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REPORT OF THE SECOND SESSION OF THE REVIEW MANDATED UNDER PARAGRAPH 5 OF THE ANNEX ON AIR TRANSPORT SERVICES HELD ON 1 MARCH 2007

Note by the Secretariat[1]

1. On 1 March 2007, the Council for Trade in Services held the second meeting devoted to the second Review of air transport services pursuant to paragraph 5 of the GATS Annex on Air Transport Services. The agenda was contained in document WTO/AIR/2965.

2. The Chairman, Ambassador Trevor Clarke of Barbados, drew Members' attention to the communication circulated by the European Communities contained in document S/C/W/280, dated 28 February 2007; given that it addressed both developments in the sector and the operation of the Annex, he invited the representative of the European Communities to introduce the paper at that juncture.

3. The representative of the European Communities said that the communication presented an overview of the main developments in the air transport sector in the European Union since the first review of the GATS Annex was conducted. It also considered the way, as the EC understood it, in which the Annex applied to the air transport sector today. Finally, and perhaps most importantly, it exposed how air transport services could be better covered by GATS disciplines in the future.

4. Air transport was a fundamental part of every country's economic and social well-being, whether it was felt directly by consumers for travel and by businesses for trading goods and services, or indirectly by the communities served by air transport links, in which growth, employment and investment in the local economy were stimulated.

5. The EC saw the second Review of the Annex as an exercise consisting of two main parts. First, the current situation and business environment of the air transport industry had to be studied in some detail, to identify the way in which this services sector was moving or, perhaps more pertinently put, the way in which it was being prevented from moving. It was well known that the sector was a multi-billion dollar industry with growth in air traffic at around 6-7 per cent a year globally. However, he wondered what were the prospects for providing further opportunities for businesses and consumers to reap the benefits of air transport and what further opportunities existed for spreading these benefits across the countries of the world.

6. Second, support had to be garnered for making change where change was required. A dynamic sector such as the air transport one merited a regulatory approach that was equally dynamic. With regard to market access of air transport services, the current system was constructed of a multitude of bilateral air services agreements that provided limited openings for air carriers to provide

[1] This document has been prepared under the Secretariat's own responsibility and without prejudice to the positions of Members and to their rights and obligations under the WTO.

essential services between any two countries. Careful consideration had to be given as to whether there was a need to redesign and simplify the current system, with a view to facilitating a greater and more harmonised degree of liberalization in the market for air transport services.

7. The EC's own experience of liberalization had been very positive. 1997 had seen the creation of a single market for air transport: all EC air carriers had the right to provide air transport services between any two points in the territory of the European Union, i.e. 27 countries, without hindrance. The results had been phenomenal: a doubling of air transport services since 1992, bringing greater choice to consumers and businesses, and each extra flight route furnishing more communities with increased economic and social prosperity.

8. Benefits accruing from the creation of a single market for aviation had also led to increased activities of EC carriers investing in each other. The benefits forthcoming from consolidation in the industry had thus been possible to achieve. Traditional approaches, such as alliances and code-sharing practices, which had been concluded in the past in an effort to make the best of the bilateral framework, could now be replaced by fully-fledged mergers without air carriers fearing the loss of air traffic rights. These changes had brought greater efficiency to the respective airline's networks, through economies of scale, exchange of know-how and improved competitiveness.

9. Competition concerns, which might arise as a result of the merging of airlines into mega-carriers, remained unfounded in the European aviation climate. This was because the market was characterised by an abundance of choice of service providers and the prominence of low-cost carriers, which competed not only on similar routes, but increasingly on the same routes as the full service and network carriers, traditionally known as the flag carriers.

10. Turning to the EC's external policy in air transport, a landmark judgement by the European Court of Justice in November 2002 had changed the way in which air services agreements might be concluded between EC Member States and their external trading partners. As a result, the EC had embarked on a dual process. Firstly, it was correcting existing bilateral agreements concluded by individual EC Member States. This involved replacing the restrictive "nationality" clause – which reserved access to the market for the air carrier or carriers of the signatory Member State – with a "Community carrier" clause, which required that market access be granted to the airlines of all EC Member States that departed from the EC airport or airports concerned. The agreements concluded by the EC in this regard were termed "horizontal", as they made this correction to the bilateral air service agreements of all Member States with any given country in one single motion.

11. Secondly, the EC had initiated negotiations and dialogue for wide-ranging comprehensive air service agreements with its major trading partners, such as the United States, China, and India. These agreements aimed to address not only the issue of market access, but also safety, security, and environmental considerations. One significant initiative in this regard was the agreement to create a European Civil Aviation Area with those countries bordering the European Union. Under the agreement, the signatory States would implement EU legislation in aviation, marking an unprecedented degree of regulatory harmonisation.

12. Turning to the operation of the Annex, the EC was interested in understanding how air transport services could be more fully dealt with in a multilateral context. These remarks pertained both to the issue of air traffic rights and to auxiliary services.

13. Significant reflection would be needed in order to determine whether a bilateral or multilateral approach to the issue of air services, executed through the exercise of air traffic rights, would extract the maximum benefit for the world's economy and trade. The current Review provided an opportunity to undertake such an investigation.

14. Concerning auxiliary services, the EC was already of the opinion that ground handling and airport management were two areas of economic importance in their own right. Whilst the EC undertook to make binding commitments in these sectors in the DDA, it was conscious that clarifying the coverage of those sectors that fell under the GATS Annex would assist WTO Members in making commitments. Again, the Review provided a means to studying how that might be achieved.

15. His delegation looked forward to the discussion with WTO Members on these issues and others. The representative stressed the EC desire for a wide-ranging discussion in the Council and, where found necessary, for solutions to be investigated to address any shortcomings identified in the way the Annex currently applied.

16. The representative of New Zealand said that there had been some really significant developments over the previous five years in the air transport industry. He quoted the International Air Transport Association (IATA) chairman's statement in 2006 that the industry was "in crisis", "sick" and that "after sixty years it [was] time to give a nice retirement party to the bilateral system". While he recognised that not everyone might agree with the latter suggestion, it was at least incumbent upon Members, in the context of the Review, to consider possible options and ways forward, as well as to examine the developments that had taken place as brought up by the work of the Secretariat.

17. Over the previous five years, several shocks had hit the industry: the tragedy of 9/11, the SARS epidemic in East Asia, the oil price rises and indeed the adjustments that many network carriers were having to make in response to competition from low-cost carriers. In the view of some academics, the air transport industry might be inherently unstable. Looking at the previous five years, the accumulated loss of the global airline industry was US$13 billion in 2001, US$11.3 billion in 2002, US$7.6 billion in 2003, US$5.6 billion in 2004, US$3.2 billion in 2005 and another half billion was forecast for 2006. Any industry that accumulated such losses clearly had serious problems.

18. According to the chairman of IATA, there were three "pillars of stagnation" in the industry: first, the bilateral system of exchanging traffic rights, which imposed considerable restrictions on what the industry could do; second, ownership restrictions in terms of foreign investment in international, and domestic, airlines; and, third, problems with competition regulation for a trans-national industry. As for potential solutions, as raised in the EC communication, the possibility of using fora like the WTO to make progress needed to be discussed. At a recent conference in Chicago, which Mr Mamdouh had also addressed, the Chairman of United Airlines had called for an examination of the role of the WTO in solving some of the problems facing the industry and wondered if the WTO might not indeed be an appropriate forum for liberalization. Similarly, Daniel Calleja from the European Commission had also raised this possibility, while noting, very realistically, that progress in the near future was most unlikely.

19. Turning to the importance of air transport, both generally and for international trade, air transport had a vital function to perform in moving goods around the world and contributing to a services industry like tourism. For New Zealand, although annually only about a hundred thousand tonnes of goods were moved in and out of New Zealand by air, in terms of value that represented about 21.5 per cent of its imports and 15.7 per cent of its exports. New Zealand had been at the forefront of using the bilateral and the plurilateral possibilities to remove restrictions on air services. In the cargo business, by having open arrangements with Australia, separately with China, separately with Germany, and under the Multilateral Agreement on the Liberalization of International Air Transportation (MALIAT) with the United States and others, Air New Zealand had been able to offer around-the-world air freighter service. Serving those countries through a string of liberal agreements, Air New Zealand could use fifth freedom rights to create a viable service that brought Europe and New Zealand closer, and indeed the US and China. Notably, this service used wet-leased aircraft, something that some countries under the bilateral system had a problem with, but that New Zealand's

bilateral partners in that combination had been able to agree with.

20. He thanked the EC for its contribution and looked forward to receiving more in the course of the Review. Major developments in civil aviation were taking place, for instance, in India and China. While some Members had a significant knowledge of what was occurring in the Asia-Pacific region, it was not always easy for the Secretariat to identify developments from publicly available information, and contributions were, therefore, welcome.

21. Picking up on a couple of points in the EC paper, he noted that one significant development was in the area of competition regulation. When the bilateral system was launched in the 1940s, another pillar of the aviation industry at the time was the system of tariff regulation by IATA, which allowed for the interlining of passengers on many airlines. Although over the years concerns had been expressed that the IATA system was becoming a cartel and that perhaps global alliances were replacing what IATA was achieving, there were exceptions. This was particularly the case in developing countries whose flag carriers were not members of a particular global alliance, and notably of the three main ones (Star, Oneworld and Skyteam), and yet expected the opportunity to fully participate in the international civil aviation industry. Over the previous 5 years, there had been a considerable examination of this system by the EC competition regulators, also joined by the US Department of Transportation and the Australian competition authority. This was leading to a significant change in the way IATA operated through its tariff conferences. He sought other Members' thoughts about the impact that this might have on their airlines.

22. Finally, picking up on the EC comments about the horizontal and vertical agreements that it was negotiating and looking to negotiate, he noted in paragraph 19 of the EC document that New Zealand was mentioned as one of the countries that the EC had been contemplating negotiating a vertical agreement with. While New Zealand had already signed a horizontal agreement, it very much welcomed the EC's interest in conducting such a negotiation, which would hopefully provide an open arrangement with all of the EC Member States. However, New Zealand also appreciated that it seemed to be in the queue behind the negotiations between the EC and the US, and wished the negotiators of these two Members, who were in Brussels at that moment, all the best for a successful outcome.

23. Commenting on the EC submission, the representative of the United States said that she would revert to some specific issues in the course of the Review. Nevertheless, she stressed that, while appreciating that there was an interest on the part of a number of Members to schedule commitments in sectors such as ground handling and airport management and airport operation services, caution should be exercised in inviting Members, as the EC was doing in paragraphs 40, 42 and 51 of its communication, to schedule commitments in these areas. Members had to be careful not to schedule outside the scope of the GATS. The EC submission did note that there were different views on how to interpret the air transport Annex, and all Members appeared to acknowledge that there was an issue of clarity. The US would revert to the issue under the specific agenda item, but nevertheless urged Members to be careful not to schedule *ultra vires* in the course of the DDA negotiations. She then gave the floor to her capital-based colleague.

24. At the outset, he reminded Members why, in his delegation's view, air transportation services had for the most part been excluded from the GATS at the conclusion of the Uruguay Round. First, it seemed that Members were keen not to disturb the familiar system of negotiating rights and obligations in international air transport that had evolved from the post-war period and that had two main components: the multilateral system for governing air navigation and air transport safety and security through the International Civil Aviation Organization (ICAO); and the reciprocity-based system of exchanging air transport economic rights. He recalled that during the Chicago Conference, at the close of the World War II time period, the US had proposed a multilateral agreement that would cover traffic rights among all nations, which, unfortunately, was not to be at that time. At the present

juncture, the US remained focused on what was the best way forward for the international civil air transport regime.

25. The second reason for excluding air transport from the GATS at the close of the Uruguay Round was to promote the development and liberalization of the air transport sector. At the time, the US and most other WTO Members believed that the existing international air transport regime, which was very detailed and pervasive, perhaps more so than for any other traded service sector, would best accomplish that important objective and that is why a broad exclusion had been agreed upon.

26. His delegation did not begrudge other Member for asking questions such as how to move forward on a multilateral basis. He noted that the EC paper stated that "the constantly evolving environment that shapes the market for air transport services merits consideration of how trade agreements for such services could progressively, at a later stage, be addressed in the WTO multilateral context". He appreciated this balanced and progressive EC view, but his delegation's view was broader: it was not a question of if, but a question of when, and in what venue, to move to plurilateral and multilateral schemes for negotiating air services rights.

27. The US already had one very important plurilateral agreement, the Multilateral Agreement on the Liberalization of International Air Transportation (MALIAT) and, as had been also noted earlier, teams from the US and the EC and its Member States were at that moment negotiating in Brussels the Draft US-EU First Phase Aviation Agreement. Such an agreement would not only bring an entirely new level of liberalization to transatlantic air services, but would facilitate the most important reinvention of international aviation for quite some time. It could be expected to enhance the quality of competition across the Atlantic in a dramatic way, bringing nearly 750 million people on many of the world's great airlines together under a single liberal regime. It would take liberalization to the next level, linking two huge markets and allowing airlines from both sides of the Atlantic unprecedented flexibility in how they build, manage and expand their operations. It would give the US the momentum to do even more and follow on US-EU accords, and would instantly become a new multilateral template for aviation liberalisation elsewhere in the world. The US view was that there were different venues that could be explored for what was a common goal and that, to the extent that the US sometimes differed on the appropriate venue with its friends, nevertheless it believed that all shared similar objectives.

28. The representative of Australia concurred that the aviation sector had been through many shocks in the recent times, and that there were many airlines globally that were struggling. However, he stressed the importance of looking also at instances of success. Liberalization, globally, was working, particularly in those countries that were taking leading steps. Australia's own region, the Asia-Pacific, was home to some of the world's most successful, competitive and innovative airlines, many of whom had sustained profitability during one most of the most challenging times that had faced the global aviation industry. Nonetheless, liberalization was patchy and difficult to do on a bilateral basis at times, particularly in the exercise of issues such as fifth freedom traffic rights, which effectively required the agreement of three or more partners, and even more so in the application of rights such as seventh freedom.

29. He welcomed the EC paper as a particularly important contribution to the Review, and noted that it addressed consolidation in the aviation sector. He stressed, however, that while consolidation was talked about broadly for the industry, in many cases as a necessity or even an inevitability, there was much more talk than there was action in many parts of the world as cross-border mergers and closer alliances were still often prevented by nationality clauses in bilateral agreements. Indeed the examples in the EC paper, Air France-KLM and Lufthansa-Swiss, even though important, proved the point, as they were working within a single aviation market that was not constrained by the same bilateral restrictions as other aviation markets. Nonetheless, airlines globally were working around these restrictions through the growth of alliances, code-share agreements, cross-equity arrangements

and franchising arrangements. Australia had a policy position of seeking liberalization in multilateral fora, to move away from the restrictions of the bilateral system. It was seeking to do this through ICAO, and also the WTO and the GATS were an option. These were important issues for the Review to consider.

30. Turning developments in the Australian aviation sector and policy, he indicated that his oral comments were a shorter version of the ones he would provide to the Secretariat for inclusion in the minutes (which are reproduced as follows) and that he would reply to any questions or comments at the following meeting.

31. Since 2000, Australian aviation had been characterised by two major themes. Firstly, a challenging operating environment, characterised by a series of market shocks and continuing industry change. Australia's second largest airline, Ansett, had collapsed in 2001 and the Australian Government chose not to prop up the airline. This caused short-term pain, not least for the many who lost their jobs, but also through the disruption of services. Secondly, on aggregate, sustained growth. International passenger numbers had grown by 4.7 per cent per annum on average over the period 2001-06, greater than the ten year average of 4.4 per cent. Domestically, the growth had been even stronger, with growth of 8 per cent per annum from 1989-90 to 2005-06. It was likely that challenges, change and growth change would all continue. However, a key lesson to be drawn was that liberalisation of air services had helped create a robust industry in Australia, capable of withstanding market shocks. Australia's liberal market access provisions had put in place conditions that had allowed the development of a far more competitive domestic and international aviation market.

32. As mentioned, there had been significant changes to the Australian market. In common with other parts of the world, Australia had seen the growth and evolution of low-cost carriers. Virgin Blue had grown from an airline with 2 leased aircraft in August 2000 to take 32 per cent of the domestic market with over 14 million passengers in the year ending June 2006. It had evolved its model from a classic low-cost carrier to that of a 'new world carrier', with a greater focus on business travel, as well as operating international services to New Zealand and the South Pacific, and considering longer-haul operations to the United States. The Qantas offshoot Jetstar had also been successful, defying perceptions that network carriers could not have successful low-cost offshoots. It was now diversifying its offering onto medium and long haul international services with a two-class service. These developments notwithstanding, Qantas continued to grow and was the major Australian international airline, and also the largest domestic airline.

33. There had also been a continuing shift in international air service offerings, with a decrease in services from European-based airlines and the growth of airlines at intermediate points in Asia and the Middle East carrying traffic to markets in Europe, the Middle East and West Asia.

34. The airport sector had also seen considerable change. The completion of the privatisation of Australian Government airports in 2003 had offered considerable benefits, and challenges. The privatised airports had invested heavily, leading to improved product offerings and the rapid upgrade of infrastructure, for example to cater for the Airbus A380.

35. Turning to developments in Australian aviation policy, in February 2006 the government had announced an updated policy for Australia's international air services, building on the previous 2000 policy statement. Australia was seeking the establishment of truly open aviation markets consistent with the national interest. The then Minister for Transport and Regional Services, the Hon. Warren Truss MP, announced that Australia would: recognise 'open skies' as an aspirational goal to be sought on a case-by-case basis, where it was in the national interest; negotiate capacity for air services ahead of demand, to allow airlines to make decisions and provide for competition and growth; maintain and expand access to a range of aviation hubs; recognise the contribution an Australian-based airline industry made to the economy; encourage major foreign carriers to commit to a long-term presence in

Australia; address Australia's trade and economic interests; continue to attract more services to the regions and smaller states by offering unlimited access for airlines to all airports other than the four gateways of Sydney, Melbourne, Brisbane and Perth; grow the air freight market by seeking unlimited access for freight aircraft from Australian markets to and beyond the markets (i.e. open third, fourth and fifth freedom rights); and continue to reform the bilateral air services system by seeking to designate airlines through their principal place of business, rather than through ownership criteria and continuing to seek liberalisation through multilateral fora such as ICAO and the WTO.

36. The policy clearly set out Australia's approach to the liberalisation of aviation, and the need to balance a strong domestically based aviation sector, with its important contribution to employment and access to services, against the competition and additional access offered by foreign carriers. This approach had been successful and Australia had some of the world's most efficient and innovative airlines. They provided jobs for more than 40,000 Australians directly, and were among Australia's largest trainers and employers of highly-skilled airline trades and other skilled positions. Similarly, foreign airlines played an important role in serving and growing trade, tourism and overall economic development, as well as providing opportunities for those airlines to grow. Negotiating capacity in advance of demand enabled airlines to make commercial decisions about the routes they served.

37. He submitted that these policies had confirmed Australia’s role as a leader in air services liberalisation. This had been implemented in Australia’s air services negotiations, taking account of the national interest. This progress was not fully picked up in the QUASAR model, which, he stressed, was not to be blamed on the model, but on the absence of up-to-date data. He would return to this issue under the relevant agenda item.

38. In addition, Australia had continued two other important policy developments. Firstly, it continued to seek to remove tariff control provisions from all of its bilateral air services agreements, as Australia considered price control of air services to be a relic of a bygone age. Secondly, it had removed barriers to establishment in its domestic market. Australia allowed domestic airlines to be established or acquired with up to 100 per cent foreign ownership; it had gone further than most countries in doing so, and had reaped considerable rewards through increased service offerings and diversity, and increased competition and decreased real fares.

39. This policy had also added to the robustness of its domestic market. Virgin Blue, established by UK-based interests, had been able to quickly capitalise on the opportunities offered by the demise of Ansett. Similarly, at the regional aviation level two major carriers, Regional Express and Sky West, controlled by separate Singapore-based interests, had identified opportunities in the challenging regional aviation market. Finally, and more recently, Singapore-based Tiger Airways had indicated it intended to establish a domestic offshoot in Australia. These domestic developments had also benefits for international aviation, with a now majority Australian-owned and controlled Virgin Blue offering international services and with Tiger potentially able to feed into its international services to Australia. Investment from new sources had been able to readily identify opportunities in the market and provide innovative product offerings or management approaches, which had lead to benefits to consumers and the overall economy. These are developments other Members may find of relevance to their own particular national situations.

40. Replying to the introductory remarks by the United States regarding commitments on specific services sectors currently negotiated in the DDA, the representative of Switzerland drew Members' attention to paragraph 2 of the Air Transport Annex, which stated that the GATS, including its dispute settlement procedures, did not apply to measures affecting traffic rights and services directly related to the exercise of traffic rights. There was hence a carve-out under the GATS for measures affecting specific issues. The GATS defined clearly in Article XXVIII(a) what a measure constituted. Therefore, the terms of what the carve-out represented in air transport services was defined in the GATS and concerned measures, not services. Article I(3)(b) contained a broad understanding of what

a service was under the GATS, i.e. any service in any sector, except services supplied in the exercise of governmental authority. He drew Members' attention to the fact that the carve-out for governmental services was not a carve-out on measures, but a carve-out on services. There were other instances in the GATS of carve-outs, such as paragraph 2(a) of the Annex on Financial Services, which contained a carve-out for measures for prudential reasons, i.e. not an exclusion of a service, but rather of a measure as defined by the GATS. It was therefore obvious that financial services were not excluded from the GATS; however, specific services and specific measures in the financial services sector were not under the scope of the GATS. That meant that there was no sectoral carve-out in the Air Transport Annex. It also followed that, in air transport services, Members were free to undertake commitments, which would fall within the scope of the GATS. However, specific measures within those services were not affected by a Member's commitments.

41. Responding to the comments by the Swiss delegation, the representative of the United States recalled that Article I(1) of the GATS stated that the Agreement applied to measures by Members affecting trade in services. Paragraph 3 of Article I, which defined what were measures by Members, was ancillary to the scope of the GATS as set out in the first paragraph of Article I. The GATS itself did not expressly refer, except in the context of the carve-out for services supplied in the exercise of governmental authority, to what exactly were services. The Council was currently in the process of carrying out the air transport Review, in view of the sector's express exclusion from the GATS. Her delegation did not wish to enter into such a debate at that juncture, but would revert to the issue and was open to hearing ideas on how to address Members' concerns. However, she did not think that Members needed to get into a debate over interpretation. Her delegation was looking for fresh discussions, and hoped that other Members sharing similar commercial goals would also consider any creative ideas that the US might have and which might not be restricted to that particular forum.

42. The representative of Canada stressed that not all delegations shared Switzerland's view and associated his delegation with the remarks of the United States regarding the GATS applying to measures affecting trade in services. He had had the particular advantage of having participated in the negotiations in 1993, at the time that a consensus was being sought on the wording of the Air Transport Annex, and what sectors, as opposed to measures, would be covered. It was agreed that the three sectors in paragraph 3 of the Annex would be the exceptions to the rule set out in paragraph 2. While paragraph 2 was perhaps poorly drafted, at the time it was important to get an agreement before the conclusion of the Uruguay Round. Canada had operated on the basis that only three sectors were covered since 1993. While Canada was not opposed the eventual expansion of the GATS coverage, it felt that this had to be done on a proper basis, an issue to which he would revert. He just thought that Members had moved beyond the legal interpretation debate. He noted that, when introducing the communication from Australia, the EC, New Zealand, Norway and Switzerland in September 2006, the representative of Australia was quoted, in paragraph 8 of the minutes, as saying that the co-sponsors did not intend to return to the definitional issue of whether or not ground handling was addressed in the GATS, but would rather look at options that provided certainty for Members rather than legal debate. That provided some encouragement to his delegation, so he hoped that Members would move beyond the legal debate and discuss constructively about how best to add sectors to the GATS if that was the wish of Membership.

43. The representative of Switzerland indicated that the reason and the basis for his intervention was not to specifically address the question of ground handling. It was a recurrent general matter, and not specific to air transport services. In the interest of clarity, he wished to complete his earlier statement, when he had omitted the reading of Article I(1) of the GATS. This clarification was for the purpose of any commitments Members might wish to undertake, whether in air transport or elsewhere. The GATS applied to "measures by Members affecting trade in services". This sentence reduced the scope of the GATS in four ways. It reduced it to "measures", "Members", "trade" and "services". One might easily agree on the issue of Members. As for measures, these were defined in Article XXVIII, and trade was defined through the four modes in Article I. However, the scope of the

GATS was further reduced by the fact that it applied only to measures affecting trade in services. The delimitation of the scope could work independently for each of the four elements; at times Members focused on the measures, sometimes on the service.

44. Responding to some of the comments made on the communication, the representative of the European Communities said that, with regard to competition rules and the IATA tariff conferences, practices such as those permissible under EU law provided substantial benefits to consumers. They were able to offer a wider range of air transport products through practices such as interlining; the effects of such systems were being currently studied. Concerning the comments by the US on the communication and its relation to the DDA as well as the intervention by Switzerland about the application of the GATS, he said that the EC had tabled an offer with commitments based on the GATS and on the air transport Annex. The EC offer included the three sectors which were explicitly covered, despite the fact that the Annex suggested that they were directly related to the exercise of traffic rights. However, the offer also addressed sectors that were indirectly related to the exercise of traffic rights, namely ground handling and airport services. The EC did not feel that that GATS could prevent any Member from looking at the possibility of making commitments in those areas.

45. The Chairman said that the Council would take note of the statements made.

ITEM A DEVELOPMENTS IN THE SECTOR

46. The Chairman recalled that, at the dedicated meeting in September 2006, Members had agreed that a point covering the eleven sub-sectors discussed at that meeting would be added to the agenda of the following dedicated meeting, to allow delegations to revert to them. Accordingly, agenda item A, dealing with developments in the sector, had been split into two parts: part I covered the hard rights up for discussion that day, while part II took up the eleven auxiliary services addressed in September.

47. Starting with part I, he indicated that, in order to assist Members with the examination of hard rights, the Secretariat had produced a hefty background note, circulated in two volumes and distributed as document S/C/W/270/Add.1, dated 30 November 2006. To complement the note, the Secretariat had also produced a CD-Rom, the Air Services Agreements Projector (ASAP), which had been distributed just recently. He offered the floor to the Secretariat to introduce the note and the CD-Rom.

48. A representative of the Secretariat said that the document was quite innovative and daring. Its aim was to provide Members with in-depth analysis and to stimulate an active exchange of views. The document was a quantitative analysis and, as always in the world of services, any quantitative analysis was difficult and open to criticism. There were serious information gaps, and there might also be some errors, given the large amount of information that the Secretariat had processed and analysed. He encouraged Members to communicate any corrections or gaps that might need to be filled. This would enable the Secretariat to produce an improved final version of the document which Members could use as a useful reference.

49. In terms of methodology, the Secretariat had tried to provide an aggregate picture of the degree of openness of about 2000 bilateral air services agreements. The analysis was based on the information about bilateral agreements contained in the ICAO World Air Services Agreements database. About twenty characteristics of bilaterals had been selected, extracted and given weights according to the degree of openness implied. On this basis, an Air Liberalization Index (ALI) had been computed, to give an indication of the degree of openness of each bilateral agreement. The ALIs of all the bilaterals concluded by any given Signatory were then aggregated, to provide an aggregate measure of liberalization. On this basis, a number of conclusions had been drawn, which were obviously open to discussion. Alongside the document, a software, the Air Services Agreements

Projector, had also been produced, of which the Secretariat then offered a demonstration.

50. The representative of the United States expressed appreciation for the enormous effort the Secretariat staff went to in developing the QUASAR study and the ASAP software to facilitate discussions under the Review. With hindsight, the idea sounded simple: to codify the universe of bilateral air services agreements and place them in context with associated traffic flows to allow comparisons. There had of course been numerous studies, often with a more narrow scope and with an array of methodologies employed, to assess the impact that air services liberalization could have on traffic growth and more broadly on economic growth, job creation , etc.

51. However, there was no universal compendium of air services agreements and furthermore no product such as QUASAR where the methodology was completely revealed and disseminated as an open source product that lent itself to ongoing improvement. He hoped that this new tool could facilitate greater liberalization by focusing on the substantial percentage of worldwide traffic that was not currently covered by liberal provisions in air services agreements. It was an impressive achievement.

52. In the assessment of the results of the study, his delegation could not help but notice that intrinsic limitations, both in the codification of the agreements and the availability of associated traffic data, posed a major impediment to gleaning meaningful results from the study.

53. The most obvious limitation of course was that the ICAO WASA database was not complete, as not all agreements and/or subsequent amendments were registered with ICAO. His delegation was looking into the US policies and procedures in regard to notification of agreements and he encouraged other Members to do the same. His delegation was open to discussion with other Members about how to bridge the gaps in this area.

54. At the same time, a more fundamental concern was the fact that the WASA coding employed in QUASAR did not account for important variations in provisions of the agreements scrutinized. For instance, it did not account for restrictions that might be present in the grants of third, fourth, fifth and seventh freedom rights, nor did it account for whether the full range of code-sharing rights (i.e. bilateral, same country and third-country) were present in provisions on commercial opportunities. In scoring for multi-designation clauses, it did not code for whether those clauses provided for unlimited designation. Perhaps more significantly, as discussed in part D of QUASAR, it was very difficult to quantify the coded information on routes exchanged, which were at the heart of the exchange of rights in air services agreements.

55. All of these limitations made it much more difficult to derive meaningful results from the study. At the same time, the Secretariat staff had been very transparent about those limitations and had developed fairly clear ideas as to how the study could be further refined. Ultimately, as stated on page 11 at paragraph 13, the goal would be to be able to isolate and control for various variables, calibrate for the determinants of traffic flows and obtain quantitative results for the unique impact of air services liberalization on traffic growth. That was a very tall undertaking. His delegation had some doubts as to its feasibility, but looked forward to discussing future uses and possibly improvements of QUASAR with Members.

56. Turning to the actual results reported in the study, his delegation felt that, despite the limitations, the results reported were consistent with the US experiences when negotiating air services agreements. It was no surprise that traffic was highly concentrated under a relatively small number of agreements. This reflected various factors in the demand for air services, and was not necessarily a function of the associated agreements (which, in terms of liberalization, might or might not keep pace with such demand).

57. The main findings also confirmed a common wisdom that liberalization of high-traffic relationships was at least as, if not more, difficult than liberalization of relationships where the demand for air services was low. The fact that many of the US largest traffic markets were governed by bilateral agreements that retained restrictions on routes, designations, capacity, etc. was illustrative in this regard. These might also be the markets where liberalization could have the most immediate impact on traffic. In the US view, it was clear that the factors driving growth in air traffic were complex. Liberalization as such did not necessarily impact on the underlying demand for air services. However, where there was high demand for traffic and opportunities for multiple carriers to compete, competition on prices and service could have the impact of increasing the underlying demand for air services and it certainly had positive impacts on the quality of air services. Conversely, restrictive arrangements could without question have the effect of suppressing demand, reducing the quality of air services and/or diverting it into other modes of travel.

58. His delegation had some differences to register concerning the main findings. First, he did not think that the bilateral agreements coded in the WASA database were as similar as was reported (i.e. seven types covering 72 percent of traffic.) The problem was that the commonality of types of agreements, cited as emerging from QUASAR, were not necessarily "classical open-skies", much less "full liberalization". It followed that these provisions would contain variations (limitations that undercut the full rights possible in a given type of provision) that were not coded for in the study and, hence, the underlying reality was that these agreements might not converge on such a small number of types.

59. Secondly, even if such a typology were true, his delegation did not think that it would follow that the provisions in those 1424 agreements could be readily, almost automatically, replaced by just seven sets of provisions in a plurilateral arrangement. The fundamental premise in this deduction was that States would feel the same incentives for extending such provisions, granted on a bilateral basis, to a plurilateral/multilateral framework. Those provisions, more so when they were not fully liberal, were usually arrived at through a complex and unique negotiating process between countries. Grants of rights, as well as underlying demand for air services and resulting traffic flows, were dependant on a host of social and economic criteria. So, moving from a bilateral to a plurilateral or multilateral scenario radically altered the incentives for each party and even, in a sense, changed the substance being negotiated

60. Another factor might reduce the meaning derived from these convergent patterns observed in the QUASAR results. While there were a large number of mathematical combinations that could result from random combinations of all the provisions that were coded, in actuality agreements were not arrived at randomly. Liberally-minded parties would tend to negotiate liberal provisions and the opposite also applied, so a certain non-random convergence was inherent in the negotiating process.

61. For all of the above reasons, his delegation thought that the real lesson was that plurilateral arrangements might be much more difficult to enter into than bilateral arrangements, even when the same provisions were the outcome. Where a party might be willing to cede a right to another party based on the benefits perceived in a reciprocal exchange, that might not be the case at all in a plurilateral setting where the same right was ceded to multiple parties and the balance of the exchange was either more difficult to calculate or was perceived to be less advantageous given competitive concerns.

62. It went without saying that the US did not think in those terms, and that was why they had entered into a plurilateral open-skies arrangement (the MALIAT) and actively sought both expansion of that agreement and other opportunities, like the US-EC agreement, to enter into plurilateral/multilateral arrangements. But the very existence and continuation of the bilateral framework suggested that this transposition of bilateral into multilateral rights was more difficult than his delegation thought the analysis suggested.

63. The representative of New Zealand found the work undertaken by the Secretariat awesome. He congratulated the Secretariat team, but also acknowledged the cooperation from ICAO and from IATA, which had provided the underlying traffic statistics. When he had spoken to the Secretariat about the exercise a year earlier, he did not believe that it would be possible to undertake it. What had impressed his delegation was that the limitations of the exercise had been completely acknowledged and that questions they had along the way had been worked through the methodology and answered in the documentation.

64. His delegation appreciated the opportunity it had, early on, to make a small contribution on methodology. For its own internal use, New Zealand had developed its own scoring system (from 1 to 100) of the liberality of air services relationships. Of course, New Zealand had access to the Memoranda of Understanding that included some of the detailed restrictions on the air services relationships that were not available to the Secretariat, or indeed to ICAO. Individual countries would therefore be able to take the methodology and adapt it, so as to see the spectrum of relationships they had in place. He also wished to acknowledge the fact that the Secretariat had noted that not all open-skies agreements were created equal, and had made the distinction between what it had described as a "classical open-skies", i.e. the US model, and the fact that some Members had gone beyond that model by adding additional rights to their open-skies agreements.

65. He had a methodological question about the underlying weighting of the agreements based on traffic. Using an example of carriage between New Zealand and Australia, his reading of the methodology was that, using the IATA traffic figures, all third and fourth freedom traffic carried across the Tasman, i.e. by New Zealand and Australian carriers, as well as fifth freedom carriage between New Zealand and Australia would be attributed to the New Zealand-Australia air services agreement. Indeed, there were around 28 flights per week operated by Emirates on the Tasman as well as by some other Asian carriers. Clearly, in the case of Emirates the relevant bilateral relationships were those between the United Arab Emirates and Australia and separately between the United Arab Emirates and New Zealand. He sought some clarification on the issue from the Secretariat.

66. The other commendable aspect of the methodology was the fact that different weighting systems had been developed, as indeed countries such as Australia and New Zealand might place more emphasis on fifth freedom traffic rights. It was simply impossible to fly non-stop between Europe and New Zealand yet Europe was an important market for New Zealand, so obtaining fifth freedom rights to make such services economically viable had always been important to New Zealand over the years, also in order to create openings to balance the sixth freedom opportunities that some carriers based between New Zealand and Europe exploited.

67. Another aspect that he felt would be useful to develop further was the information about plurilateral agreements. If there was a trend in air services that was clearly coming through in the work that ICAO was doing and that the Secretariat had illustrated in its note was the increasing amount of traffic covered by plurilateral agreements. He sought additional clarification about the exclusion of traffic within the EC, which seemed to be of significance. He would also appreciate more detail about what precisely some of the more important plurilateral agreements contained and whether they could be models for others to follow. His delegation was obviously aware of the MALIAT and of the Pacific Islands Air Services Agreement that was being negotiated.

68. One of the valuable features of the exercise undertaken by the Secretariat was that it brought some transparency to air services arrangements. For many years at ICAO meetings, the ICAO Secretariat had made a plea for the filing of air services arrangements reached between countries. It was great to see some practical use being put to that process. It was also pointed out clearly that many Members were not filing all of their agreements. He noted that countries were increasingly using the internet to make details of their arrangements available. For instance, India, as well as Australia, the

UK and the US, were making the full details of their air services arrangements available on the net, which was a positive development. In the case of New Zealand, there were 10 air services relationships missing from QUASAR. In addition, although New Zealand had filed the MALIAT with ICAO some 2-3 years previously, it was only as part of the WTO Secretariat's enquiries that they had discovered that it had not been registered by ICAO. This had since been corrected, but the analysis in the WTO Secretariat's work did not reflect that. In particular, it was important that Members update the Secretariat with the 67 key agreements, so that table B1 could more accurately reflect the major arrangements affecting air travel in the world.

69. Focusing on some of the specific freedoms covered, he indicated that one of the important distinctions when it came to seventh freedom was that, as part of the US classical open skies model, only seventh freedom rights for cargo were exchanged. QUASAR, however, did not make the distinction between cargo and passenger rights. It was a quite significant development that many countries were prepared to be more liberal with respect to cargo services than they were with respect to passenger services. The OECD some years ago had raised the idea of having a multilateral agreement for cargo services only. He noted that New Zealand had liberalized with China on freight services to a greater extent than on passenger services.

70. The Secretariat note suggested that cabotage was a particularly rare form of traffic exchange. This was unfortunately one of the cases where the registration of agreements with ICAO was behind what was New Zealand's current practice. Under a protocol of the MALIAT, New Zealand had exchanged cabotage rights with Chile, Singapore and Brunei. Under its Single Aviation Market arrangements, in 1996 it had exchanged cabotage rights with Australia; that initial exchange had not been done as part of a treaty, and therefore not filed with ICAO at the time. New Zealand had also exchanged cabotage rights with Ireland and the UK and, in fact, under its open skies agreement with the UK, it had exchanged all nine freedoms. Finally on the cabotage issue, under the Single Aviation Market arrangements New Zealand and Australia had exchanged eight freedoms, but had separately, as a matter of foreign direct investment policy, placed no limits on investment in domestic airlines. Ansett New Zealand had been operating as a 100% foreign-owned domestic carrier within New Zealand, and Qantas was currently operating domestic flights within the country. This was not entirely an academic point as in the past: without cabotage rights, airlines such as Korean, British Airways and Singapore Airlines had operated between Christchurch and Auckland without being able to carry traffic.

71. Turning to ownership, this was a particularly troubling issue for countries with small equity markets. Even in the US, which had one of the biggest equity markets in the world, one would have thought that, given the current state of the US airline industry, looking for additional financing might be in the interest of US airlines. Under the bilateral system, however, one party might have, as New Zealand had, removed the criteria of substantial ownership and effective control with a number of partners, but if the entire network of countries served did not have these bilateral potential restrictions removed, there could be no certainty that greater levels of foreign investment would be permitted. This was a practical issue that New Zealand had faced when looking at the financing of Air New Zealand some years back.

72. He then noted a couple of minor issues in the report. First, he wondered what the source for the information about the number of international airports was. New Zealand was shown as having four, whereas in fact it had seven. Second, there seemed to be an issue with regard to territories. For example, New Zealand had two airlines from French Pacific territories (Air Calin and Air Tahiti Nui) operating to New Zealand under the France-New Zealand arrangement. The Secretariat documentation, however, suggested that those services were not covered by agreements filed with ICAO.

73. In terms of the results of the QUASAR analysis, he had noted the points raised by the US

delegation. Even though at a detailed level there might have been data problems, the overall results were painting a good global picture of the air services arrangements that the international airline industry was operating under. Clearly, there were some key arrangements, and if the US-EC negotiations succeeded, they would impact a very large proportion of international air traffic. The other result that emerged clearly was the fact that, increasingly, air services arrangements were of a plurilateral, sometimes regional, nature. As he had mentioned, there was some lack of detail with regard to plurilaterals and he would appreciate seeing the Secretariat do some further work in that area.

74. There was scope for further refinements to be brought to the QUASAR exercise. Part D of the Secretariat note focused on some possible enhancements that he thought would be desirable, also in light of fulfilling the Annex mandate to review developments in the air transport sector every 5 years. Such work, enhanced by additional information from Members, would provide a useful benchmark for progress in that particular area. Finally, as to whether the documentation and the CD-Rom should be made available to the public, his delegation had no problem with that suggestion. The kind of information used by the Secretariat was in the public arena and any confidential Memoranda of Understanding had not been available to the Secretariat for analysis.

75. The representative of Brazil thanked the Secretariat for its work on the documentation and the CD. He nevertheless had lingering doubts as to the usefulness of such an exercise within the context of the review. Judging by the debates, the gulf between air traffic rights and GATS remained as wide as ever. The first comment he had on the study was the partial availability of data. In spite of the willingness of ICAO to give access to its data, there remained a problem of notification to ICAO and in that respect Brazil joined the *mea culpa* presented by previous speakers. For instance, in QUASAR Brazil appeared to have 36 agreements, while the true figure for agreements already initialed was 60. The explanation of this gap was that Brazil notified an agreement to ICAO only after its ratification, whereas it entered into provisional application as soon as it was initialed. In addition, many of the detailed stipulations of these agreements, such as code-share provisions, were left to Memoranda of Understanding which were not notified. That explained why Brazil had a zero for code-share in QUASAR, which introduced a kind of distortion.

76. Brazil considered it was an impossible exercise to assign weights to the various features of the bilateral agreements. At any rate, this could only be a subjective judgment with underlying assumptions on what was more liberal and, hence, good and what was more restrictive and, hence, bad. What was missing clearly was an assessment of the specific conditions of the air transport sector in each country, i.e. the objectives that each negotiator was trying to achieve by pushing for or negotiating a specific type of agreement, and how these agreements fitted into the country's overall strategy for the development of its own air transport sector. A tailoring to the needs and conditions of the different countries was still lacking. Brazil was extremely uncomfortable with attempts to classify Members' policies as more or less liberal for several reasons. In the DDA services negotiations, Brazil was hostile to the idea of quantifying commitments by Members. Discussions had proven that this was not a viable option. Similarly, applying the ALI approach to agriculture, for instance, would not probably please most of the Members.

77. The representative of China appreciated the detailed analysis of bilateral agreements produced by the Secretariat at worldwide scale, as it facilitated the understanding of the liberalization process. Although the ICAO database used by the WTO Secretariat did not include all air services agreements, this was the first comprehensive and quantitative analysis of such agreements. As noted by the Secretariat, this analysis did not encompass recent updates, confidential Memoranda and amendments not notified to ICAO. The collection of these elements – save the confidential Memoranda – by the WTO Secretariat would be a resource and time-consuming task. The indexes created by the Secretariat were constructive and creative, but other elements such as mutual recognition of certification (including airworthiness certificates, personal certificates, etc.) could have been used too,

as these remained an obstacle even when more traditional characteristics such as capacity, tariff, withholding and designation had been liberalized. China wanted more information on the rationale and the method followed by the Secretariat to assign weights to each of the elements. China also noted that the QUASAR results were organized on a signatory by signatory basis and, therefore, failed to give a fully global picture, an omission it wished to see corrected in the future.

78. The representative of Japan thanked the Secretariat for its work which might constitute an interesting basis for the analysis of the status quo of air services agreement concluded by a number of countries. In this context, Japan pointed out several elements that were highly relevant to further improvements of the analysis undertaken in this document. First, it was important to pay attention to the situation of individual countries, such as geographical location and the competitiveness of their airline industry. Secondly, Japan felt that such factors as dual approval of tariffs and substantial ownership and effective control could not automatically be characterized as restrictive. The possible direction of air transport liberalization would not be adequately captured by referring only to amendments of such factors. This would be misleading in discussing conceivable and desirable ways of liberalizing air transport.

79. The representative of the European Communities considered that the documentation produced by the Secretariat was a very substantial piece of work, giving a very good indication of the degree of liberalization of the various bilateral agreements and of the market access opportunities provided by the bilateral system. The QUASAR study had not taken into account the intra-EC situation where a single market had been established, which implied unimpeded access for EC airlines to other Member States, including cabotage and free fares and rates setting. These conditions also applied to the European Economic Area countries (Norway, Liechtenstein and Iceland) and to Switzerland. It might therefore prove interesting for QUASAR to reflect more fully this state of liberalization. With regard to the EC external air transport relations, the EC noted that the horizontal agreements negotiated to bring Member States' agreements in conformity with EC law, as described by the Secretariat, were not only covering the issue of ownership but also the setting of tariffs and the taxation of on aviation fuel. The EC also noted that its external policy was more ambitious, and included negotiations of full air services agreements with partners such as Canada or Morocco, and the initiative to establish a European Civil Aviation Area with the EC neighbouring States up to the year 2010. The EC welcomed QUASAR being refined to ensure its accuracy and usefulness. It would be interesting, although difficult, to look at the cargo situation in some more detail. The EC was very conscious that operators in sectors such as express and courier services, which had slightly different interests in terms of the freedoms of the air, sought to ensure better coverage and a better service provision to customers. That would prove very interesting indeed.

80. The representative of Switzerland complimented the Secretariat for its seminal work and noted that the extensive analysis of bilateral agreements made these, for the first time, comparable and therefore enhanced transparency. Delegations were given a truly global view of the air transport sector. Switzerland was still considering how to improve the data of QUASAR regarding its own agreements and encouraged each Member to do the same, so as to build a database as complete as possible. He wished that a deadline be set for providing those data to the Secretariat.

81. The representative of Australia considered that the QUASAR methodology provided a solid basis for analyzing and discussing traffic rights, however granted, which was at the heart of greater liberalization efforts. The model was broadly sound and had strengths outstripping its limitations. The latter included data problems and information gaps, as indicated by the Secretariat in its introduction. The modular approach suggested by the Secretariat for the future meant that the model could be improved over time and some of the issues that the US delegate had mentioned be addressed. Further work might be possible on issues such as capacity, code-share, fifth freedom and cargo. One possibility to promote work in this regard was the circulation, in due course, of this model through the Internet. This would allow for an informal peer review and could perhaps over time encourage PhD

students to add to and refine the model. It had the potential to be a very useful tool, not only to inform the current and future Reviews, but also for air services practitioners as they prepared for negotiations.

82. He then turned to minor methodological issues. Firstly, on capacity, Australia was not convinced that predetermination of capacity was necessarily less liberal than "Bermuda I" type clauses, but this was a difficult issue to address in the absence of data on the actual capacity limits in individual air services arrangements. Secondly, on the inclusion of statistics clauses in air services arrangements, while having been assigned only a very minor part of the weighting, Australia still did not consider that statistics were necessarily a factor related to the liberality of agreements. Rather, they could be about information exchange which helped to make investment decisions in the sector.

83. Noting the comment by the US delegation that the model demonstrated that high-traffic agreements could be more difficult to liberalize, Australia considered that this could be true in many instances, there were perhaps regional differences. Certainly in the Australian experience, the most heavily trafficked agreements were the ones with the most liberal arrangements, e.g. with New Zealand and also with Singapore, the UK and others.

84. Turning to data, Australia, like others, offered a *mea culpa* in terms of registration with ICAO. QUASAR picked up 42 air services arrangements, whereas Australia had in excess of 60 and many of the air services arrangements that were picked up in QUASAR had been substantially amended since they were registered with ICAO or completely replaced in several cases.

85. Building on a comment that Brazil had made on code-share, he noted that it was the Australian practice to include in actual agreements code-share arrangements, be they fully open code-share or more limited ones. However, if not possible, these were included in the Memoranda of Understanding, which were not picked up in the QUASAR model.

86. Finally, data transparency throughout the world was one of the great assets of this model. It painted a clear picture of air services arrangements and encouraged further transparency by Members, both through registration and through providing additional data through the QUASAR model or unilaterally through their own websites or other means of dissemination. It was important that Members seized the opportunity to update the QUASAR with the most recent information about their air services arrangements, and Australia would certainly be doing so in the very near future. Australia also noted that registration with ICAO, while important and something that it was certainly working towards, could take considerable time. Air services arrangements, like any treaty arrangement, had to go through lengthy ratification processes, and it was important that arrangements of less than treaty status, or arrangements with provisional effect could be included in the QUASAR.

87. Answering to questions raised by delegations, a representative of the Secretariat confirmed that New Zealand's understanding of the data was correct, and that data for traffic between any pair of Signatories included third-party carriers' traffic, if any. The Secretariat also indicated that it had some ideas on how to single out fifth freedom traffic, something that had apparently never been attempted on a global scale. However, such an attempt would imply the need to buy relatively costly data sets from the Official Airline Guide (OAG) or from IATA, which were the only data sets that would allow such computations.

88. Answering a question by the EC and New Zealand about more information on plurilateral agreements, he recalled that the Secretariat had undertaken, in paragraph 41, to describe plurilateral agreements in greater detail in the documentation to be prepared for the following meeting. However, this presented specific difficulties because the provisions of plurilateral agreements had not been "pre-coded" by ICAO. The WTO Secretariat would therefore have to code these provisions itself and would make the coding process transparent, so that interested parties could challenge or complement

it if they so wished. In addition, the Secretariat would compute all intra-plurilateral traffic relations, which in some instances could require a complex and lengthy process (the Yamoussoukro II Ministerial Decision, for instance, implied 50x49, i.e. 2450 potential bilateral relations of traffic).

89. He confirmed that the Secretariat had not taken into account intra–EC traffic because of the existence of the Single Aviation Market and because it would have given an ALI index value of fifty (out of fifty) to about one-third of the total sample. The Secretariat would, of course, correct this and incorporate intra-EC traffic in future since the EC so wished.

90. With regard to the absence of cargo traffic in the study, and in particular of seventh freedom cargo traffic, he explained that an extension was methodologically feasible. However, in view of the lacunae of the ICAO WASA database regarding cargo, such an undertaking implied access to another database of ICAO, the DAGMAR application, which contained the texts of all 1842 agreements registered with ICAO. It would also imply the coding of the individual provisions of these agreements, the adaptation of the QUASAR weighting methodology to the specificities of the cargo industry, including the presence of three types of carriers (combi-carriers, all cargo and express) and the obtention of traffic data from professional sources. This could clearly be done, but in a medium to long-term perspective.

91. As noted by Brazil, code-share clauses were imperfectly taken into consideration by QUASAR because they were not always mentioned in the agreements themselves. However, he indicated that it was feasible to add to QUASAR a "reality check" functionality. Regulatory data would be compared to the exhaustive or quasi exhaustive list of code share agreements published annually by the specialized press.

92. Regarding the attribution of weights and the methodology followed to that effect, a point raised by China and Brazil, he indicated that the Secretariat had tried to avoid making value judgements by consulting academics, negotiators and industry practitioners. To the extent it had done so, judgments were made as transparent as possible. The Secretariat hoped to be able to provide in the future a software that would allow each Member to give its own weights to each of the factors and to discard some (e.g. substantial ownership and effective control), so as to tailor QUASAR to its needs and policy, while retaining full comparability among the totality of the 2000 agreements of the sample. Only IT constraints had prevented that goal from being achieved, but this could be worked out in the future.

93. Regarding the assessment of aeronautical national conditions, be they geographical, historical or strategic, as mentioned by Brazil and Japan, he noted that in the first chart of every profile the Secretariat had tried to gather all elements that could have an impact on traffic such as size, density, trade, GDP per capita etc. The rationale was to allow the computation of regressions that, in the long term, might explain the factors affecting traffic, with liberalization being only one of them and having complex relations of correlation and causality with other parameters.

94. Regarding the availability of data, he reminded Members that the document contained, in its last page, a simplified template to provide complementary information to the Secretariat if a Member so wished. This was at any rate much simpler than a full notification procedure to ICAO. As to a possible deadline to provide these data, the Secretariat suggested the end of September.

95. The representative of the United States considered that the existing methodology with the standard weighting was the best that could be hoped for. Internal consultations were still needed on how to prioritize some of those areas and whether or not the United States saw fit to task further improvements. One strength of the study was its open-source architecture and there had been suggestions, including from Australia, that consideration might be given to putting it on the web – in the public domain-and letting it become a tool for further improvements. A mix of those approaches

might be appropriate. At that stage, the United States needed to further consider how to task the Secretariat with any further work during the Review. One comment was about registration of agreements: there were reasons why the United States had had difficulties registering agreements with ICAO and it had to do with perceptions of some of its treaty lawyers that a certain process had to be followed before an agreement could be registered. There had been some bureaucratic hold-ups in that process. Those difficulties might also impact the US ability to fill in the sheet that had been provided in QUASAR. The United States saw the need for greater registration, to help fill in the gaps and that was one of the easy things that could be done to improve the product, but it was not something that could be accomplished automatically – the Department of Transport would have to consult with other agencies and find a way to do that. The United States had no problem coming back to this item at the following meeting.

96. The representative of New Zealand proposed that the Secretariat produce a summary of its suggestions (mostly contained in part D) that would be designed to help Members assess their priorities. The first priority was clearly to make sure that the data set was as complete as possible, as Members had all recognized it. Some relatively simple improvements could also be made that the Secretariat, under time and resource pressure, had not been able to incorporate this time round. Others implied so much work that they could not be reasonably expected before the next review. That might be the case of cargo, which was a very important question.

97. The representative of Australia supported the proposal made by New Zealand of a consolidation of suggestions for further work. However, there was one piece of work that could be usefully undertaken in the interim, before the next meeting: the updating of the database through the provision of information by Members to the Secretariat, be they agreements of a formal treaty status or of less than treaty status. The representative of China also echoed the proposal by New Zealand.

98. The representative of the United States agreed with the suggestion on condition that the consolidation of suggestions for further work would not be something on which Members should be required to take decision. A list of suggestions should simply be put forward to Members that they would evaluate and then discuss thoroughly at the next meeting.

99. The Chairman suggested that Members agree on the proposal of a consolidation of suggestions for further work by the Secretariat which would serve as a basis for discussion at the next meeting. It was so agreed.

100. The Chairman then turned to the second point of this agenda item: auxiliary services. He first recalled that a discussion on eleven auxiliary services had taken place at the last dedicated meeting, on the basis of document S/C/W/270 and its Corrigenda. He indicated also that these documents, amended to correct any factual errors communicated by delegations, had been published in the form of a purple booklet distributed to delegations. He finally noted that, in order to fulfil a request by Canada and Costa Rica, the Secretariat had produced a document on the use of electronic means to provide cross-border aircraft maintenance and repair services, circulated as document S/C/W/279 dated 7 February 2007.

101. The representative of Canada thanked the Secretariat for this document, which had been requested in light of the numerous mentions of "technical unfeasibility" for mode 1 in this sector. The document showed that it was now indeed technically possible to provide such services on a cross-border basis, electronically.

102. The representative of New Zealand noted that one of the examples given, that of the provision of weight and balance load sheet software by Lufthansa Technik, did not really belong to the universe of aircraft repair and maintenance, but to the normal operation of an airline.

103. The representative of the European Communities found the paper useful as it would help Members in the future to understand what they were doing when committing in this field.

104. The representative of China made comments on two auxiliary service. Regarding first Computer Reservation Systems, China considered that only Business-to-Business systems, or "classical CRS" as termed by the Secretariat, should fall into that legal category. It should not, therefore, include virtual travel agencies and internet distribution by airlines as these new sales activities belonged to the Business-to-Consumer mode. Regarding freight forwarding and warehousing, he noted that operations in those two sectors might involve various transport modes. In China's view, the commitments on freight forwarding and warehousing by WTO Members did not apply to air transport automatically.

105. The Chairman said that the Council would take note of the statements made.

ITEM B OPERATION OF THE ANNEX

106. The Chairman recalled that Members had agreed previously that the documentation by the Secretariat would not touch upon the question of the operation of the Annex and that the debate on this question would take place only on the basis of Members' contributions and comments. He then turned to Australia to present the submission jointly sponsored by Australia, the European Communities, New Zealand, Norway and Switzerland, titled "Review of the Annex on Air Transport Services – Ground Handling and Airport Operations Services" and circulated as Job (06)/237 dated 13 September 2006.

107. The representative of Australia indicated that the objective of the proposal was to ensure that the second Review led to concrete outcomes and opportunities for Members, including, if they so desired, to make commitments on auxiliary air transport services through the GATS. Hence this proposal was about clarifying the Annex for Members. He noted and shared the Canadian comments that Members were moving on beyond the legal debate. Opinions differed on whether ground handling and airport operation services were already open for Members to make offers on. Indeed, Australia had already done so. This proposal was about moving beyond that point to get legal certainty. Australia maintained its existing position that these services were already open to those wanting to make offers, but equally Australia did not want to reopen the detailed legal debate at this time.

108. Australia wanted to make it clear that clarification of this matter alone would not end the need for further work on developments in the sector through the Review, and potentially for further expansions of the Annex in the future. The Secretariat's background paper on auxiliary services supported his delegation's view that there had been considerable changes since the time of the last Review in ground handling and airport operation services. These developments presented opportunities and challenges for service providers. Australia was particularly interested in the emergence of independent ground handling companies and the continuing search for economies in the management of airport services and the implications for this Review in consideration of its proposal. For example, available markets open to competition in this sector had doubled over the last five years, to represent 40 percent of the global market in 2005, up sharply from 24 percent in 2000. Further, liberalization of ground handling and airport operations could, should Members make offers, play an important role in facilitating trade. It was an important part of the supply chain and its liberalization could only improve global logistics with significant knock-on benefits to trade.

109. Notwithstanding Australia's view that ground handling and airport operation services were already covered in the GATS, Australia and its co-sponsors were seeking agreement from Members to amend the Air Transport Services Annex to refer to ground handling and airport operation services. This was the only outcome that would provide certainty for Members and would reflect the important

liberalization that had taken place in recent years. Australia would continue to work closely with others - the co-sponsors, but also other Members, to clarify the issues raised in this paper and looked forward to Members' initial views on the paper.

110. The representative of China welcomed the proposal presented by Australia and noted that supporting and auxiliary services for air transport, including ground handling and airport operations services, played a positive role in promoting the efficiency of the air transport industry both in terms of quality and cost. For China, the liberalization of air transport in the WTO should be focused on the supporting and auxiliary services for air transport in general, and not only on ground handling and airport operation services. Although the positions of Members somewhat differed, it might be much easier to handle this issue without involving hard rights.

111. On specific points, China disagreed with the inclusion of firefighting within ground handling as in some Members' economy firefighting was a service provided by the government and not a commercial service. China noted, furthermore, that the classification of ground handling activities by the IATA International Ground Handling Council (IGHC) also excluded firefighting. China preferred the adoption of the IATA IGHC classification, rather than the CPC one suggested by the sponsors of the proposal, because it was widely used by the industry. As to airport services, China suggested to distinguish the notion of "airport management services", which only included the expertise of managing an airport company, from the notion of "airport operation services", which meant the provision of practical and direct operations such as operations of runways and terminal building at the airport. "Airport services" was encompassing both categories since it covered all services provided at airports. As an example, China quoted British Airport Authorities (BAA), which provided airport management services globally, but no airport operation services. Finally, China considered that it was not yet the proper time to discuss the amendments of the Annex as the substantive review had just started and as such a discussion should take place only after a full review of the developments in the sector and the operation on the Annex had been conducted.

112. The representative of the European Communities supported the position expressed by Australia. The liberalization of auxiliary services to air transport was clearly a means of improving the cost efficiency and the operational efficiency of airlines, by ensuring that the capacity which airlines used was managed in an efficient way via the introduction of a sufficient degree of competition. This was critical in an industry that was so sensitive to external shocks such as worldwide pandemics, threat of terrorism, or fuel hikes. The EC communication also touched on those issues and tried to explain the need for the inclusion of those sectors in a way that everyone could understand and make commitments with a legal basis that was clearly accepted by all. The proposal from September was just aimed at bringing the debate forward, which might address the comment by China that this discussion might be premature. The EC was ready to investigate if there was a possibility of perhaps presenting this issue in a way that could be more clearly understood. What mattered was to identify the auxiliary services as sectors of economic importance in their own right and to find out how to bring these services more fully into the GATS.

113. The representative of Chile supported the proposal presented by Australia in view of the importance and growth of ground handling and airport operation services in recent years. It was therefore necessary to modify the Annex on air transport to include explicitly these two activities. He indicated that, for these reasons, Chile had decided to become a co-sponsor of the proposal.

114. The representative of the United States reiterated that, as described in an earlier submission, co-sponsored with Japan and Canada, this forum was the appropriate venue to discuss the scope of GATS coverage of the air transport sector rather than the Special Session and request/offer negotiations. The United States saw the proposal presented by Australia as constituting an amendment to expand the current scope of the GATS. Whether it would also serve to clarify the scope of the exclusions of the air sector from GATS obligations and the WTO dispute settlement

embodied in the Annex, was a question worth considering. One of the major concerns that the United States had with this proposal was the lack of evidence that the industry itself on a global level was involved in this debate. It was important, if this initiative was to pass, that the potentially affected industry be a willing participant in such an initiative. This said, the United States saw the value that could be obtained in greater clarity and legal certainty with respect to the Annex exclusions. To that extent, the United States appreciated the spirit in which the co-sponsors were looking at ways to move beyond the legal debate and achieve some measure of clarity.

115. Turning to the specifics of the proposal, the United States was interested in the views of co-sponsors and other Members as to how certain threshold issues would be dealt with in such an initiative. How would MFN obligations be addressed in sectors that were newly explicitly listed for coverage in paragraph 3? What about technical corrections to Members' schedules? Finally, the United States did have issues, like other Members, with the proposed definitions in this initiative and was not certain that they matched the commercial reality in which they were provided. Nor did it appear that the two sectors as defined were mutually exclusive of each other. US constituents had raised issues with those definitions and there had been discussions on the margins about that. So withholding any final judgement on this proposal, the United States was interested in more clarifications and technical details about how that would be handled.

116. In addition, there were serious unresolved issues with the possible application of GATS obligations to these sectors. The United States had concerns with respect to the possible implications of extending GATS coverage to airport operation services, which were provided in the US and in many other Members by public authorities. Liberal provisions on ground handling remained a core element in the US model open skies text. Severing soft rights such as ground handling rights from the traffic rights that were negotiated in conjunction, appeared neither simple to handle nor desirable. Finally, it was not clear how the regime that the United States had built up through bilateral and plurilateral exchanges of ground handling rights would co-exist with GATS coverage of this sector. At any rate, the proposal was not about a clarification of the existing scope of the GATS.

117. Reacting to the US comments on the role of stake-holders in this debate, the representative of the European Communities assured the delegates that the EC communication had been prepared in full consultation with the stakeholders in the EC namely the ground-handling association, the airlines and the airports and that they had all subscribed to the content of that communication.

118. The representative of Colombia welcomed the proposal, which contained a number of very valuable elements to nurture the discussion on air transport. In line with the historical position of Colombia, regarding flexibility, free access and equal opportunities for ground handling services, the Colombian authorities had decided to support the addition of ground handling services to the Annex. Regarding airport operations services, they had difficulties understanding the rationale for the inclusion of airport services as suggested in the proposal. Airports were a component of aero-nautical infrastructure, which required a lot of investment and fixed capital, and that usually belonged to state authorities, be it the central government or local or regional governments. Colombia was promoting the participation of private entities in airport operations, so as to imrpove infrastructure development. There had been a number of competitive bids/tenders and this required long-term contracts with the State. Hence, Colombia wished that more clarity be brought to the ramifications of an inclusion of airport services in the GATS.

119. The representative of Canada found the proposal very constructive and welcomed the fact that the debate was moving away from legal interpretations and was aiming at legal certainty, which was a key objective. Although Canada did not have specific export interests in these sectors at the present time it considered the proposal as an acceptable basis on which to begin consideration of inclusion of ground handling and airport operation services under paragraph 3 of the Annex.

120. The representative of Japan recalled several points linked to the fundamental position of Japan regarding the review of the Annex. Both ground handling services and airport operations services were directly linked to the exercise of traffic rights, because they were indispensable for the operation of aircraft. Japan could not accept the idea that these services were not linked to traffic rights. Attention should be paid to the substantial differences between those two sectors and the three services explicitly listed in paragraph 3 of the Annex. Because of these differences they could not be given the same status. In addition, neither the definition of those services nor their demarcation was clear, which cast a doubt on the feasibility of the proposal. Attention should rather be devoted to the improvement of commitments in the three listed services and to the reduction of the number of MFN exemptions concerning those three services. Japan also seized this opportunity to reiterate the importance of the existing bilateral regime regarding the exchange of hard rights.

121. The representative of Cuba called for the Spanish version of the second volume of the publication to be made available soon, thanked the Secretariat for the QUASAR/ASAP presentation which it found helpful and wished that Members complement the information already contained in the Secretariat database. Cuba took note of the proposal made by Australia and of the communication of the European Communities.

122. Air transport was a key component of the economy as well as a vector for tourism and cultural exchanges. In an increasingly globalized world, the expansion of privatization and liberalization was evident for various sectors of the world economy. In the case of air transport, the 35th session of the ICAO Assembly held in 2004 had established the ICAO priorities for the triennium 2005-2007. The fifth Worldwide Air Transport Conference held in 2003 had reached a consensus on progressive liberalization while reaffirming the leadership of ICAO on civil aviation matters. This conference dealt with the aspiration of a progressive, continued liberalization in a safe, protected and economically sustainable form. In that context, Cuba was in favour of equal opportunities and of a gradual and slow phasing-in of liberalization. Flexibility was essential there, as well as the availability of safeguards measures. Cuba considered that the embargo by the United States had been the main impediment to the expansion of its national transport sector, in particular in terms of access to technologies for the renewal of the fleet and the maintenance of airports and air navigation infrastructures, but also of access to computer reservation services, a sector in which Cuba, unlike the United States, had no MFN exemptions.

123. Cuba for its part had market access and national treatment commitments for the three sectors covered by the Annex. In reality, the largest part of air transport was controlled by alliances from developed countries. However, trade continued to be regulated by bilateral agreements in which rights of the parties could be protected and abided by. Trade under pure market laws did not recognize the peculiarities of air transport, notably the principle of full and exclusive sovereignty on the air space as spelled out in Article 1 of the Chicago Convention, nor did it take into account the economic, infrastructural and geographical limitations of developing countries.

124. The representative stressed that ground handling and airport operation services must remain subject to the sovereign decision of States in their bilateral relations. Hence, the scope of the Annex must remain limited to the three sectors presently covered. Efforts should rather be devoted to the elimination of existing MFN exemptions and to the negotiation of commitments in those three sectors. ICAO should remain the only forum regulating international air transport. It was clear that the air transport sector was undergoing a phase of liberalization; that process had to be conducted under the principles defined by ICAO of a balance of benefits between consumers, airlines and public interests.

125. The representative of Switzerland agreed with prior interventions stating that this forum was not meant to discuss commitments on ground handling and airport operation services, but the possible amendments of the Annex. First, regarding airport operation services one had to address the fears expressed so far. Indeed, airports were a very important type of infrastructure, very capital intensive

and submitted to a very specific regulation. Some airports were publicly owned and some others were not. This coexistence of a public and a private segment within the same service was not an exclusive feature, it existed too in education and environment, for instance. It was addressed in other sectors by crafting commitments in a way that clarified the areas subject to commitments, and Members had been very creative in that respect. So the question was: did the Membership collectively want to deter individual Members from making commitments or not? Should Members be prevented from making multilateral commitments on liberal policies that benefited the entire Membership? The MFN question was not specifically related to commitments, but rather to the terms of any solution or approach that the Members would decide to take when amending the Annex. Regarding definitions, Members were, of course, free to adopt any kind of definition that was within the framework of the GATS. The co-sponsors had chosen the CPC as the basis of this proposal because, while not perfect, it had very clear advantages, being exhaustive and mutually exclusive. That avoided the problem of overlap. In addition to exhaustiveness and mutual exclusiveness, the CPC contained a very clear and detailed mechanism on how to attribute a particular service to a specific CPC number. There was indeed a problem of communication between the language of aviation officials and authorities, and the language of the trade and GATS negotiations. These languages were different and they were not directly compatible with each other. Still, the CPC language was preferable in a trade context as it avoided overlaps in the same way as a parking lot demarcation sought to prevent a driver from stepping on another parking space. Further, a certain flexibility could be exercised. For instance, paragraph 14(f) of the proposal gave a slightly more precise definition than the CPC definition. It did not expand the CPC as such, but made things clearer and more transparent. Switzerland hoped that, with a constructive approach and hard work, a mutually acceptable definition could be found.

126. The representative of the United States noted that the implications of such an initiative extended beyond any Members' specific commitments they might elect to take. This would be of lesser concern to the United States if the only implication related to commitments taken by other Members on a voluntary basis, as long as those commitments were within the proper scope of the GATS. The fears that had been articulated were about the general obligations of the GATS and the potential application of WTO dispute settlement to sectors that had their existence defined without being under the provisions of that regime. That is why definitions were important: in this case definitions were not about commitments only, but also about the GATS itself and its scope. To that extent, the United States was concerned about the definitions – again without prejudice to its final position on whether it would endorse this proposal. In their daily business, operators in these sectors did not use reference to CPC codes, and this had to be borne in mind when engaging in a process of consultation with the industry. The industry would need to check whether these definitions were comprehensive and conformed with the commercial reality, and whether they were mutually exclusive. The United States was looking forward to further discussion.

127. The representative of Switzerland recalled that the mandate of the Review was, according to paragraph 5 of the Annex, to "review the operation of the Annex with a view to considering the possible further application of the agreement in this sector". The question before Members was therefore: how did the Annex operate regarding traffic rights or, rather, what were the consequences of its non-application for the air transport industry, since paragraph 2 of the Annex stipulated that the agreement "shall not apply to trade measures affecting traffic rights"? The air transport industry was operating under the regime of the Chicago Convention, operationalized through a large web of air services agreements. Thus, Members needed to assess whether this web of agreements had truly liberalized and opened the industry.

128. The documentation provided by the Secretariat gave a clear picture in that regard: most agreements did constrain routes, number of competitors, capacity and rates. For instance, dual approval still prevailed in 84 percent of the agreement representing 72 percent of the traffic. However, it was difficult to qualify as "liberalized" an activity whose prices were controlled by two governments. Seventh freedom rights, i.e. the right to carry freight and passenger by an airline of a

third country without connection to its home country, was a marginal feature, while cabotage rights was a quasi inexistent one. With regard to ownership, the traditional "substantial ownership and effective control" rule defined sixty years ago at a time where there was a close identification between an airline and a nation State, was still quasi-universal, as 90.5 percent of the agreements representing 90 percent of the traffic were still subject to those restrictions. The most liberal ownership criterion, the principal place of business, was used in only 7.6 percent of the cases. As a consequence, the "substantial ownership and effective control" criterion perpetuated a fragmented and often inefficient industry structure, because an airline seeking foreign capital or a foreign merger partner could lose the ability to operate foreign flights. While a symbol of globalization, airlines could not evolve, paradoxically, into genuine multinationals. Safety and security remained paramount objectives for all aeronautical authorities; however, how restrictive ownership provisions and protectionist traffic rights could enhance safety and security still remained a mystery. The state of international air transport regulation and the slow pace of its liberalization, including at regional level, could drive negotiators into despair.

129. In that context, a catalyst was needed and no options should be left aside. The multilateral framework of the GATS did provide legal certainty and stability, and was open and accessible to practically every country. It was framed in a way that could cover all freedoms and could address ownership issues as well. It was a flexible system where Members could make tailor-made commitments in the light of their domestic sensitivities. Finally, it offered additional flexibility through exemptions from its central Most-Favoured-Nation obligation. As a consequence, Switzerland considered that Members should not exclude the prospect of abolishing the Annex on Air Transport and, thus, having the sector covered by the GATS. Indeed, air transport services deserved greater freedom.

130. The representative of Australia welcomed what he termed a thought-provoking presentation by Switzerland. Australia did not take a position as yet on the proposal or suggestion that Switzerland was making. However, it did support the ends that Switzerland was proposing, which were about greater liberalization and normalization of air transport services. The abolition of the Annex was a proposal that could help to meet those ends. Australia's policy was to seek liberalization through multilateral arrangements, such as under the WTO, and this suggestion was worthy of some consideration. Australia looked forward to hearing the views of Members at the next meeting of the Review, at which time it would also respond to the Swiss proposal.

131. The representative of the United States underscored the difficulties faced by the air services industry over the last few years, including the impact of the horrible attacks on September 11 2001 or the SARS crisis, and rising fuel costs. Still, alarmist rhetoric invoking the structural crisis of the industry and its "pillar of stagnation" was exaggerated. Air transport was facing a state of transition and was on the verge of a major regulatory breakthrough on its single biggest market: the negotiation of the first phase of a draft agreement between the United States and the European Union and its Member States. Changes should not be made to this important sector solely in an effort to create an impression of positive change for its own sake. Rather, change had to be driven by fundamentals in the industry and largely at the initiative of the industry. The United States did not think that any initiative should be undertaken that would produce more harm than good. In its view, the Swiss proposal was falling into that category.

132. The representative of the European Communities referred to the Swiss proposal of abolishing the Annex. The mandate of the Members was to investigate the different avenues of how to make the Annex better reflect the realities of the air transport industry. Hence, any kind of proposal, including the Swiss one, would have to be scrutinized in-depth before the European Communities could take a position on that.

133. The representative of Korea considered that the proposed extension of the Annex to ground

handling necessitated first in depth discussions with the proponents. With regard to airport services, this question deserved careful and cautious consideration since these were a key infrastructure, often owned and/or supported by governments.

134. The representative of New Zealand welcomed the contribution from Switzerland, which he too considered to be thought-provoking. Although the possibility of the WTO playing a greater role in hard rights had been around for some years, it clearly required in-depth consideration before Members could reach conclusions. In the last review, New Zealand had submitted a paper (S/C/W/185, dated 1 December 2000), drawing parallels between the standard provisions of air services agreements and the GATS. The resulting differences were not as wide as some perceived. However, conceptually some thinking would have to be done in terms of how hard rights could be addressed. Clearly, Switzerland had started that process of contemplating what the future offered. New Zealand was surprised by the comment from the United States about alarmist rhetoric, particularly in view of the state of the US airline industry. The losses were truly massive for an industry that struggled to maintain stability. Changes could not only be industry-driven. There were wider considerations, such as the impact on the overall economy as well as on transport users.

ITEM C FURTHER STEPS FOR THE REVIEW

135. The Chairman gave the floor to the Secretariat to indicate the possible timelines of the production of the next set of documentation.

136. A representative of the Secretariat indicated that the extent and depth of the work to be produced were in the hands of Members and a function of the timeline they set. With respect to QUASAR, the Secretariat would produce a list of possible improvements for Members to consider. The remaining items that the Secretariat should be producing for the purpose of the Review concerned aspects of scheduled air passenger transport that were not linked to air service agreements nor directly quantifiable in market access terms: low-cost carriers, charters, regional, general aviation and slots. The Secretariat apologized for not having covered them yet. It had taken the initiative and the liberty to invest more resources and time to produce the QUASAR/ASAP products. From a management point of view, because of the large amount of resources involved, further work on QUASAR-type products should be based on keen demand from the Membership. The relevant concern was timing; the Secretariat could produce documentation on the subjects mentioned, with the same depth of analysis, by early October.

137. The representative of New Zealand indicated she had thought of an earlier date for the next meeting in September, which should be set so as not to overlap with the ICAO meetings. Australia concurred and called for an early decision on the date, so as to be able to organize a seminar in the margins of the meeting.

138. The Chairman concluded that he would hold consultations on the subject and adjourned the meeting.