

Agenda for Freedom Summit

Questions and Answers

1. What is a multilateral Statement of Policy Principles?

- This is a non-binding agreement that lays out a common policy direction among states that have signed it. There have been some famous such documents in the past. The Helsinki Final Act is one. It laid the foundation for policy direction on human rights that arguably can be connected to the eventual end of the Cold War.

2. How can the multilateral Statement of Policy Principles be used and what will be its impact?

- A multilateral Statement of Policy Principles can be a powerful diplomatic tool. States signing the agreement can make it the basis on which bilateral agreements are negotiated. They can also append the Principles to bilateral agreements, making them the basis on which the agreements are interpreted. The liberalizing effect of the Principles will be seen over time.

3. What is the scope of the multilateral Statement of Policy Principles?

- The premise of the Principles is a level playing field with fair competition. Specifically, the Principles cover three key areas:
 - **Freedom to access capital markets:** States agreed on principles that would open the possibility for airlines to access global capital markets. The principles indicate that states should not object to bilateral partners who wish to liberalize ownership rules for their own airlines. States also agreed to consider the possibility of a multilateral agreement to waive ownership restrictions.
 - **Freedom to do business:** States agreed on principles that seek to reduce restrictions on market access and to expedite the further opening of markets in future bilateral negotiations.
 - **Freedom to price services:** States agreed to principles that would allow greater freedom to price airline services in line with market realities.

4. How can a non-binding Statement of Policy Principles be effective?

- States have agreed and signed these principles in an official capacity. There is no legal obligation, but this is an historic moment. We have an officially signed document by the major markets signaling a common direction and goals, namely liberalizing market access, ownership and pricing on a fair and level playing field.

5. With only seven countries and the EC, is the agreement not limited in scope?

- Authorities signing the agreement comprise 60% of commercial aviation. This sends a strong signal of the future direction of this industry and will be difficult for states to ignore. Moreover, the agreement is open and we expect more states to join. IATA will keep a public registry of these states on the Agenda for Freedom website (www.agenda-for-freedom.aero).

6. Why is IATA, a trade association, involved in an area that is primarily a government responsibility?

- The International Civil Aviation Organization (ICAO) at its fifth Worldwide Air Transport Conference in 2003 looked at liberalization. For the first time, the premise of the discussion was not “if” but “how”.
- The global economic crisis has plunged the air transport industry into a crisis as well. With revenues falling by US\$80 billion (15%) in 2009 and expected losses for 2001-2009 at US\$53 billion, the case for urgent change was evident.
- IATA’s Agenda for Freedom seized the opportunity of the situation to launch a complementary initiative to the ICAO process. Governments asked IATA to facilitate the multilateral Statement of Policy Principles and the President of the Council of ICAO commended and witnessed the signing of the Principles. This is a great example of industry supporting government efforts to liberalize.

7. IATA’s original proposal at the first Agenda for Freedom Summit was a system of waivers in bilateral agreements. How is that related to the multilateral Statement of Policy Principles that has resulted?

- Several options were discussed at the first Summit in October 2008 including both waivers and a multilateral Statement of Policy Principles. Waivers are a tool that states can use to over-ride restrictions that exist in bilateral agreements. These tools are being used today in many parts of the world.
- The multilateral Statement of Policy Principles that was signed at the second Agenda for Freedom Summit is consistent with the waiver discussion. For example, a state may use waivers as tools to implement the liberalization of market access or ownership restrictions written into bilateral agreements.
- Along with signing the multilateral Statement of Policy Principles, states attending the second Summit also discussed a US-proposed multilateral treaty proposal on liberalization. Details can be found at www.agenda-for-freedom.aero .

8. Rather than liberalizing the industry, would it not just be better to re-regulate?

- The de-regulation process started three decades ago. Consumers have benefited from the resulting competition with lower fares and greater access to travel than ever before.
- The policy of deregulation was left half-finished. International aviation is still regulated by outdated restrictions on ownership and access to capital and markets that no other industry faces.
- The result of these restrictions is a fragmented industry that cannot recover its cost of capital. Re-regulating the industry would reverse the positive impact of greater accessibility to consumers and will still leave airlines without the tools needed to build global businesses that are financially sustainable.

9. What will the impact of liberalization be on jobs?

- Agenda for Freedom is about moving away from a regulatory system in which flags and government agreements determine the scope of an airline's business. To be financially sustainable, the airline industry must be free to run on the basis of good global business. Anything that helps the financial sustainability of a company also helps to ensure stable employment. The current model (insufficiently liberalized) obviously does not.

10. What will be the impact of the Principles on consumers?

- Consumers benefit from liberal markets. Look at what has happened in the wireless telecoms industry. Global businesses have developed around global brands. The industry is intensely competitive and access to wireless communications is greater than ever. Building an industry on the principles of liberalized access to capital and markets without ownership restrictions is good policy serving equally the interest of consumers and businesses.

11. What will be the impact of the Principles on the economy?

- IATA commissioned InterVISTAS to study the potential impact of liberalization in 12 markets (Australia, Brazil, Chile, India, Mauritius, Morocco, Peru, Singapore, Turkey, the United Arab Emirates, Uruguay and Vietnam). The study concluded that liberalization of both market access and ownership and control would increase annual GDP in the 12 economies by 0.86% (US\$67.6 billion).
 - **Market Access:** The study concluded that liberalization of market access in these 12 economies would generate 1.5 million jobs and add US\$42.1 billion in GDP while reducing average fares by 22%.
 - **Ownership and Control:** The study concluded that liberalization of ownership and control restrictions in these 12 economies would generate 900,000 jobs and add US\$25.4 billion to GDP while reducing average fares by 16%.
 - **Market Access and Ownership and Control:** The study concluded that liberalization of both market access and ownership and control in the 12 economies would generate 2.4 million jobs and add US\$67.6 billion to GDP while reducing average fares by 38%.