

Pacific Aviation: Economic and Safety Regulation

**Ms Emma Ferguson
Economic Adviser
Pacific Islands Forum Secretariat**



Economic Regulation: the Pacific Islands Air Services Agreement (PIASA)



PIASA: A Single Aviation Market

- 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 Suva - 1999 Nadi - 2001 Apia – 2003 Port Vila
- 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 2003

- Ministers agreed to facilitate air services in the region and help FIC airlines become more competitive with outside airlines and encourage greater efficiencies;
- Ministers endorsed the PIASA for signature at the 2003 Forum.

Forum 2003

- Leaders endorsed the Forum Aviation Action Plan 2003 and the Pacific Islands Air Services Agreement;
- PIASA opened for signature and signed by Cook Islands, Nauru, Tonga, Vanuatu.



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 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



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 grants 5th freedom rights to new FIC airlines currently without international services
- Phase II extends these rights to all FIC airlines to operate within the region
- Phase III extends 5th freedom rights to FIC airlines to operate to countries outside the Forum island region
- Phase III also allows accession by Australia and New Zealand, including to/from 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
- August 2003: PIASA opened for signature, 4 so far
- early 2004: entry into force after 6 ratifications
- 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 (approx mid 2007)



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

