air connectivity, enabling wider economic benefits through increased investment, tourism, trade, and employment. This would also encourage innovation and business efficiency, and allow companies to attract high-quality employees. An ICAO convention on the matter would also help to reduce the com-

plexity of the international air services agreement system.

In May 2015, the ICAO Council adopted a long-term vision for international air transport liberalisation, to serve as a reference point and inspirational guide for Member States in their pursuit of the ultimate goal of liberalisation: *"We, the Member States of the International Civil Aviation Organization, resolve to actively pursue the continuous liberalisation of international air transport to the benefit of all stakeholders and the economy at large. We will be guided by the need to ensure respect for the highest levels of safety and security and the principle of fair and equal opportunity for all States and their stakeholders"*⁴.

In 2016, the 39th ICAO Assembly endorsed Resolution A39-15 which urges Member States to *«continue to liberalise air carrier ownership and control, according to needs and circumstances, through various existing measures such as waivers of ownership and control restrictions in bilateral air services agreements or designation provisions recognizing the concept of community of interest within regional or sub-regional economic groupings, and those recommended by ICAO»* and *«give consideration to the use of alternative criteria for airline designation and authorization, including those de-*

veloped pursuant to the recommendation of the Sixth Worldwide Air Transport Conference (ATConf/6), as endorsed by the Council and the Assembly, and after consultation with States. Adopted at the Council's fifth meeting of its 205th Session.

⁴ Developed pursuant to the recommendation of the Sixth Worldwide Air Transport Conference (ATConf/6), as endorsed by the Council and the Assembly, and after consultation with States. Adopted at the Council's fifth meeting of its 205th Session.



veloped by ICAO, and to adopt a flexible and positive approach to accommodate other States in efforts to liberalize air carrier ownership and control without compromising safety and security⁵».

The ATRP is currently discussing the possibility to develop a stand-alone convention on foreign investment in air carriers, while continuing the negotiations on a multilateral agreement on liberalisation of market access. A draft convention on investment could be discussed at the next ATRP meeting.

However, it should be noted that some countries, such as the United States, still have concerns on the effective control and would retain the possibility to deny authorisation to carriers owned by investors from specific countries.

COMPETITION AND OPPORTUNITIES AT A FAIR LEVEL

The analysis of the 49% rule is a long-standing but crucial issue. It sheds light on the difficulties of targeting a

⁵ Resolution A39-15, Consolidated statement of continuing ICAO policies in the air transport field, Appendix A, Section 2.

regional European competitive market in a globalised world. It thus represents a critical choice, but also a chance to explore broader targets and instruments of the EU aviation policy. However, the liberalisation of the ownership and control rule would be effective only if agreed at international level.

There is an overall trend in lifting the current limitation in the designation clause in order to attract cross-border investments, improve financial stability of airlines and the growth of air traffic in countries/regions affected. Some countries, such as Chile, have even replaced the ownership and control clauses with the notion of "principal place of business".

Although the concept itself has not been consolidated through a globally agreed definition, Chile, for instance, solely "requires that the airline's main residence and principal place of business is located in the Designating State", with "no legal or regulatory requirements that exist for establishing this link. Instead, the criterion stipulates that the air carrier must clearly have its principal place of business in Chile, which it must then prove through a given set of circumstances which, without being exhaustive, must include: the majority of the aircraft are

based in Chile; these aircraft are registered in Chile, their crew are Chilean and their maintenance is done in Chile⁶". Hence, the capital structure and nationality of the airlines are no longer taken into account and become an exclusive matter of internal legislation of the Designating State, which remains responsible for ensuring aviation safety and liability of airlines. The focus becomes to ensure the provision of adequate instruments for the airlines' sustainability allowing them to continue offering adequate services to the users.

Liberalisation of effective control seems to be the issue rather than the ownership. A new designation clause concept could consider the liberalisation of ownership and effective control, while retaining the "regulatory" control to ensure safety and security. In any case, it appears utterly timely and relevant to consider the relaxation of the existing restrictions in order to support and stimulate the growth and sustainability of the air transport industry. ↑

⁶ ATConf/6-WP/29: PROPOSAL FOR THE LIBERALIZATION OF AIR CARRIER OWNERSHIP AND CONTROL (presented by Chile).



LIBERALIZATION OF OWNERSHIP AND CONTROL – HOW QUICK AND HOW FAR FOR AFRICA?

CHRIS ZWEIGENTHAL

Chief Executive

Airlines Association Of Southern Africa



Liberalization of the skies and its evolution from the regulated environment of the 1944 Chicago Convention, continues to be one of the hottest discussion topics and the often expressed solution to the long term sustainability, profitability and success of the global aviation industry. Many States or regions within the USA, Europe, Asia, the Gulf, South America, have liberalized to varying degrees, with Africa probably making the least progress in this regard. Liberalization has been achieved largely through:

- Unlimited third and fourth freedom frequencies,
- multiple designation of airlines,
- free and fair competitive pricing,
- use of sixth freedom traffic rights,
- granting of fifth freedom rights (although this is still a contentious issue in several regions, not liberally implemented, and normally the subject of

negotiation between the interested parties), and

- the liberalization of ownership and control, the subject of this discussion.

Although liberalization is taking place between some States and within some African regions, the agreed implementation of a continental wide policy envisaged through the Yamoussoukro Declaration of 1988, thereafter the Yamoussoukro Decision (YD) of 1999, and now the recently launched Single African Air Transport Market (SAATM) of 2018, has not been realized.

The above perspective provides the context as to where Africa finds itself within the initiative of global liberalization of air transport including ownership and control. At the 39th ICAO Assembly held in 2016, there was no shortage of encouragement and the call to liberalize air transport. The Air Transport Regulation Panel (ATRP) was mandated to continue with its work in this area as well as

ownership and control, where the ATRP was encouraged to look at several options. One such option is the ATRP considering bringing in principal place of business and effective regulatory control as terms that could substitute designation based on nationality of airlines. It was noted that only a select number of States, mainly from South America, openly pushed for the removal of ownership and control restrictions whilst many States varying limits of foreign ownership of international airlines.

The extent of liberalization of ownership and control is therefore issue. Most States have policies limiting foreign ownership percentage to maximum levels ranging from 25% to 49% for international airlines. This model has worked in several jurisdictions in Australasia, Europe, South America and in Africa. For example, Ethiopian Airlines has a 49% share in Malawi Airlines and KLM has a 7.8% interest in Kenya Airways (reduced



from a previous 26% stake). However, widespread ownership investment has not taken place, probably due to investors not being able to take a majority stake in the airline. Without that control, investors could have concern over the security of their investment. Whilst there may be limited foreign investment in airlines as noted above, certain jurisdictions which advocate open skies, have not liberalized ownership and control, for example, the USA (maximum 25% foreign investment), the Gulf and some Asia jurisdictions which only permit minority ownership by foreign investors in their international airlines. From a World Economic Forum report 2016, only Chile was noted as allowing 100% foreign investment in its airlines.

The benefits for liberalization of ownership and control are clear. Taking Africa as an example, many African airlines are undercapitalized, and require financial restructuring and significant investment to implement turnaround strategies. Removing restrictions on ownership togeth-

er with effective control in the hands of a controlling interest would open the doors for investment, with opportunities for possible mergers and acquisitions across Africa, creating a base for the necessary growth and development of the industry.

Why is there a reluctance to relax ownership and control restrictions? The national pride and desire of States to retain control their national carriers is probably at the heart of retaining the status quo. In Africa, the YD does make provision for relaxing ownership and control conditions, but with renewed hope from the launch of the SAATM, States want to strengthen African Aviation through growth and development of an integrated network, and want their airlines to participate in this process. Foreign investors will invest in airlines based on commercial and business principles, not on sentiment. Long term commitment may not be guaranteed and this carries some risk for long term investment support. On this basis, some African States are probably reluctant to

relinquish control to foreign interests at this stage.

What is the way forward? ICAO cannot dictate policy on international aviation to States, but makes recommendations to States. To change policy on issues such as ownership and control, States need to be convinced of overriding benefits to the State to change their views and policy on ownership and control. Over the past 30 year journey of the Yamoussoukro Declaration, the YD and now the SAATM, numerous studies have shown the benefits of liberalization, but for several reasons, this has not been implemented. These include some States being concerned at the perceived potential negative impact of liberalization on their airlines and a fear that larger airlines will dominate a liberalized market. Resolving this impasse will need to be dealt with, and then ultimately, complete relaxation of ownership and control conditions will remain the final hurdle to full liberalization particularly in Africa. [↑]



OWNERSHIP & CONTROL

PIETER (J.TH.) ELBERS
President and Chief Executive Officer
KLM



KLM Royal Dutch Airlines was founded, almost 99 years ago, on the 7th of October 1919 by Dutch pioneers from the industry and banking sector. KLM visionary founder Albert Plesman dreamt of “*the ocean of the air that would connect all people*”. Due to the relatively small Dutch home market, and being surrounded by larger nations, KLM was forced to push the boundaries to develop this dream of ‘global connectivity’ into a powerful fundament of its business model.

Hence, it became the first airline to develop a strong hub and spoke network system to accommodate its ‘transfer’ passengers. A model thereafter applied broadly in the industry.

KLM continued pioneering when in 1997 it was the first airline to sign a Joint Venture agreement with Northwest, its former partner in the US. An alliance which was facilitated by the open skies agreement signed between the United States

and the Netherlands earlier in 1992. The connection between the two massive route networks of NW and KL enabled for example wide-body frequency levels of up to 5 times a day between Detroit and Minneapolis and Amsterdam. Something which was unimaginable before.

In the early 2000’s the merger of KLM and Air France was the daring first in its sort. In contrast to the United States, Europe is a body of independent Member States with each – at that moment – its own national airline. So where in the US consolidation in the aviation sector was already well in progress, Europe had been lagging behind barred by its old fashioned and political regulations of international ownership and control (O&C).

With its small home market and as much as 65% of transfer passengers, partnering has always been a cornerstone of KLM’s strategy. Collaboration with partners through joint ventures, code shares and the Sky Team Alliance currently ena-

bles KLM to effectively enhance its hub-and-spoke model strategy. These forms of cooperation are a successful alternative to mergers and acquisitions which are not always feasible, among other reasons, also due to the O&C regulations.

This worldwide network of connections is not only fundamental for the development of KLM, but also facilitated the growth of Schiphol as a mainport and helped the Netherlands to further develop as a thriving economic hub.

KLM is proud of its rich history of pioneering and connecting, but acknowledges that this history is no guarantee for a rich future. Together with its partner Air France, the Dutch airline is continuously pursuing new directions and innovative solutions to maintain its position as a leading European Airline Group. And it will have to drive this ambition in an environment which is in motion, and even being disrupted by innovations like consumer data analytics. Contrary to the expecta-

tions in the industry, for ownership and control regulations disruption has been witnessed much less so far.

The airline industry is reaching a new era in which relevance of proximity is eminent. IT and digital are becoming more and more part of the KLM brand and a strategic distinctive competitive advantage. Ever since the ash cloud in 2010, Social Media has been an area where KLM has proven to be a pioneer within the digital environment. To improve the customer personalization, the airline is focusing on servicing its customers not only in places where there is direct customer contact but also in other places where the customer is active. In this light, KLM will integrate the customer oriented digitization strategy between front-end and back-end. In the recent past, KLM has initiated successful partnerships with Facebook and WeChat. Going forward the airline will take further steps with third parties that have considerable consumer data to maximize the potential for its customers as well as for its internal processes.

Hence the speed of developments in technology and its effect on the airline industry and customer experience is expected to be massive. The latest game changer after the introduction of 6th freedom traffic, LCC and Gulf Carriers is really to be found in digitization, data and technology.

So what is expected to be the future of the O&C rules then?

A wide range of publications and conferences has been devoted to this question. One

to mention in particular is the June 2017 CAPA convention, where an industry debate around this topic has been organized which generated quite some interesting views and insights. There seems to be a growing consensus in the airline industry that the regulations on ownership and control of airlines, originating from the Chicago Convention of 1944, are outdated and should be liberalised. It's clear that governments in a number of regions have lowered restrictions, e.g. European Common Aviation Area, and that airlines have found ways to "circumvent" ownership and control rules. The 'traditional' alliances and joint ventures are rapidly being overtaken by other forms of consolidation: cross-border JV's, cross-border equity investments and immunized JV's. The intensified partnership between the AF/KL Group, Delta Airlines, China Eastern and Virgin Atlantic through mutual equity investments is proof of KLM's ambitions to remain at the forefront of these developments.

One of the reasons of the inability of the airline industry to earn its cost of capital until recently, is the fragmented market structure – or lack of consolidation - imposed upon it by the current ownership and control regulations. A demonstration of this is the recent disparity in profits between airlines in the US and Europe. The top 5 airlines in the US have 85% market share whereas for airlines in Europe this market share lies below 50%.

My personal view – in line with many participants and authors of CAPA - is that without these regulations more effective consolidation through cross-border mer-

gers and acquisitions would be possible causing efficient use and allocation of capital and capacity, and the elimination of duplicated costs. Although KLM is in good condition, further consolidation, and thus further liberalization of ownership and control regulations, is a pre-requisite for its long-term survival. This liberalization nevertheless has to happen simultaneously and multilaterally to prevent the phenomenon of 'free riding'; i.e. airlines benefitting from free market access to a foreign country while being protected through limited market access in their home country.

Collaboration and the ability to connect people have always been true Dutch pioneer traits, which has been evident over the course of KLM's almost 100 year history. This is visible in the various consolidation formats which KLM has undertaken with partners in the aviation industry but also in other parts of its strategy. Because disruptive forces will continue to change the outside world, the ownership and control barriers will disappear in the next 5 to 10 years. This will realize opportunities for new airlines to enter the industry, allow for adequate financing of the sector and consequently expand the investment possibilities of existing airlines in their products. All of these measures will contribute to an improved offer and experience for the end consumer: the customer. By embracing disruptive innovations and shaping them into effective strategies, KLM together with Air France will face these developments and will remain a true aviation pioneer in the next decade. ↑



EUROPEAN AIR TRANSPORT DEVELOPMENTS IN 2018

ULRICH SCHULT STRATHAUS
Managing Director,
Aviation Strategy & Concepts

THE LONG-TERM PERSPECTIVE

According to IATA, air passenger traffic will increase from nearly billion this year to nearly 8 billion in 2036. Based upon a Compound Annual Growth Rate of 3.6% on average. This is a reflection of the ability of an increasing number of traveler to afford a flight, as well as an increasing need for global connectivity.

Likewise Airbus forecasts that air traffic will double in the coming 15 years. This has significant implications. There will be a demand for 34,900 new aircraft by 2036, 34,170 passenger aircraft and 730 freighters, appr. 40% of passenger aircraft demand needed for replacement, and 60% for growth. Single-aisle represent 71% of units, and wide-bodies represent 54% of value. Asia Pacific will account for 41% of the demand, with the US and Europe together representing 36%.

In Europe alone, there will be 58.000 daily flights in European airspace daily by 2036, up from about 30.000 daily flights in 2018.

This increase in demand for air travel places significant burdens on regulators, manufacturers, infrastructure providers, in fact on the entire aviation value chain.

The purpose of the articles on this issue is to periodically review how regulators and the market is adapting and preparing to face the challenges which lie ahead. We begin with an overview of 1Q 2018. What has been the key concern for regulators?

1. THE IMPACT OF BREXIT ON AVIATION

The agreement in December 2017 between the UK government and the EU Negotiating Team had been that a consensus had been achieved on how to resolve the basic parameters of a deal on the conditions for the Brexit (treatment of expats in the EU and UK; the Ireland issue and a settlement on the financial transfers of the UK to the EU). However, in March, it became apparent that the UK would not accept the EU's suggested text for an agreement on Ireland, a text designed to safeguard the interests of the EU Member State Ireland. The EU thereupon froze further talks on resolving sector-specific issues.

This could have negative impact on aviation, given the increasing need to address the applicability of EASA measures in the UK once the UK is no longer a member of EASA, as well as the traffic rights between the UK and the EU Member States, before October 2018.

However, indications towards the end of March are that negotiators are showing signs of confidence that by summer there will be an agreement in principle on a soft UK-EU Open Sky Agreement which could, in due course, be fully opened whenever the UK economy recovers and the UK is sufficiently confident that it can cope with the new circumstances.

With respect to safety issues, both sides could, if necessary, draft some form of BASA for the UK-EU.

The EU Task Force has aviation near the top of its list, aviation can be resolved in time for the October signature of the 28-1 EU Treaty and the national ratifications can be initiated in time for the formal Brexit to kick in in March 2019. To date, therefore, the EU is prepared to provide for a satisfactory regulatory framework to ensure legal certainty and planning stability for aviation.

2. OWNERSHIP AND CONTROL PROVISIONS

This has been an issue of a Hermes Leadership Forum on 2 March. The EU Commission has initiated a Public Hearing in March which is due to end in June 2018; the consultation is designed to offer all interested individuals and corporations an opportunity to voice an opinion on whether and how these provisions could be modified to facilitate investments into the airline sector, and growth.

The provisions constitute a fundamental cornerstone of traditional bilateral air service agreements between governments to achieve consensus on the legal basis for commercial aircraft operators to penetrate the airspace of a sovereign state. In view of the globalization of the market, the level of sophistication of engine and airframe technology enabling narrow-body long-haul operations and the need for investments into this capital-intensive sector, voices have increasingly been raised calling for a liberalization of such provisions.


In 1992, the EU liberalized the provisions for traffic within the European Union; Member States agreed that key is not the majority ownership and effective control of a national, but of an EU

citizen or EU legal entity. Key is whether modifications can be agreed upon internationally.

The EU Commission has initiated a process which will take time to come to fruition, but is an essential cornerstone for a regulatory architecture for growth-oriented aviation.

3. MARKET DEVELOPMENTS

The European market is characterized by a gradual consolidation process. The large pan-European network airline groups, and the large pan-European low cost carriers have regained pricing power, but in view of the 120 airlines which still have, in their totality about 45% of the European market, the consolidation process is set to continue.

In the reporting period, the Acquisition of 24.9% of LaudaMotion by Ryanair was the most noteworthy event. Ryanair is known for its policy to grow by evolution, not through acquisitions. The change of policy makes sense given that Ryanair has sufficient aircraft, but an insufficient number of pilots, whilst the former NIKI, now LaudaMotion has the pilots but inadequate and insufficient aircraft. In the short-term, the acquisition makes sense. However, Ryanair has begun a new chapter in its history by engaging in collective labour agreements, and its management has yet to become acquainted with running an airline with unions; many pilots have left the airline, recruitment and providing for satisfactory conditions of employment for cockpit and cabin crew will therefore remain a short- to midterm challenge for Europe's leading low cost carrier. 



NOVEMBER 2017: Worldwide Traffic Results

Passenger traffic / Freight volumes (Summary)

	November 2017 over November 2016	Year to date 2017	12-month rolling year
PaxFlash			
International passenger	9.3	8.5	8.7
Domestic passenger	6.3	5.0	5.0
Total passenger	7.5	6.5	6.6
FreightFlash			
International freight	7.8	10.3	10.5
Domestic freight	7.7	3.4	3.2
Total freight	7.8	8.2	8.3

Regions	November 2017	YTD November 2017	YE thru November 2017
	% YOY	% YOY	% YOY
International passengers			
Africa	14.3	8.1	7.8
Asia-Pacific	12.9	8.1	8.2
Europe	9.0	9.9	10.1
Latin America-Caribbean	6.5	6.6	7.3
Middle East	3.0	5.3	5.6
North America	6.6	5.9	6.0
World	9.3	8.5	8.7
Domestic passengers			
Africa	4.2	0.8	0.7
Asia-Pacific	9.3	7.6	7.6
Europe	6.6	5.9	6.0
Latin America-Caribbean	2.5	3.8	4.2
Middle East	...	...	...
North America	4.6	3.0	2.9
World	6.3	5.0	5.0
Total passengers			
Africa	10.5	5.7	5.5
Asia-Pacific	10.6	7.8	7.8
Europe	8.1	8.8	9.0
Latin America-Caribbean	3.8	4.3	4.8
Middle East	3.5	5.1	5.5
North America	4.8	3.4	3.4
World	7.5	6.5	6.6

Traffic table definitions:

PASSENGER TRAFFIC: departing + arriving passengers

INTERNATIONAL: traffic performed between the designated airport and an airport in another country/territory

DOMESTIC: traffic performed between two airports located in the same country/territory

TOTAL: international + domestic passengers + direct transit passengers counted once (when breakdown is available)

Year-over-year percentage changes (% YOY) are calculated from a representative sample.

YOY Year-over-year same month comparison

YTD Year to date, starting Jan 2017 to November 2017, compared to same period in previous year

YE Year end, based on a rolling 12-month period, compared to the same prior 12-month period

► CONTINUED FROM PAGE 40



NOVEMBER 2017: Worldwide Traffic Results

Passenger traffic / Freight volumes

(Summary)

Regions	November 2017	YTD November 2017	YE thru November 2017
	% YOY	% YOY	% YOY
International freight			
Africa	...	...	...
Asia-Pacific	9.4	11.9	12.1
Europe	8.9	9.3	9.4
Latin America-Caribbean	5.1	6.7	7.0
Middle East	2.9	6.6	6.9
North America	5.1	10.9	11.2
World	7.8	10.3	10.5
Domestic freight			
Africa	...	...	...
Asia-Pacific	1.5	1.1	1.0
Europe	4.6	6.2	6.2
Latin America-Caribbean	11.5	1.5	2.3
Middle East	...	...	...
North America	11.6	4.7	4.5
World	7.7	3.4	3.2
Total freight			
Africa	14.7	14.3	13.4
Asia-Pacific	7.2	8.8	9.0
Europe	8.7	9.0	9.1
Latin America-Caribbean	6.9	5.2	5.6
Middle East	2.9	6.6	6.9
North America	8.9	7.4	7.3
World	7.8	8.2	8.3

Traffic table definitions:

FREIGHT TRAFFIC: loaded and unloaded freight; data in metric tonnes
INTERNATIONAL: traffic performed between the designated airport and an airport in another country/territory
DOMESTIC: traffic performed between two airports located in the same country/territory
TOTAL: international + domestic freight (when breakdown is available)
 Note: No domestic freight traffic is reported by airports in the Middle East and Africa regions.
 Year-over-year percentage changes (% YOY) are calculated from a representative sample.

YOY Year-over-year same month comparison
YTD Year to date, starting Jan 2017 to November 2017, compared to same period in previous year
YE Year end, based on a rolling 12-month period, compared to same prior 12-month period

DECEMBER 2017: Worldwide Traffic Results

Passenger traffic / Freight volumes (Summary)

	December 2017 over December 2016	Year to date 2017	12-month rolling year
<i>PaxFlash</i>			
International passenger	6.4	8.4	8.4
Domestic passenger	5.2	4.9	4.9
Total passenger	5.7	6.4	6.4
<i>FreightFlash</i>			
International freight	5.3	9.8	9.8
Domestic freight	3.9	3.6	3.6
Total freight	5.0	7.9	7.9

Regions	December 2017 % YOY	YTD December 2017 % YOY	YE through December 2017 % YOY
International passengers			
Africa	11.5	8.4	8.4
Asia-Pacific	9.5	8.4	8.4
Europe	6.0	9.6	9.6
Latin America-Caribbean	5.8	6.3	6.3
Middle East	0.2	4.8	4.8
North America	3.8	5.7	5.7
World	6.4	8.4	8.4
Domestic passengers			
Africa	6.6	0.8	0.8
Asia-Pacific	8.2	7.4	7.4
Europe	3.3	5.6	5.6
Latin America-Caribbean	2.3	3.7	3.7
Middle East	...	...	...
North America	4.0	3.1	3.1
World	5.2	4.9	4.9
Total passengers			
Africa	9.6	5.9	5.9
Asia-Pacific	8.7	7.8	7.8
Europe	5.2	8.5	8.5
Latin America-Caribbean	3.5	4.3	4.3
Middle East	0.7	4.7	4.7
North America	4.0	3.5	3.5
World	5.7	6.4	6.4

Traffic table definitions:

PASSENGER TRAFFIC: departing + arriving passengers

INTERNATIONAL: traffic performed between the designated airport and an airport in another country/territory

DOMESTIC: traffic performed between two airports located in the same country/territory

TOTAL: international + domestic passengers + direct transit passengers counted once (when breakdown is available)

Year-over-year percentage changes (% YOY) are calculated from a representative sample.

YOY Year-over-year same month comparison

YTD Year to date, starting Jan 2017 to November 2017, compared to same period in previous year

YE Year end, based on a rolling 12-month period, compared to the same prior 12-month period

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DECEMBER 2017: Worldwide Traffic Results

Passenger traffic / Freight volumes
(Summary)

Regions	December 2017 % YOY	YTD December 2017 % YOY	YE through December 2017 % YOY
International freight			
Africa	...	...	...
Asia-Pacific	6.5	11.4	11.4
Europe	5.1	9.0	9.0
Latin America-Caribbean	6.0	6.6	6.6
Middle East	2.1	6.0	6.0
North America	4.0	10.3	10.3
World	5.3	9.8	9.8
Domestic freight			
Africa	...	...	...
Asia-Pacific	0.5	1.0	1.0
Europe	2.5	6.6	6.6
Latin America-Caribbean	6.5	2.6	2.6
Middle East			
North America	5.7	5.0	5.0
World	3.9	3.6	3.6
Total freight			
Africa	9.3	12.4	12.4
Asia-Pacific	4.8	8.5	8.5
Europe	4.9	8.7	8.7
Latin America-Caribbean	6.1	5.4	5.4
Middle East	2.1	6.0	6.0
North America	5.4	7.3	7.3
World	5.0	7.9	7.9

Traffic table definitions:

FREIGHT TRAFFIC: loaded and unloaded freight; data in metric tonnes

INTERNATIONAL: traffic performed between the designated airport and an airport in another country/territory

DOMESTIC: traffic performed between two airports located in the same country/territory

TOTAL: international + domestic freight (when breakdown is available)

Note: No domestic freight traffic is reported by airports in the Middle East and Africa regions.

Year-over-year percentage changes (% YOY) are calculated from a representative sample.

YOY Year-over-year same month comparison

YTD Year to date, starting Jan 2017 to December 2017, compared to same period in previous year

YE Year end, based on a rolling 12-month period, compared to same prior 12-month period

JANUARY 2018: Worldwide Traffic Results

Passenger traffic / Freight volumes (Summary)

	January 2018 over January 2017	Year to date 2018	12-month rolling year
<i>PaxFlash</i>			
International passenger	5.8	5.8	8.2
Domestic passenger	4.3	4.3	4.7
Total passenger	4.9	4.9	6.3
<i>FreightFlash</i>			
International freight	7.0	7.0	9.6
Domestic freight	10.4	10.4	4.4
Total freight	8.0	8.0	8.0

Regions	January 2018 % YOY	YTD January 2018 % YOY	YE thru January 2018 % YOY
International passengers			
Africa	13.5	13.5	9.5
Asia-Pacific	5.2	5.2	7.8
Europe	7.3	7.3	9.6
Latin America-Caribbean	6.8	6.8	7.1
Middle East	(0.5)	(0.5)	4.0
North America	3.8	3.8	5.5
World	5.8	5.8	8.2
Domestic passengers			
Africa	7.3	7.3	2.0
Asia-Pacific	4.1	4.1	6.7
Europe	8.7	8.7	6.0
Latin America-Caribbean	2.8	2.8	3.4
Middle East	...	...	...
North America	3.1	3.1	3.0
World	4.3	4.3	4.7
Total passengers			
Africa	11.4	11.4	7.0
Asia-Pacific	4.4	4.4	7.1
Europe	7.6	7.6	8.6
Latin America-Caribbean	4.1	4.1	4.4
Middle East	(0.4)	(0.4)	3.9
North America	3.2	3.2	3.4
World	4.9	4.9	6.3

Traffic table definitions:

PASSENGER TRAFFIC: departing + arriving passengers

INTERNATIONAL: traffic performed between the designated airport and an airport in another country/territory

DOMESTIC: traffic performed between two airports located in the same country/territory

TOTAL: international + domestic passengers + direct transit passengers counted once (when breakdown is available)

Year-over-year percentage changes (% YOY) are calculated from a representative sample.

YOY Year-over-year same month comparison

YTD Year to date, starting Jan 2017 to November 2017, compared to same period in previous year

YE Year end, based on a rolling 12-month period, compared to the same prior 12-month period

▶ CONTINUED FROM PAGE 44



JANUARY 2018: Worldwide Traffic Results

Passenger traffic / Freight volumes

(Summary)

Regions	January 2018 % YOY	YTD January 2018 % YOY	YE thru January 2018 % YOY
International freight			
Africa	---	---	---
Asia-Pacific	8.7	8.7	11.3
Europe	8.2	8.2	9.0
Latin America-Caribbean	10.9	10.9	7.9
Middle East	0.7	0.7	5.4
North America	3.6	3.6	9.3
World	7.0	7.0	9.6
Domestic freight			
Africa	---	---	---
Asia-Pacific	7.4	7.4	2.1
Europe	9.1	9.1	6.0
Latin America-Caribbean	14.4	14.4	3.6
Middle East	---	---	---
North America	12.0	12.0	5.8
World	10.4	10.4	4.4
Total freight			
Africa	12.0	12.0	13.5
Asia-Pacific	8.3	8.3	8.8
Europe	8.1	8.1	8.8
Latin America-Caribbean	11.9	11.9	6.5
Middle East	0.7	0.7	5.4
North America	8.8	8.8	7.2
World	8.0	8.0	8.0

Traffic table definitions:

FREIGHT TRAFFIC: loaded and unloaded freight; data in metric tonnes

INTERNATIONAL: traffic performed between the designated airport and an airport in another country/territory

DOMESTIC: traffic performed between two airports located in the same country/territory

TOTAL: international + domestic freight (when breakdown is available)

Note: No domestic freight traffic is reported by airports in the Middle East and Africa regions. Year-over-year percentage changes (% YOY) are calculated from a representative sample.

YOY Year-over-year same month comparison

YTD Year to date, starting Jan 2018, compared to same period in previous year

YE Year end, based on a rolling 12-month period, compared to same prior 12-month period



ICAO

ECONOMIC DEVELOPMENT

JAN 2018: Air Transport Monthly Monitor

World Results and Analyses for NOV 2017. Total scheduled services
(Domestic and international)

Air Transport Bureau
E-mail: ecd@icao.int

<http://www.icao.int/sustainability/Pages/Air-Traffic-Monitor.aspx>

GLOBAL KEY FIGURES

NOV 2017
(versus NOV 2016)

RPK ▲ +8.0% ASK ▲ +6.8% FTK ▲ +8.8% LF: 80.2% ▲ +1.3 pts

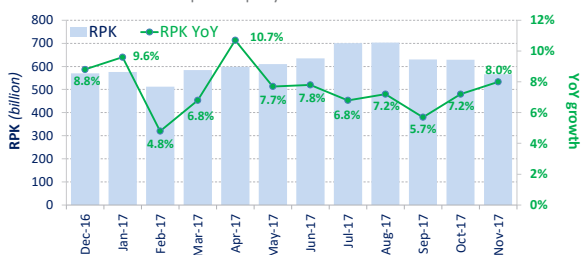
OUTLOOK* - DEC 2017
(versus DEC 2016)

ASK ▲ +6.4% * Source OAG

PASSENGER TRAFFIC

Revenue Passenger-Kilometres - RPK

World passenger traffic grew by +8.0% YoY in November 2017, +0.8 percentage points up from the growth in the previous month. The upward trend in passenger traffic strengthened since October. The three biggest regions in terms of passenger traffic, Asia/Pacific, Europe and North America, posted an acceleration in growth, with Asia/Pacific recording a robust double-digit increase. The Middle East experienced the biggest slowdown and became the slowest growing region. Domestic traffic in India and China continued to expand rapidly.



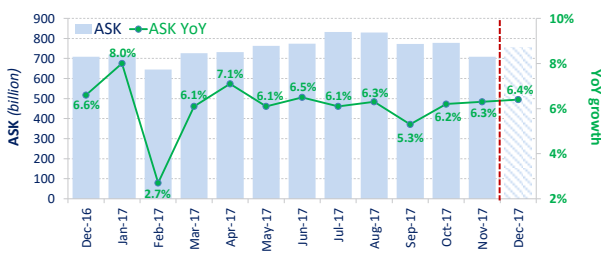
(Source: ICAO, IATA, OAG)

CAPACITY

Available Seat-Kilometres - ASK

Capacity worldwide increased by +6.3% YoY in November 2017, +0.1 percentage points higher than the growth in the previous month (+6.2%).

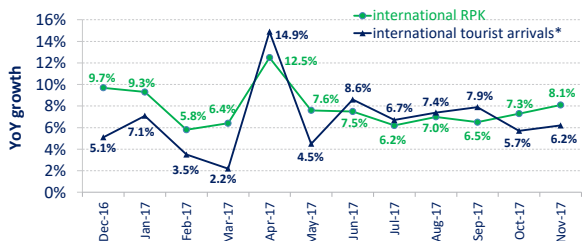
In response to the same level of passenger traffic demand, the expansion of capacity is expected to be at +6.4% in December 2017.



(Source: ICAO, IATA, OAG)

International Traffic vs. Tourist Arrivals

International passenger traffic grew by +8.1% YoY in November 2017, +0.8 percentage points up from the growth in the previous month. All regions posted an acceleration in growth, except for Latin America/Caribbean and the Middle East. Asia/Pacific remained as the fastest growing region and grew double-digitally. The growth of international tourist arrivals* followed a similar monthly trend.



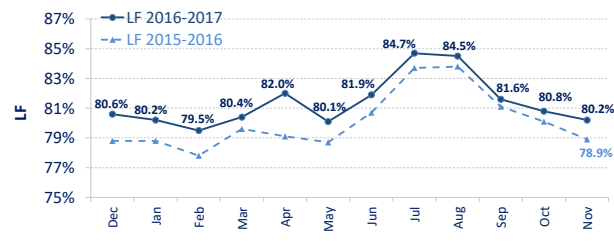
*UNWTO Definition

(Source: IATA, UNWTO)

Load Factor - LF

The passenger Load Factor reached 80.2% in November 2017, -0.6 percentage points lower than the LF recorded in the previous month.

Owing to the YoY traffic growth outpacing the capacity expansion, the November LF recorded +1.3 percentage points higher than the rate in the same period in 2016.



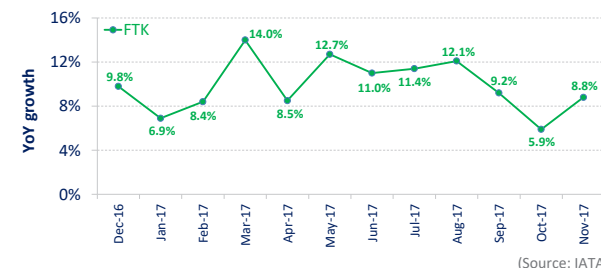
(Source: IATA)

FREIGHT TRAFFIC

Freight Tonne-Kilometres - FTK

World freight traffic grew by +8.8% YoY in November 2017, +2.9 percentage points up from the growth in the previous month. After experiencing a slowdown in October, the upward trend in freight traffic resumed, supported by the solid demand for export. All regions posted an acceleration in growth, with an exception of Africa which however continued to record the fastest growth, supported by the strengthening in trade between Africa and Asia/Pacific. Similar to passenger traffic, the Middle East posted the slowest growth among all regions.

Freight traffic growth outpaced the freight capacity expansion. As a result, the freight load factor exceeded its YTD rate by over +3.0 percentage points.



(Source: IATA)

ACRONYMS: ACI: Airports Council International; ASK: Available Seat-Kilometres; IATA: International Air Transport Association; FTK: Freight Tonne-Kilometres; LF: Passenger Load Factor; OAG: Official Airline Guide; RPK: Revenue Passenger-Kilometres; UNWTO: World Tourism Organization; YoY: Year-on-year; YTD: Year-to-date.

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ICAO

ECONOMIC DEVELOPMENT

JAN 2018: Air Transport Monthly Monitor

World Results and Analyses for NOV 2017. Total scheduled services (Domestic and international)

TOP 15 AIRPORTS (Ranked by aircraft departures, passengers and volume of freight)

NOV 2017: +2.3%, +6.5%, and +5.8% YoY in terms of aircraft departures, passengers and freight for the Top 15

NOV 17

Airports (ranking by number of departures)			Airports (ranking by number of passengers)			Airports (ranking by tonnes of freight)		
Airports	Departures	YoY	Airports	Passengers*	YoY	Airports	Freight**	YoY
Chicago IL, US (ORD)	35,685	↑ 2.0%	Atlanta GA, US (ATL)	4,302,991	↓ -0.1%	Hong Kong, CN (HKG)	466,000	↑ 6.9%
Atlanta GA, US (ATL)	35,289	↓ -1.5%	Beijing, CN (PEK)	4,051,737	↑ 7.5%	Memphis TN, US (MEM)	350,099	↓ -1.0%
Los Angeles CA, US (LAX)	27,838	↓ -2.4%	Tokyo, JP (HND)	3,525,896	↑ 1.1%	Shanghai, CN (PVG)	346,086	↑ 6.8%
Dallas/Fort Worth TX, US (DFW)	25,938	↓ -1.6%	Dubai, AE (DXB)	3,476,798	↑ 5.7%	Incheon, KR (ICN)	258,206	↑ 8.2%
Beijing, CN (PEK)	25,313	↑ 2.4%	Los Angeles CA, US (LAX)	3,392,987	↑ 4.5%	Anchorage AK, US (ANC)	253,155	↑ 5.2%
Denver CO, US (DEN)	22,610	↓ -0.6%	Chicago IL, US (ORD)	3,235,885	↑ 3.9%	Dubai, AE (DXB)	235,651	↑ 0.4%
Charlotte NC, US (CLT)	22,174	↓ -0.5%	Hong Kong, CN (HKG)	2,961,500	↑ 10.0%	Louisville KY, US (SDF)	232,796	↑ 12.2%
Shanghai, CN (PVG)	20,649	↑ 4.8%	London, GB (LHR)	2,961,053	↑ 3.5%	Tokyo, JP (NRT)	204,942	↑ 9.0%
Amsterdam, NL (AMS)	19,769	↑ 4.8%	Guangzhou, CN (CAN)	2,833,446	↑ 11.6%	Taipei, CN (TPE)	201,397	↑ 5.2%
Frankfurt, DE (FRA)	19,562	↑ 16.6%	Shanghai, CN (PVG)	2,819,407	↑ 9.4%	Singapore, SG (SIN)	191,700	↑ 10.7%
Guangzhou, CN (CAN)	19,466	↑ 6.3%	New Delhi, IN (DEL)	2,773,242	↑ 11.8%	Miami FL, US (MIA)	189,385	↑ 3.4%
London, GB (LHR)	19,274	↑ 1.9%	Dallas/Fort Worth TX, US (DFW)	2,713,315	↑ 5.3%	Frankfurt, DE (FRA)	189,180	↑ 4.8%
San Francisco CA, US (SFO)	19,091	↑ 5.0%	Jakarta, ID (CGK)	2,673,521	↑ 14.6%	Beijing, CN (PEK)	188,695	↑ 2.5%
New Delhi, IN (DEL)	18,989	↑ 6.8%	Amsterdam, NL (AMS)	2,590,376	↑ 10.2%	Chicago IL, US (ORD)	188,332	↑ 9.9%
Tokyo, JP (HND)	18,718	↑ 0.8%	Singapore, SG (SIN)	2,587,000	↑ 8.1%	Los Angeles CA, US (LAX)	184,484	↑ 7.6%

Note: Total scheduled and non-scheduled services

(Source: ICAO)

In terms of aircraft departures, the Top 15 airports reported an increase of +2.3% YoY. Decline was mainly observed in North America with five major airports posting slight decrease. Chicago remained at 1st with a moderate growth of +2.0%. Frankfurt recorded the highest increase by +16.6% compared to the low traffic due to strike in November 2016.

In terms of passengers, the Top 15 airports reported a growth of +6.5% YoY. Atlanta remained at 1st albeit with a decline of -0.1% due to the decrease in domestic traffic compared to the same period in 2016. Several airports recorded double-digit growth with Jakarta growing by +14.6%, followed by New Delhi (+11.8%), Guangzhou (+11.6%) and Hong Kong (+10.0%).

In terms of freight, the Top 15 airports reported a growth of +5.8% YoY. All the Top 15 airports recorded an increase, except for Memphis with a decline of -1.0%. The strongest growth was recorded by Louisville (+12.2%), followed by Singapore (+10.7%). Chicago continued to grow strongly owing to the expansion of new cargo facility.

TOP 15 AIRLINE GROUPS (Ranked by RPK)

NOV 2017: +7.3% YoY in terms of RPK for the Top 15

In terms of RPK, the Top 15 airline groups accounted for 48.2% of world total RPK in November 2017, and grew by +7.3% YoY. This growth was -0.7 percentage points lower than the world average on scheduled services. All the Top 15 airline groups posted YoY increases, with the exception of Qatar Airways.

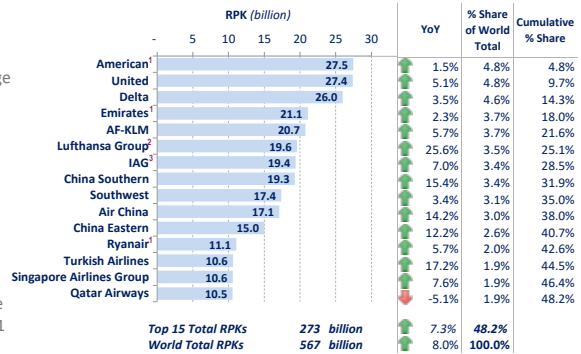
American ranked 1st with a moderate growth of +1.5%. United ranked over Delta becoming 2nd with a relatively stronger growth of +5.1%. Southwest remained at 9th and rose +3.4%.

Although all the Top 15 airlines experienced a lower traffic volume compared to October, the decline for Emirates was less significant, and the airline ranked 3 positions up to 4th, albeit with a moderate YoY growth of +2.3%. Qatar Airways was the only airline posting a decline of -5.1%, and ranked 15th.

Lufthansa continued to record the highest growth within the Top 15 by +25.6%, partly owing to the comparison with the strike related low traffic in the same period of 2016. AF-KLM and IAG ranked 1 position down to 5th and 7th with a growth of +5.7% and +7.0%, respectively. Turkish Airlines recorded the second strongest growth by +17.2% and ranked 13th.

Strong growth was observed for major airlines in Asia/Pacific with China Southern, Air China and China Eastern posting double-digit growth. Singapore Airlines ranked 14th with a growth of +7.6%.

NOV 17



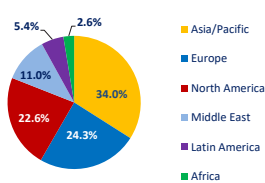
(Source: ICAO, airlines' websites)

Note: Total scheduled and non-scheduled services

CAPACITY BY REGION (ICAO Statistical Regions)

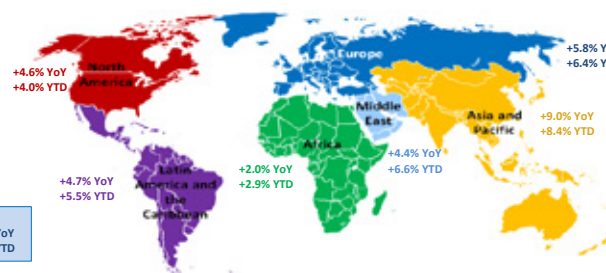
NOV 2017: +6.3% YoY in terms of World ASK

% Share of Capacity by Region



(Source: ICAO, IATA, OAG)

Note: Total scheduled services



All regions, except for Asia/Pacific and Europe, posted a lower capacity expansion in November 2017 with a +6.3% YoY increase in capacity worldwide. Asia/Pacific continue to record the fastest capacity expansion, and was the only region posting faster increase than the world average.

The world capacity expanded by +6.4% on the YTD basis.

* Embarked Passengers ** Loaded and Unloaded Freight in Tonnes 1. ICAO estimates 2. Lufthansa Airlines, Germanwings, SWISS, Austrian Airlines, Brussels Airlines, Sun Express, and Lufthansa Cargo 3. British Airways, Iberia, and Vueling

ACRONYMS: ACI: Airports Council International; ASK: Available Seat-Kilometres; IATA: International Air Transport Association; FTK: Freight Tonne-Kilometres; LF: Passenger Load Factor; OAG: Official Airline Guide; RPK: Revenue Passenger-Kilometres; UNWTO: World Tourism Organization; YoY: Year-on-year; YTD: Year-to-date.



ICAO

ECONOMIC DEVELOPMENT

FEB 2018: Air Transport Monthly Monitor

World Results and Analyses for DEC 2017. Total scheduled services
(Domestic and international)

Air Transport Bureau
E-mail: ecd@icao.int

<http://www.icao.int/sustainability/Pages/Air-Traffic-Monitor.aspx>

GLOBAL KEY FIGURES

DEC 2017

(versus DEC 2016)

RPK ▲ +6.2% ASK ▲ +5.8% FTK ▲ +5.7% LF: 80.7% ▲ +0.1 pt

OUTLOOK* - JAN 2018

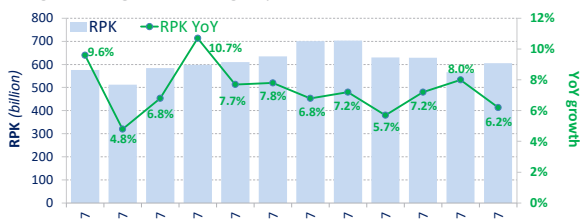
(versus JAN 2017)

ASK ▲ +6.0% * Source OAG

PASSENGER TRAFFIC

Revenue Passenger-Kilometres - RPK

World passenger traffic grew by +6.2% YoY in December 2017, -1.8 percentage points lower from the growth in the previous month. This was the third slowest rate after the distorted growth in February comparing to the leap year 2016 and disrupted traffic in September due to hurricanes. All regions posted a deceleration in growth. The fastest growing region continued to be Asia/Pacific while the slowest growing regions were Africa and the Middle East. Domestic traffic demand in India and China remained strong and both grew double-digitally.



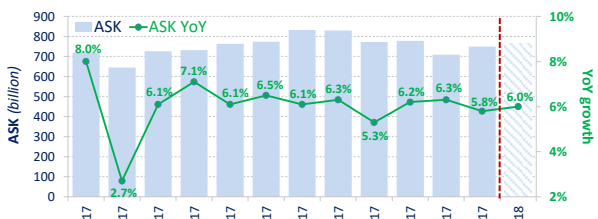
(Source: ICAO, IATA, OAG)

CAPACITY

Available Seat-Kilometres - ASK

Capacity worldwide increased by +5.8% YoY in December 2017, -0.5 percentage points lower than the growth in the previous month (+6.3%).

In response to the same level of passenger traffic demand, the expansion of capacity is expected to be at +6.0% in January 2018.

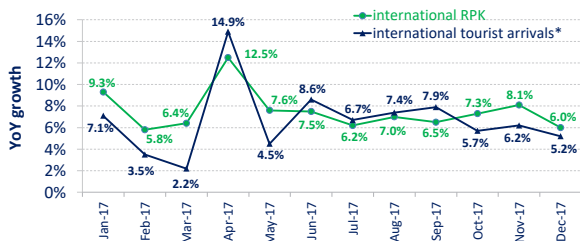


(Source: ICAO, IATA, OAG)

International Traffic vs. Tourist Arrivals

International passenger traffic grew by +6.0% YoY in December 2017, -2.1 percentage points lower from the growth in the previous month. All regions decelerated in growth, except for Latin America/Caribbean which recorded the second highest growth after Asia/Pacific.

The growth of international tourist arrivals* followed a similar monthly trend.



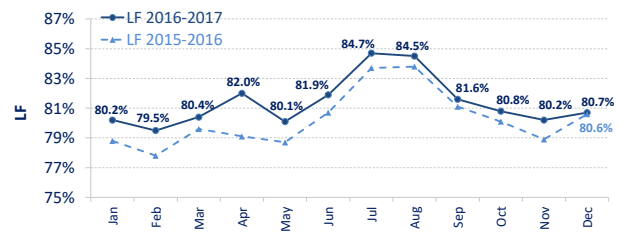
*UNWTO Definition

(Source: IATA, UNWTO)

Load Factor - LF

The passenger Load Factor reached 80.7% in December 2017, +0.5 percentage points higher than the LF recorded in the previous month.

The December LF was slightly higher than the rate in the same period in 2016.



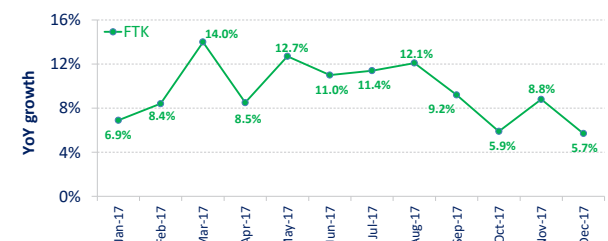
(Source: IATA)

FREIGHT TRAFFIC

Freight Tonne-Kilometres - FTK

World freight traffic grew by +5.7% YoY in December 2017, -3.1 percentage points lower from the growth in the previous month. This slowdown was partly due to the comparison with the strong traffic rebound observed in December 2016. The YTD growth of 2017 overall reached at +9.5%, a significant improvement from the +3.8% registered in 2016. Africa continued to record the fastest growth, supported by the strengthening in trade between Africa and Asia/Pacific. Latin America/Caribbean and Europe experienced the slowest growth among all regions.

Freight traffic growth outpaced the freight capacity expansion. As a result, the freight load factor exceeded its YTD rate by over +1.3 percentage points.



(Source: IATA)

ACRONYMS: ACI: Airports Council International; ASK: Available Seat-Kilometres; IATA: International Air Transport Association; FTK: Freight Tonne-Kilometres; LF: Passenger Load Factor; OAG: Official Airline Guide; RPK: Revenue Passenger-Kilometres; UNWTO: World Tourism Organization; YoY: Year-on-year; YTD: Year-to-date.

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ICAO

ECONOMIC DEVELOPMENT

FEB 2018: Air Transport Monthly Monitor

World Results and Analyses for DEC 2017. Total scheduled services (Domestic and international)

TOP 15 AIRPORTS (Ranked by aircraft departures, passengers and volume of freight)

DEC 2017: +3.8%, +4.3%, and +4.5% YoY in terms of aircraft departures, passengers and freight for the Top 15

DEC 17

Airports (ranking by number of departures)	Departures	YoY	Airports (ranking by number of passengers)	Passengers*	YoY	Airports (ranking by tonnes of freight)	Freight**	YoY
Atlanta GA, US (ATL)	34,714	↓ -4.3%	Beijing, CN (PEK)	4,059,843	↑ 3.7%	Hong Kong, CN (HKG)	462,000	↑ 6.2%
Chicago IL, US (ORD)	33,097	↓ -0.1%	Atlanta GA, US (ATL)	4,024,995	↓ -4.4%	Memphis TN, US (MEM)	375,692	↑ 0.6%
Los Angeles CA, US (LAX)	29,537	↓ -1.2%	Dubai, AE (DXB)	3,927,329	↑ 1.9%	Shanghai, CN (PVG)	326,054	↑ 1.7%
Dallas/Fort Worth TX, US (DFW)	27,515	↓ -0.2%	Los Angeles CA, US (LAX)	3,548,967	↑ 3.3%	Louisville KY, US (SDF)	274,776	↑ 5.5%
Beijing, CN (PEK)	25,826	↑ 0.8%	Tokyo, JP (HND)	3,313,273	↑ 1.0%	Incheon, KR (ICN)	249,849	↑ 6.3%
Denver CO, US (DEN)	23,516	↓ -1.1%	Hong Kong, CN (HKG)	3,202,500	↑ 4.2%	Anchorage AK, US (ANC)	245,846	↑ 7.1%
Charlotte NC, US (CLT)	22,982	↑ 1.1%	London, GB (LHR)	3,169,152	↑ 2.8%	Dubai, AE (DXB)	229,019	↓ -0.5%
Shanghai, CN (PVG)	21,131	↑ 3.9%	Chicago IL, US (ORD)	3,041,561	↑ 3.9%	Taipei, CN (TPE)	206,581	↑ 4.9%
New York NY, US (LGA)	20,938	↑ 39.9%	New Delhi, IN (DEL)	2,973,595	↑ 15.3%	Tokyo, JP (NRT)	202,867	↑ 5.2%
Newark NJ, US (EWR)	20,280	↑ 9.4%	Singapore, SG (SIN)	2,931,000	↑ 3.3%	Miami FL, US (MIA)	194,293	↑ 6.1%
Jakarta, ID (CGK)	20,175	↑ 8.8%	Jakarta, ID (CGK)	2,915,265	↑ 4.9%	Paris, FR (CDG)	191,000	↑ 6.7%
New Delhi, IN (DEL)	20,125	↑ 13.7%	Shanghai, CN (PVG)	2,914,086	↑ 8.8%	Singapore, SG (SIN)	188,700	↑ 6.4%
Guangzhou, CN (CAN)	20,080	↑ 5.3%	Guangzhou, CN (CAN)	2,858,102	↑ 10.0%	Beijing, CN (PEK)	187,369	↑ 0.3%
San Francisco CA, US (SFO)	19,841	↑ 8.2%	Kuala Lumpur, MY (KUL)	2,814,585	↑ 5.2%	Los Angeles CA, US (LAX)	179,720	↑ 5.2%
Houston TX, US (IAH)	19,476	↓ -1.2%	Bangkok, TH (BKK)	2,812,382	↑ 9.3%	Chicago IL, US (ORD)	177,750	↑ 10.8%

Note: Total scheduled and non-scheduled services

(Source: ACI)

In terms of **aircraft departures**, the Top 15 airports reported an increase of +3.8% YoY. Decline was observed in North America with six major airports posting decrease. **Atlanta** ranked 1st, however, posted a decline of -4.3% due to the power outage at the airport. **New York LaGuardia** recorded a substantial increase by +39.9%.

In terms of **passengers**, the Top 15 airports reported a growth of +4.3% YoY. **Atlanta** was the only airport experiencing a decrease in passenger traffic due to the power outage caused flight disruption. **Beijing** ranked over Atlanta became 1st albeit with a moderate growth of +3.7%. The strongest increase was recorded by **New Delhi** (+15.3%), followed by **Guangzhou** (+10.0%).

In terms of **freight**, the Top 15 airports reported a growth of +4.5% YoY. All the Top 15 airports recorded an increase, except for **Dubai** with a decline of -0.5%. **Hong Kong** remained at 1st with a solid increase of +6.2%. The strongest growth was recorded by **Chicago** (+10.8%), continually supported by the expansion of new cargo facility.

TOP 15 AIRLINE GROUPS (Ranked by RPK)

DEC 2017: +5.4% YoY in terms of RPK for the Top 15

In terms of RPK, the Top 15 airline groups accounted for 47.8% of world total RPK in December 2017, and grew by +5.4% YoY. This growth was -0.8 percentage points lower than the world average on scheduled services. All the Top 15 airline groups posted YoY increases, with the exception of Delta and Qatar Airways.

American ranked 1st and rose by +2.4%. **United** retained the 2nd place with a growth of +2.7%. **Delta** reported a slight decrease of -0.4% in traffic mainly due to the dip in international traffic and flight disruption at Atlanta. **Southwest** ranked 1 position down to 10th and grew by +2.6%.

Emirates remained at 4th with a moderate YoY growth of +3.1%. **Qatar Airways** ranked 3 positions up to 12th due to its relatively higher traffic volume in December albeit with a -1.4% decline YoY.

AF-KLM and **IAG** remained at 5th and 7th with a growth of +3.4% and +6.1%, respectively. **Lufthansa** ranked 8th and recorded the second highest growth within the Top 15 by +15.9%, owing to the surge in traffic of the group's Point-to-Point airlines. **Turkish Airlines** recorded the strongest growth by +16.3% and ranked 15th.

Major airlines in Asia/Pacific posted solid growth with both **China Southern** and **Air China** grew double-digitally. **China Southern** improved 2 positions and ranked over **IAG** at 6th. **Singapore Airlines** as well improved 1 position to 13th and up +5.1%.

DEC 17

RPK (billion)	YoY	% Share of World Total	Cumulative % Share
American ¹	29.9	2.4%	4.9%
United	29.1	2.7%	4.8%
Delta	26.9	-0.4%	4.4%
Emirates ¹	26.4	3.1%	4.4%
AF-KLM	21.6	3.4%	3.6%
China Southern	20.1	13.9%	3.3%
IAG ²	19.4	6.1%	3.2%
Lufthansa Group ³	18.9	15.9%	3.1%
Air China	17.4	10.6%	2.9%
Southwest	17.2	2.6%	2.8%
China Eastern	15.4	9.5%	2.5%
Qatar Airways ¹	12.4	-1.4%	2.0%
Singapore Airlines Group	11.9	5.1%	2.0%
Ryanair ¹	11.4	3.3%	1.9%
Turkish Airlines	11.2	16.3%	1.9%
Top 15 Total RPKs	289 billion	5.4%	47.8%
World Total RPKs	606 billion	6.2%	100.0%

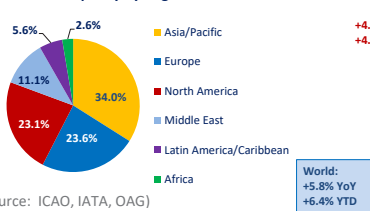
(Source: ICAO, airlines' websites)

Note: Total scheduled and non-scheduled services

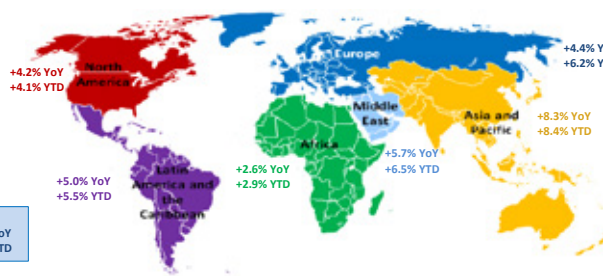
CAPACITY BY REGION (ICAO Statistical Regions)

DEC 2017: +5.8% YoY in terms of World ASK

% Share of Capacity by Region



(Source: ICAO, IATA, OAG)
Note: Total scheduled services



Three regions, Africa, Latin America/Caribbean, and North America, accelerated capacity expansion in December 2017. World capacity increased by +5.8% YoY. **Asia/Pacific** continued to record the fastest capacity expansion, albeit at a slightly slower pace compared to the previous month. The **Middle East** experienced the biggest slowdown in capacity growth.

The world capacity expanded by +6.4% in 2017 overall compared to 2016.

* Embarked Passengers ** Loaded and Unloaded Freight in Tonnes 1. ICAO estimates 2. British Airways, Iberia, and Vueling 3. Lufthansa Airlines, Eurowings, SWISS, Austrian Airlines, Brussels Airlines, Sun Express, and Lufthansa Cargo

ACRONYMS: ACI: Airports Council International; ASK: Available Seat-Kilometres; IATA: International Air Transport Association; FTK: Freight Tonne-Kilometres; LF: Passenger Load Factor; OAG: Official Airline Guide; RPK: Revenue Passenger-Kilometres; UNWTO: World Tourism Organization; YoY: Year-on-year; YTD: Year-to-date.



ICAO

ECONOMIC DEVELOPMENT

MAR 2018: Air Transport Monthly Monitor

World Results and Analyses for JAN 2018. Total scheduled services
(Domestic and international)

Air Transport Bureau
E-mail: ecd@icao.int

<http://www.icao.int/sustainability/Pages/Air-Traffic-Monitor.aspx>

GLOBAL KEY FIGURES

JAN 2018
(versus JAN 2017)

RPK ▲ +4.6% ASK ▲ +5.3% FTK ▲ +8.0% LF: 79.6% ▼ -0.6 pt

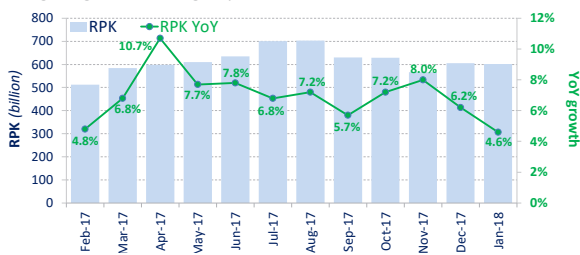
OUTLOOK* - FEB 2018
(versus FEB 2017)

ASK ▲ +5.5% * Source OAG

PASSENGER TRAFFIC

Revenue Passenger-Kilometres - RPK

World passenger traffic grew by +4.6% YoY in January 2018, -1.6 percentage points lower from the growth in the previous month. Traffic growth was distorted mainly by the effect of later timing of the Chinese New Year this year which started in January last year. Europe was the only region posting acceleration in growth, and became the fastest growing region followed by Asia/Pacific. The Middle East experienced the slowest growth among all regions. Domestic traffic demand in India continued to be strong and grew double-digitally.



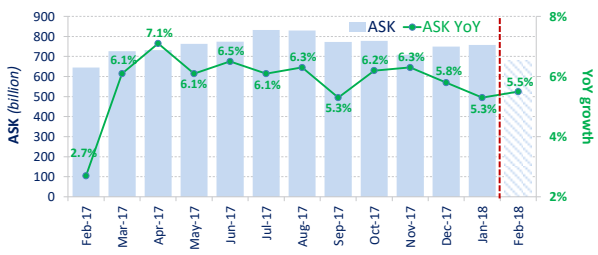
(Source: ICAO, IATA, OAG)

CAPACITY

Available Seat-Kilometres - ASK

Capacity worldwide increased by +5.3% YoY in January 2018, -0.5 percentage points lower than the growth in the previous month (+5.8%).

In response to the passenger traffic demand, the expansion of capacity is expected to be at +5.5% in February 2018.

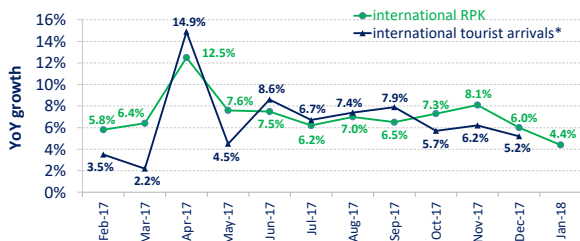


(Source: ICAO, IATA, OAG)

International Traffic vs. Tourist Arrivals

International passenger traffic grew by +4.4% YoY in January 2018, -1.6 percentage points lower from the growth in the previous month. All regions decelerated in growth, with the exception of Europe which recorded the second highest growth after Latin America/Caribbean.

The growth of international tourist arrivals* followed a similar monthly trend.



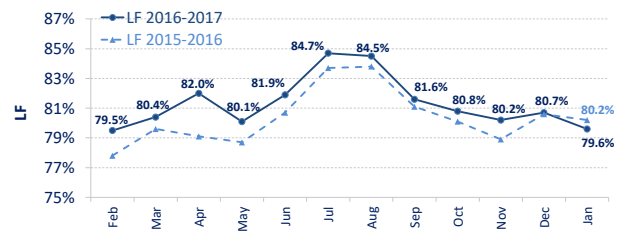
*UNWTO Definition

(Source: IATA, UNWTO)

Load Factor - LF

The passenger Load Factor reached 79.6% in January 2018, -1.1 percentage points lower than the LF recorded in the previous month.

As capacity expansion outpaced the traffic growth, the January LF was -0.6 percentage points lower than the rate in the same period in 2017.

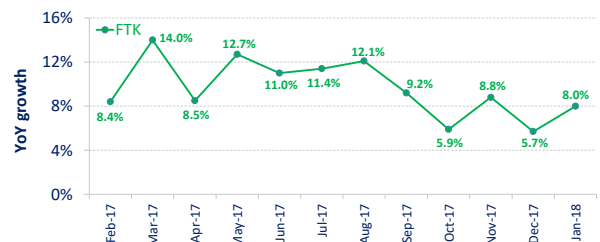


(Source: IATA)

FREIGHT TRAFFIC

Freight Tonne-Kilometres - FTK

World freight traffic grew by +8.0% YoY in January 2018, +2.3 percentage points higher than the growth in the previous month. Despite the distorted slower growth in December last year, freight traffic growth remained on track, supported by the increasing demand of exports. All regions posted acceleration in growth, with exception of Africa and Latin America/Caribbean. Africa, however, continued to record the fastest growth, supported by the strengthening in trade between Africa and Asia/Pacific. Europe recorded the most significant pickup in growth, and grew double-digitally. Similar to passenger traffic, the Middle East experienced the slowest growth among all regions.



(Source: IATA)

ACRONYMS: ACI: Airports Council International; ASK: Available Seat-Kilometres; IATA: International Air Transport Association; FTK: Freight Tonne-Kilometres; LF: Passenger Load Factor; OAG: Official Airline Guide; RPK: Revenue Passenger-Kilometres; UNWTO: World Tourism Organization; YoY: Year-on-year; YTD: Year-to-date.

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ECONOMIC DEVELOPMENT

ICAO MAR 2018: Air Transport Monthly Monitor

World Results and Analyses for JAN 2018. Total scheduled services (Domestic and international)

TOP 15 AIRPORTS (Ranked by aircraft departures, passengers and volume of freight)

JAN 2018: +1.6%, +2.9%, and +7.2% YoY in terms of aircraft departures, passengers and freight for the Top 15

JAN 18

Airports (ranking by number of departures)	Departures	YoY	Airports (ranking by number of passengers)	Passengers*	YoY	Airports (ranking by tonnes of freight)	Freight**	YoY
Atlanta GA, US (ATL)	34,914	↓ -1.0%	Beijing, CN (PEK)	4,075,660	↓ -0.4%	Hong Kong, CN (HKG)	410,000	↑ 9.9%
Chicago IL, US (ORD)	32,736	↓ -0.8%	Dubai, AE (DXB)	3,980,073	↓ -1.0%	Memphis TN, US (MEM)	355,681	↑ 3.3%
Los Angeles CA, US (LAX)	28,949	↓ -0.2%	Atlanta GA, US (ATL)	3,848,387	↓ -1.0%	Shanghai, CN (PVG)	310,577	↑ 9.1%
Dallas/Fort Worth TX, US (DFW)	26,560	↓ -1.0%	Los Angeles CA, US (LAX)	3,343,554	↑ 3.8%	Incheon, KR (ICN)	224,760	↑ 7.4%
Beijing, CN (PEK)	25,790	↑ 0.1%	Tokyo, JP (HND)	3,183,871	↓ -3.4%	Anchorage AK, US (ANC)	207,844	↑ 5.9%
Denver CO, US (DEN)	23,165	↑ 2.2%	Hong Kong, CN (HKG)	3,057,000	↓ -1.0%	Dubai, AE (DXB)	202,233	↓ -2.9%
Charlotte NC, US (CLT)	22,073	↑ 0.3%	Incheon, KR (ICN)	2,998,898	↑ 8.2%	Louisville KY, US (SDF)	200,249	↑ 12.1%
Shanghai, CN (PVG)	21,185	↑ 3.0%	New Delhi, IN (DEL)	2,924,891	↑ 12.6%	Taipei, CN (TPE)	187,144	↑ 10.4%
Guangzhou, CN (CAN)	19,833	↑ 0.5%	Shanghai, CN (PVG)	2,911,157	↑ 0.3%	Beijing, CN (PEK)	180,781	↑ 8.3%
New Delhi, IN (DEL)	19,670	↑ 12.1%	London, GB (LHR)	2,903,881	↑ 1.1%	Tokyo, JP (NRT)	177,032	↑ 4.7%
Jakarta, ID (CGK)	19,500	↑ 7.5%	Bangkok, TH (BKK)	2,880,717	↑ 3.8%	Singapore, SG (SIN)	175,600	↑ 10.7%
Amsterdam, NL (AMS)	19,193	↑ 4.5%	Chicago IL, US (ORD)	2,845,294	↑ 2.4%	Miami FL, US (MIA)	174,791	↑ 1.5%
London, GB (LHR)	19,135	↑ 2.5%	Guangzhou, CN (CAN)	2,798,197	↑ 0.7%	Doha, QA (DOH)	168,156	↑ 10.5%
Tokyo, JP (HND)	19,046	↓ -0.2%	Singapore, SG (SIN)	2,652,000	↑ 0.9%	Chicago IL, US (ORD)	163,292	↑ 12.5%
Toronto ON, CA (YYZ)	18,958	↑ 2.2%	Istanbul, TR (IST)	2,630,257	↑ 30.3%	Los Angeles CA, US (LAX)	160,064	↑ 7.3%

Note: Total scheduled and non-scheduled services

(Source: ACI)

In terms of **aircraft departures**, the Top 15 airports reported an increase of +1.6% YoY. Declines were continually observed in some major airports in North America. **Tokyo** also posted a slight decrease, due to flight disruption caused by the snowstorm. **New Delhi** recorded the highest growth with a double-digit increase of +12.1%.

In terms of **passengers**, the Top 15 airports reported a growth of +2.9% YoY. **Atlanta** marked the 3rd consecutive month of decline, and became 3rd after Dubai. **Beijing** retained the 1st place albeit with a decline of -0.4%. **Istanbul** posted a significant increase of +30.3%, owing to the comparison with low traffic in the same period of 2017 impacted by the heavy snowfall.

In terms of **freight**, the Top 15 airports reported a growth of +7.2% YoY. All the Top 15 airports recorded an increase, except for **Dubai** with a decline of -2.9%. **Hong Kong** remained at 1st with a solid increase of +9.9%. A few airports posted double-digit growth, and **Chicago** remained to record the strongest growth by +12.5%.

TOP 15 AIRLINE GROUPS (Ranked by RPK)

JAN 2018: +3.8% YoY in terms of RPK for the Top 15

In terms of RPK, the Top 15 airline groups accounted for 46.4% of world total RPK in January 2018, and grew by +3.8% YoY. This growth was -0.8 percentage points lower than the world average on scheduled services. All the Top 15 airline groups posted YoY increases, except for Delta with flat growth.

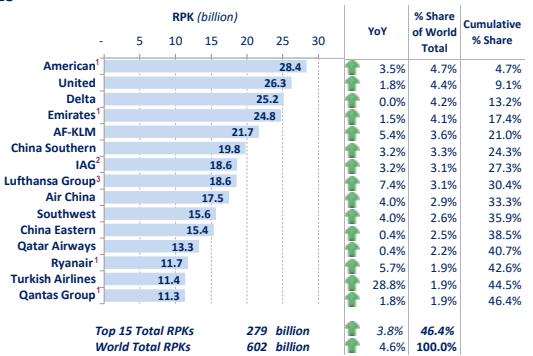
American ranked 1st and rose by +3.5%. **United** retained the 2nd place with a growth of +1.8%. **Delta** reported the same traffic level compared to a year ago, and its international traffic was down by -2.0%. **Southwest** remained at 10th and grew by +4.0%.

Emirates remained at 4th with a moderate YoY growth of +1.5%. After experiencing declines in the last few months of 2017, **Qatar Airways** started to recover and traffic rose by +0.4% YoY.

AF-KLM and **IAG** remained at 5th and 7th with a growth of +5.4% and +3.2%, respectively. **Lufthansa** ranked 8th and recorded the second highest growth within the Top 15 by +7.4%. Due to the comparison with low traffic caused by the weather related flight cancellation in the same period of last year, **Turkish Airlines** posted the highest growth by +28.8%.

Similar to other regions, major airlines in Asia/Pacific posted moderate growth. **China Southern** and **Air China** remained at the position of 6th and 9th, with +3.2% and +4.0% increases, respectively. **Qantas** ranked 15th with a growth of +1.8%.

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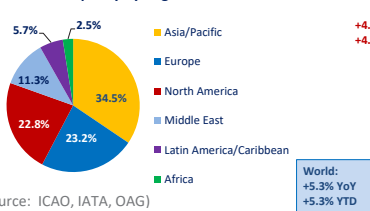
(Source: ICAO, airlines' websites)

Note: Total scheduled and non-scheduled services

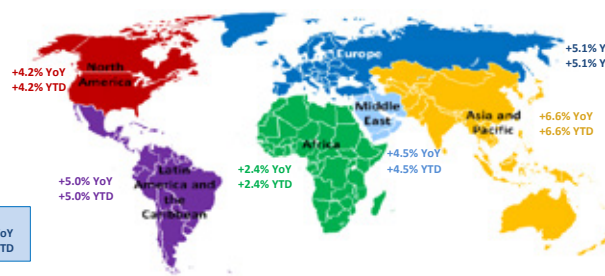
CAPACITY BY REGION (ICAO Statistical Regions)

JAN 2018: +5.3% YoY in terms of World ASK

% Share of Capacity by Region



(Source: ICAO, IATA, OAG)
Note: Total scheduled services



All regions, posted an expansion in capacity in January 2018 with a +5.3% YoY increase in capacity worldwide. **Asia/Pacific** continued to record the fastest capacity expansion, and was the only region growing faster than the world average. **Africa** experienced the biggest slowdown in capacity growth.

Asia/Pacific accounted for the biggest share of the world capacity offered, followed by **Europe** and **North America**.

* Embarked Passengers ** Loaded and Unloaded Freight in Tonnes 1. ICAO estimates 2. British Airways, Iberia, and Vueling 3. Lufthansa Airlines, Eurowings, SWISS, Austrian Airlines, Brussels Airlines, Sun Express, and Lufthansa Cargo

ACRONYMS: ACI: Airports Council International; ASK: Available Seat-Kilometres; IATA: International Air Transport Association; FTK: Freight Tonne-Kilometres; LF: Passenger Load Factor; OAG: Official Airline Guide; RPK: Revenue Passenger-Kilometres; UNWTO: World Tourism Organization; YoY: Year-on-year; YTD: Year-to-date.