

A Single Aviation Market for the Pacific

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The Pacific SAM

- Motivations
- Ministerial decisions on economic regulation and liberalisation
- Expected benefits
- Principles of the Pacific Islands Air Services Agreement
- Evolution of the Single Aviation Market



Motivations

- Problems created by the numerous bilateral air service agreements that exist:
 - 25 bilateral ASAs between island member countries
 - 16 with other Forum members
 - 26 with the rest of the world
- The need to adapt to the changing world situation with respect to trade agreements, including:
 - PACER and PICTA
 - current open skies agreements among members
 - MALIAT (the APEC multilateral agreement)
- Opportunity, incentives to expand and improve efficiency



Forum Aviation Policy Meetings

- Ministerial level policy decisions, based on recommendations of national officials
- 1998 in Suva - 1999 in Nadi - 2001 in Apia
- The *Forum Aviation Action Plan* features strategies on:
 - Economic Regulation and Liberalisation
 - Safety Regulation and Oversight
 - Airspace Management
 - Air Freight for Export



Economic Regulation & Liberalisation

Forum Aviation Policy Meeting 1998

- “We adopt a policy framework in the aviation sector that supports Forum Leaders’ stated economic reform objectives, including:
 - encouraging private sector development and enhancing competitiveness of national economies, including the development of tourism;
 - pursuing open, liberal and transparent investment policies and working towards a common goal of free and open trade and investment.
- As a further step in meeting Forum Leaders’ economic objectives, we fully support the move towards liberalisation of air services.”



Economic Regulation & Liberalisation

Forum Aviation Policy Meeting 2001

- Ministers endorsed the principle of a single air services agreement among Forum island countries;
- tasked officials to consult stakeholders, analyse the impacts and prepare for negotiations toward a final agreement;
- directed the Forum Secretariat to assist the review process, and facilitate negotiations;
- acknowledged the eventual need to consider the appropriate application of the agreement to Australia and New Zealand.



Expected Benefits of a SAM

A single aviation market for air services should result in:

- Increased access for Forum island country (FIC) airlines to air routes between FICs (Phase 1)
- Increased access between FICs (Phase 1) and Australia and New Zealand (Phase 3)
- Expansion and efficiency improvements for FIC airlines
- Expanded inter-island tourism
- Reinforced regional air routes (currently very thin)
- Greater use of code sharing and alliances
- Encouraged investment in airlines through ownership and control provisions, including multiple owners
- Greater cargo options for exporters and importers
- Cost savings to airlines that can be shared with users



Principles of PIASA

the Pacific Islands Air Services Agreement

- Provision of a gradual, staged process to assist in the strengthening and growth of FIC airlines
- Protection within the Forum region from competition by large international airlines from non-Forum countries
- No new rights granted to non-Forum airlines
- Regional control over the pace and scope of liberalisation
- Enforceable rules on fair competition and dispute resolution
- Maintenance of safety standards
- Sufficient information and opportunity for consultation, analysis, and negotiation



Negotiation Elements

Issues resolved by stakeholders

- The range and sequencing of freedoms
- The duration of each phase for liberalisation
- Ownership provisions which define airlines as Forum island country airlines
- Rules on designation of Forum island country airlines
- Rules on fair competition
- Dispute resolution procedures
- Special provisions for new route development



The evolution of the SAM

Phased and incremental

A gradual process designed to allow governments and airlines to adapt as the system is introduced incrementally:

- Phase I would grant 5th freedom rights to new FIC airlines currently without international services
- Phase II would extend these rights to all FIC airlines to operate within the region
- Phase III would extend 5th freedom rights to FIC airlines to operate to countries outside the Forum island region
- Phase III also opens the possibility of accession by Australia and New Zealand, including rights for FIC airlines



Creation of the Pacific SAM

- September 2001: Ministerial approval
- 2001-02: In-country consultations with multiple stakeholders: aviation, legal, trade, tourism, exporters ongoing
- October 2002: Agreement on final text of PIASA
- mid 2003: Ministerial signatures expected
- late 2003: entry into force after 6 or more governments ratify
- 6 months after entry into force: Phase 1
- 1 year after entry into force: Phase 2
- 2.5 years after entry into force: Phase 3



Conclusion

- A solution tailored to the specific needs of the Forum island countries with respect to air services through:
 - Route liberalisation
 - Ownership liberalisation
 - Market integration
- In summary, liberalisation to support development of airlines and national economies



Pacific Islands Forum Secretariat

- **An international intergovernmental organisation with a regional policy focus**
- **Mission to ensure sustainable development throughout the region through co-operation**
- **Programmes in economic development, trade and investment, and international affairs**

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