

**Council for Trade in Services  
Special Session**

**COMMUNICATION FROM AUSTRALIA**

Review of Progress in Air Transport Services

The following communication, dated 5 December 2007, from the delegation of Australia as coordinator of a collective request in this sector, is being communicated to Members of the Council for Trade in Services.

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1. At this juncture of the Doha Round negotiations, it is valuable in terms of transparency and substance to convey to Members the general sense of demandeurs on the state of play in air transport services. Market access negotiations in the air transport sector have been carried out since the Hong Kong Ministerial Meeting pursuant to paragraphs 1, 2, 6 and 7 of Annex C of the Hong Kong Ministerial Declaration. Co-sponsors appreciate the engagement of recipients so far and welcome the opportunity to meet in future sessions to clarify or correct any element regarding the status of this request.

**I. INTRODUCTION**

2. Air transport auxiliary services are emerging as important services in their own right. For example, aviation ground handling services are increasingly being provided on a competitive basis by independent service providers with some estimates of the international ground-handling market at between USD30-40 billion. Further liberalisation of these services could boost the competitiveness of the air transport sector, facilitate the free and efficient movement of goods and passengers around the world, and open up new business opportunities for specialist service providers.

3. In addition to the bilateral request-offer negotiations, a group of six Members (Australia, Chile, European Communities, New Zealand, Norway, Switzerland) co-sponsored a collective request on Air Transport Services pursuant to paragraph 7 of Annex C of the Hong Kong Ministerial Declaration. Australia is circulating this status report as coordinator of the collective request. The collective request is attached to this report. Twenty-one recipients received the request in this sector. To maintain the confidentiality of the negotiation, co-sponsors will not identify the recipients. However, the recipients did not include any LDCs and only included one member identifying themselves as an SVE. Co-sponsors deemed themselves recipients of the request.

4. The collective request seeks meaningful commitments for aircraft repair and maintenance services (part of CPC 8868), selling and marketing services (GATS Air Transport Services Annex paragraph 6(b)) and computer reservation systems services (GATS Air Transport Services Annex paragraph 6(c)) – all services on which there is no divergence of views regarding coverage under the GATS. In addition, the request seeks commitments on ground handling services (container handling services for air transport services only (part of CPC 7411), other cargo handling services for air transport services only (part of CPC 7419), other supporting services for air transport (CPC 7469)), and airport operation services (airport operation services (excl cargo handling CPC 7461)). These elements of the request are made without prejudice to parallel developments in the GATS Air Transport Review. Commitments in all these air transport service sectors are sought across all four modes of supply.

## II. OVERVIEW

5. Three plurilateral meetings were held between April 2006 and October 2007. During the plurilateral meetings, participants provided responses and indications as to how existing commitments and potential offers might relate to this collective request, including the ability to bind commitments at existing levels of market access and remove limitations that represent discriminatory barriers to trade in these sectors. Three recipients did not participate in any of the plurilateral meetings, and their flexibility to make new or improved offers in these sectors is unknown. Eight recipients currently have no scheduled commitments on the air transport services requested in the plurilateral negotiations.

6. The majority of co-sponsors substantially meet the request or are planning to make improved offers for these sectors in response to the request. Three recipients noted they were considering making Mode 1 offers on aircraft repair and maintenance, given the evolving consensus on the technical feasibility of this mode of supply. Several recipients noted that the Air Transport Review was the appropriate forum for examining commitments on ground handling and airport operation services. Five recipients have expressed a willingness to further explore the possibility of making new commitments in these sectors. Five recipients have indicated that no further commitments are being considered. Co-sponsors are generally disappointed that indications received during plurilateral meetings have highlighted the gaps that exist between recipients' domestic practices and their bound GATS commitments.

7. In regard to specific elements of the request:

*Sectoral coverage:* Four of the six co-sponsors have indicated that their current or improved offers will include the full scope of activities covered by the five sub-sectors. Only a quarter of recipients have indicated that their current or improved offers will include one or more of the activities covered by the request. One recipient has linked their ability to make new commitments for this sub-sector to the outcome of negotiations in other areas, including agriculture and domestic regulation.

*Aircraft repair and maintenance services (part of CPC 8868),*

All six co-sponsors and eleven recipients have already indicated they have made or will make full or partial commitments on these services. Four co-sponsors and three recipients have indicated that they will make Mode 1 commitments now that it is technically feasible. One recipient already has made a full Mode 1 commitment.

*Selling and marketing services (GATS Air Transport Services Annex paragraph 6(b))*

All cosponsors but only five of 21 recipients have already made full or partial commitments on these services. No further improvements have been foreshadowed, although one recipient has indicated consideration of improvement.

*Computer reservation systems services (GATS Air Transport Services Annex paragraph 6(c))*

All cosponsors and only six of 21 recipients have already indicated they have made or will make full or partial commitments on these services. No further improvements have been foreshadowed, although one recipient has indicated consideration of improvement.

*Ground handling services (container handling services for air transport services only (part of CPC 7411), other cargo handling services for air transport services only (part of CPC 7419) other supporting services for air transport (CPC 7469))*

Five cosponsors have already indicated they have made or will make full or partial commitments on these services. No further improvements have been foreshadowed by recipients, although one recipient has indicated consideration of improvement.

*Airport operation services (airport operation services (excl cargo handling CPC 7461)*

Four cosponsors and one recipient have already indicated they have made or will make full or partial commitments on these services. No further improvements have been foreshadowed, although one recipient has indicated consideration of improvement.

8. Co-sponsors are disappointed with the level of current offers. Co-sponsors urge recipients to enhance their domestic consultations on their flexibility to commit air transport services parallel to their consultations on whether the Second Air Transport Review agree to recommend clarifying the coverage of groundhandling and airport operation services under the GATS.
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## ATTACHMENT

### Collective Request in Air Transport Services

#### **I. Introduction and Objectives**

Air auxiliary services are emerging as important economic sectors in their own right. The market for aircraft maintenance, repair and overhaul was valued at over US\$32 billion in 1999<sup>1</sup> with forecasts suggesting a market of US\$33 billion in 2005<sup>2</sup>. Repair and maintenance for non-commercial (general and military aviation) generates an additional US\$3.5 billion of revenue per year<sup>3</sup>. International airline expenses for ticketing, sales and promotion exceeded \$40 billion in 1999<sup>4</sup>. The global market for computer reservation systems (CRS) services is estimated to be in the vicinity of US\$5 billion annually<sup>5</sup>. The continued emergence of the Internet as a tool for the direct reservation of air services by consumers and the issuing of 'e-tickets' by air carriers adds further support for the arguments against continued trade restrictions in this sector.

The world market for aviation ground handling is estimated to be in the order of US\$11.5 billion annually<sup>6</sup>. These services are increasingly being provided on a competitive basis by independent service providers. Further liberalisation of these services could boost the competitiveness of the air transport sector, facilitating the free and efficient movement of goods and passengers around the world and opening up new business opportunities for specialist service providers.

#### **II. Plurilateral request**

We are requesting that commitments be taken with the widest possible sectoral coverage, and in particular for aircraft repair and maintenance services, selling and marketing of air transport services, computer reservation systems services and ground handling services and airport operation services.

##### ***Sectoral Coverage***

##### ***(i) Aircraft Repair and Maintenance Services (part of CPC 8868)***

Paragraph 6(a) of the GATS Annex on Air transport Services (the Annex) defines aircraft repair and maintenance services as:

*such activities when undertaken on an aircraft or a part thereof while it is withdrawn from service and do not include so-called line maintenance*

##### ***(ii) Selling and Marketing Services***

Paragraph 6(b) of the Annex defines selling and marketing of air transport services as:

*opportunities for the air carrier concerned to sell and market freely its air transport services including all aspects of marketing such as market research, advertising and distribution. These do not include the pricing of air transport services nor the applicable conditions*

##### ***(iii) Computer Reservation Systems Services***

Paragraph 6(c) of the Annex defines computer reservation systems (CRS) services as:

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<sup>1</sup> International Civil Aviation Organization (2001), *Civil Aviation Statistics of the World*

<sup>2</sup> World Trade Organisation - Council for Trade in Services (1998), *Air Transport Services (S/C/W/59)*

<sup>3</sup> World Trade Organisation - Council for Trade in Services (2001), *Executive Summary of the documentation prepared for the first two sessions of the review mandated under paragraph 5 of the Air Transport Services Annex (S/C/W/200)*

<sup>4</sup> International Civil Aviation Organization (2001), *Civil Aviation Statistics of the World*

<sup>5</sup> World Trade Organisation - Council for Trade in Services (2001), *Executive Summary of the documentation prepared for the first two sessions of the review mandated under paragraph 5 of the Air Transport Services Annex (S/C/W/200)*

<sup>6</sup> *ibid*

*services provided by computerised systems that contain information about air carriers schedules, fares and fare rules, through which reservations can be made or tickets may be issued.*

**(iv) Ground Handling Services**

At all airports throughout the world, ground services are required to enable provision of air transport services and to facilitate the safe and economical movement of aircraft, passengers and goods while they are on the tarmac. Ground handling therefore includes a multitude of services within a complex operational network. The following services are requested under “Ground Handling services”:

- Container handling services for air transport services only (part of CPC 7411)
- Other cargo handling services for air transport services only (part of CPC 7419)
- Other supporting services for air transport (CPC 7469)

It is the co-sponsors’ view that there are no barriers to taking commitments in ground handling services and that it is highly desirable to make such commitments as independent providers of ground handling services are an important, growing industry.<sup>7</sup>

**(v) Airport Operation Services**

Airport operation services, such as passenger air terminal services and ground services on airfields, constitute a growing industry enhancing the efficiency of publicly or privately-owned airports worldwide reducing costs for consumers and airport owners while applying the highest security standards.

The co-sponsors request to undertake commitments under:

- Airport operation services (excl. cargo handling) (CPC 7461).

**Specific Commitments**

In order to achieve a progressively higher level of liberalisation of trade in air transport services, we are requesting that recipients of this request make new or improved commitments which include the following elements:

*Mode 1 Commitments:* We request that recipients of this request schedule “none” for this mode of supply, where possible and technically feasible.

*Mode 2 Commitments:* We request that recipients of this request undertake full commitments in Mode 2 for all identified air transport services.

*Mode 3 Commitments:* We request that recipients of this request undertake ambitious commitments under Mode 3 and in particular eliminate the following restrictions:

- economic needs tests for commercial presence
- restrictions on foreign equity participation
- measures requiring the existence of contracts with local firms as a prerequisite for doing business from abroad
- discriminatory measures affecting foreign service providers seeking to offer repair services for aircraft flying under the national flag
- residency requirements for the provision of aircraft repair and maintenance services

*Mode 4:* We encourage recipients of this request to schedule Mode 4 commitments to ensure mobility of service suppliers involved in the provision of air transport services. Specialised

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<sup>7</sup> Communication from Australia, Chile, the EC, New Zealand, Norway & Switzerland (2005), *Trade in Services to the Aviation Industry: A case for commitments under the GATS (TN/S/W/29)*

skills and high technical expertise are a feature of this sector. Recipients are requested to make commitments either under the sector headings or in the horizontal section of their schedule.

*MFN Exemptions:* To the extent possible, requesting Members seek the removal or reduction of MFN exemptions affecting air transport services.

Finally, we are requesting that Members give due consideration to ensuring clarity, certainty, comparability and coherence in the scheduling and classification of commitments through adherence to, *inter alia*, the Scheduling Guidelines pursuant to the Decision of the Council for Trade in Services adopted on 23 March 2001.

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