PART H

OWNERSHIP

H. OWNERSHIP

1. Regulatory aspects

659. This section will discuss: (a) the different concepts associated with the term "ownership", and their interactions; (b) documentary limitations affecting the analysis of the issue; and (c) main regulatory developments.

(a) The different concepts associated with the term "ownership" and their interaction

660. As explained in the compilation (paragraphs 7-9, pages 220-221), in the professional and academic aviation literature the term "ownership" is indifferently used to refer to three distinct concepts:

(i) The designation policy through which a country attributes the rights to operate, either domestically or under a bilateral Air Services Agreement, to a given airline(s) (e.g. the US Department of Transportation granting traffic rights to American Airlines but not to Continental Airlines on a non-open-skies destination). Designation policies were used in the past both at the national level (e.g. before the 1979 deregulation, the US Civil Aeronautics Board would attribute the right to operate on a given city-pair to a given airline) and at the international level. They seem now to be confined mainly to the international arena with the marginal exception of public services contracts.

(ii) The national investment/establishment regime for airlines, whether operating only domestic flights, only international flights, or both. The investment regime may cover also non-scheduled carriers and, in certain instances, general aviation/business aviation carriers. In cases where there is only one, publicly-owned airline, there may be no investment regime since none is needed.

(iii) The withholding requirement in ASAs, which grants the right to one party to revoke, suspend or limit the authorisation of an airline designated by the other party on the grounds that this airline no longer fulfils the conditions of origin stipulated in the bilateral Air Services Agreement. Withholding policies also include any waivers to these requirements granted in a discretionary (and, hence, revocable) manner. The scope of withholding policies is limited to international scheduled (passengers and cargo) services. To draw a trade policy parallel, the concept is akin to that of rules of origin.[362]

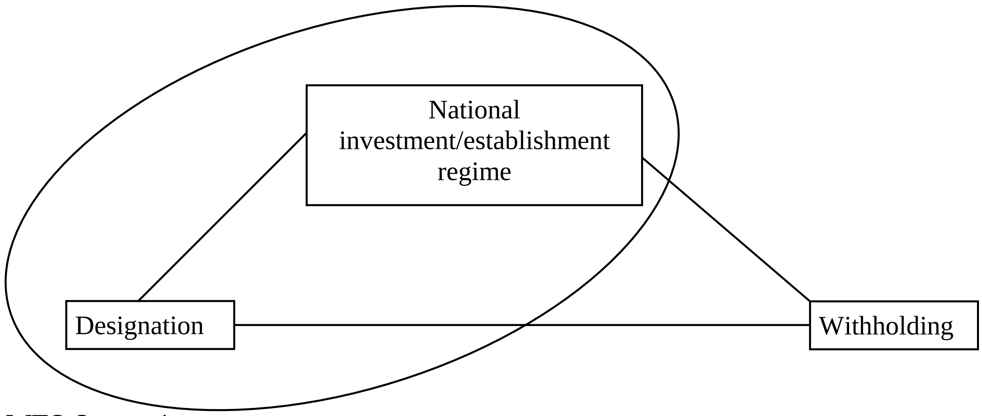
661. There is a certain degree of interaction between these three concepts in what one may call the "ownership triangle", which explains the semantic confusion. This interaction will be described below by taking the concepts two at a time.

(i) Designation and national investment/establishment regime

662. The interaction between designation and the national investment/establishment regime illustrated in Figure 5.

[362] The three withholding requirements mostly found in bilateral ASAs are: "substantial ownership and effective control", "community of interest" and "principal place of business" (for a definition, see document S/C/W/270/Add.1, page II.656, paragraph 68). The overwhelmingly dominant requirement is the SOEC clause, which explains why the "withholding clause" is usually referred to as the "ownership clause".

Figure 5
The investment/designation side of the "ownership triangle"



Source: WTO Secretariat

663. In most instances, the situation is relatively straightforward: the national investment regime requires that a country's airlines be substantially owned[363] and effectively controlled[364] by its nationals, and countries designate airlines that fulfil this criterion.

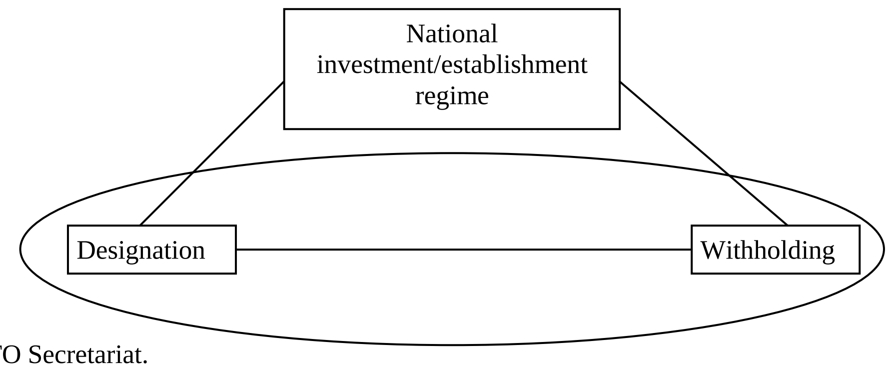
664. There are, however, some instances (that one may term "self-waivers") in which, under a bilateral ASA, a country has designated a carrier that does not fulfil its own investment regime. These cases are extremely rare. One frequently quoted example is that of Britannia and Monarch Airways, large charter airlines whose beneficial ownership ultimately resided in Canada and Switzerland, respectively, and which have long been designated by the UK and accepted by other countries as such.[365]

665. In cases where the national investment regime allows airlines to be majority foreign-owned (e.g. Australia, Switzerland), designation may benefit foreign-owned carriers (e.g. Swiss, which will be owned by German flag carrier Lufthansa after a transitional period, is still designated by the Swiss authorities under Switzerland's ASAs). In such cases, there is consistency between the national investment regime and the designation policy.

(ii) Designation and withholding

666. The interaction between designation and withholding is illustrated in Figure 6.

Figure 6
The designation/withholding side of the "ownership triangle"



Source: WTO Secretariat.

[363] The thresholds that define an airline as nationally-owned may however vary from 51% to 75% and may be different depending on whether foreign owners are airlines or otherwise.

[364] The control criteria may vary, and may even not be spelled out explicitly.

[365] Doganis, R. (2006), "The Airline Business", Routledge, London.

667. The designation-withholding interaction can be analysed, first, from the point of view of an individual party considered in isolation, and, second, from the point of two ASA partners considered together.

(a) From the point of view of an individual party

668. In theory, there is no direct link between the policy that an individual country applies to designate its own carrier(s) and its withholding policy towards a partners' carriers.

669. However, in practice the two policies will be based on the same criterion, most frequently SOEC.[366] In its ASAs, a country will designate carriers that are substantially owned and effectively controlled by its nationals and it will demand that its partner does the same, mainly to prevent third countries' airlines "free-riding" on the rights granted by the agreement.[367] It will therefore reserve its right under the ASA to withhold authorisation for airlines that are not substantially owned and effectively controlled by the nationals of the partner.

670. It might, nevertheless, be possible to base one's designation and withholding policies on two different criteria. Two scenarios might be envisaged.

- First, a strict withholding clause (such as SOEC) and a flexible designation criterion (such as "principal place of business", for instance). Getting ASA partners to agree to such a set up, however, might be difficult. There is nevertheless one example of such a situation: the numerous agreements re-negotiated by the EC and/or its Member States following the ECJ "open skies" judgments. These agreements contain a "flexible" designation provision on the EU side (community of interest), while retaining a "strict" withholding provision on the partner's side (SOEC). This is, however, not necessarily the case in all instances, e.g. the EU-CH agreement which carries a PPOB clause on the Swiss side.

- Second, a restrictive designation policy coupled with a flexible withholding policy. The latter scenario has *de facto* materialised, according to some observers, for the MALIAT, where more flexible criteria than the built-in SOEC criterion are accepted through waivers but where certain parties, such as the United States, apply a stricter designation policy for their own airlines.

(b) From the point of view of two ASA partners

671. The link between designation and withholding policies becomes more obvious when two ASA partner countries are considered together: one country's withholding policy will affect the other's designation options. Suppose country A had a withholding clause based on SOEC. An aviation partner of A would be left with a limited set of designation choices: designate an airline that is SOEC by its own nationals, or be more liberal and designate a carrier that is <u>not</u> SOEC by its nationals, but run the risk of seeing the carrier lose the respective traffic rights or, at best, benefit from a waiver that is inherently legally uncertain because revocable at any time.

672. The various possible combinations of withholding and designation policies are illustrated in Table 52.

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[366] Indeed, the ICAO Secretariat notes that the grounds on which a Contracting State receives an authorisation (i.e. designation) may be addressed in the "Revocation of authorisation" (i.e. withholding) article, "since the conditions for not granting an authorisation are the same". (ICAO (2003), "Template Air Services Agreement for Bilateral, Regional or Plurilateral Liberalisation", document ATConf/5-WP/17, page A-11.)

[367] A country A that had concluded an ASA with B, but not with C, would want to avoid C's airlines being designated by B to operate under the A-B ASA.

Table 52
Combinations of designation and withholding policies in the framework of a bilateral agreement

Type of airline designated by contracting State A	Withholding clause in the bilateral ASA between A and B	Legal consequences
Airline whose ownership and control are vested in the nationals of A	Substantial ownership and effective control	**No conflict**. However, the clause is generally not spelled out in detail and its interpretation may vary from party to party.
Airline whose principal place of business is in A but whose ownership and control are not vested in the nationals of A	Substantial ownership and effective control	**Conflict**. Impossibility to operate a service if no waiver.
Multi-national airline (partially owned by nationals of A)[368] or airline whose ownership and control are vested in the nationals of States members of a plurilateral agreement to which A is party	Substantial ownership and effective control	**Conflict**. Impossibility to operate a service if no waiver. In the case of a plurilateral ASA, consolidation foreclosed (e.g. the planned BA-KLM merger before the ECJ judgments).
Airline whose ownership and control are vested in the nationals of A	Principal place of business	**No conflict.** Ownership and control by nationals of A automatically imply that the principal place of business is located in A.
Airline whose principal place of business is in A but whose ownership and control are not vested in the nationals of A	Principal place of business	**No conflict**
Multi-national airline (partially owned by nationals of A) or airline whose ownership and control are vested in the nationals of States members of a plurilateral agreement to which A is party	Principal place of business	**No conflict** if the principal place of business is located within the geographical ambit of the multi-national airline[369] or of the plurilateral ASA.
Airline whose ownership and control are vested in the nationals of A	Community of interest	**No conflict**. "He who can do more can do less".
Airline whose principal place of business is in A but whose ownership and control are not vested in the nationals of A	Community of interest	**No conflict** if the principal place of business is located within the geographical ambit of the community of interest clause. **Conflict** otherwise.
Multi-national airline (partially owned by nationals of A) or airline whose ownership and control are vested in the nationals of States members of a plurilateral agreement to which A is party	Community of interest	**No conflict** if the principal place of business is located within the geographical ambit of the community of interest clause. **Conflict** otherwise.

Source: WTO Secretariat.

673. If substantial documentation were available on national investment regimes, as was the case during the first review (Table A2, pages 234-235 and Table A3, pages 236-239, and see also below the section on documentary limitations), it would be possible to list the bilateral agreements falling under the various combinations identified in Table 52 and to measure the traffic they cover. Commercial data on existing direct services, such as those used in QUASAR, would also allow for the identification of waivers and their development over time.

674. Table 52 is incomplete, as it does not include asymmetric withholding clauses, such as the COI-SOEC combination (for the US-EU agreement, the Euro-Med agreement or the EU agreements renegotiated post the ECJ 2002 "open skies" judgements), or the COI-PPOB combination (for the EU-CH agreement). These asymmetric clauses appear to be on the rise and may spread beyond the EU-

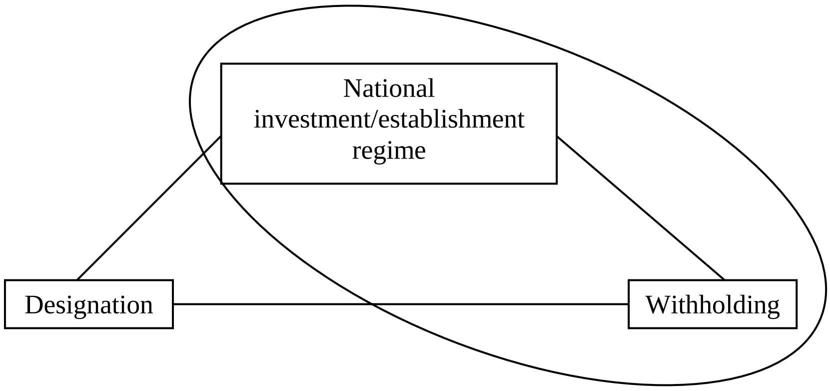
[368] For instance, SAS or Gulf Air.
[369] For instance, Copenhagen for SAS.

based agreements. For instance, when negotiating the MALIAT, some of its members tried, in vain, to include such an asymmetric clause.

(iii) National investment /establishment regime and withholding

675. The interaction between the national investment/establishment regime and withholding is illustrated in Figure 7

Figure 7
The investment/withholding side of the "ownership triangle"



Source: WTO Secretariat.

676. Withholding clauses have a significant impact on national investment regimes because the exercise of traffic rights under an ASA is nearly always linked to the nationality of the airline.[370] Under an SOEC withholding clause, in fact, an airline must be able to prove at all times that it has the nationality of the country which concluded the ASA on its behalf in order to have guaranteed continued use of the traffic rights granted under the agreement.[371]

677. The pervasiveness of the SOEC withholding clause and its link with national investment regimes has been viewed by many commentators as the main reason that has prevented the emergence of truly global airlines in an industry whose business is, by its very nature, global.[372] This "nationality" requirement has in effect prevented airlines from raising the funds they needed by way of inward (foreign) investment and has generally prevented cross-border mergers and acquisitions and overall consolidation within the industry. Whilst, in theory, nothing prevents a country from allowing majority foreign ownership of its airlines, in practice there is a risk that traffic rights may be lost or curtailed as a result. Accordingly, a country's faculty to open up access to foreign investors in the airline sector is effectively limited by the most restrictive of the withholding clauses applied by any of its aviation partners.

678. The relationship between withholding and the national investment regime is not unidirectional, however. There have been instances where changes in the ownership structure of airlines have impacted on the withholding regime applied. One case in point is that of Aerolineas

[370] Only 7.6 per cent of the WASA traffic is accounted for by bilateral ASAs containing a withholding clause based "principal place of business", i.e. a clause which precludes from the nationality of the airline. The "community of interest" clause accounts for only 0.1 per cent of the traffic. (ASAs for which the withholding clause is undetermined account for 2.3 per cent of the traffic.)

[371] Van Fenema, H. P. (2002), "National ownership and control provisions remain major obstacles to airlines mergers", in ICAO Journal, number 9.

[372] See, amongst others, Van Fenema, *op. cit.*; Hörstke, S. (2003), "Air carrier ownership and control revisited at the Fifth Worldwide ICAO Air Transport Conference", Annals of Air and Space Law, Vol. XXVIII; Lelieur, I. (2003), "Law and Policy of Substantial Ownership and Effective Control of Airlines – Prospects for Change", Ashgate, Aldershot, Doganis, R. (2006), "The Airline Business", Routledge, London.

Argentinas (see also document S/C/W/270/Add.1, page I.34, paragraph 69). In 1991, Spain's Iberia bought a majority shareholding (85 per cent) in the Argentine carrier, but Argentina's bilateral partners continued to accept Aerolineas as the Argentina-designated carrier in spite of the fact that effective control had switched to Spain. In the case of the United States, however, such designation was only accepted on condition that frequency or capacity limitations on US airlines flying to Buenos Aires be lifted. This example highlights the potential risks associated with opening up to foreign inward investment in airlines in an aviation regime still dominated by restrictive withholding policies.

(b) Documentary limitations

679. From a documentary point of view, the issue of ownership in all its facets is in a somewhat paradoxical situation. There is an abundance of literature: several books, numerous articles published in academic journals, and countless press clippings. However, virtually all this literature is centred on a very narrow geographical area, i.e. the United States, the European Communities and their bilateral relations. Moreover, this literature has, to a large extent, become outdated as a result of two very recent developments: the US Congress rejection in November 2006 of the amendments proposed by the Department of Transportation to relax the rule of interpretation of the ownership legislation**;** and the conclusion of the First Phase US-EU Air Transport Agreement (signed on 30 April 2007, entering into force on 30 March 2008).

680. Rather than summing up this "transatlantic" literature, the WTO Secretariat has decided to focus on a systematic, in as much as possible, collection of data concerning regulatory regimes (both in terms of national investment regimes and of withholding/designation policies) and of economic and commercial realities (structure and development of the ownership structure of scheduled airlines).

681. However, such a systematic collection suffers from a series of documentary limitations: there exists no exhaustive inventory of national investment/establishment regimes, no complete inventory of national designation and withholding policies, no extensive data on trans-national ownership of airlines.

682. Moreover, compared to the situation at the time of the first review, these documentary limitations have worsened:

- ICAO has discontinued its annual publication, "The World of Civil Aviation", and replaced it with a short "Annual Report of the Council". In that process, it has ceased to monitor in a detailed manner national ownership and privatisation developments, thereby rendering impossible the complete updating of Table 1 (page 220) and Table A1 (page 230) of the compilation.

- IATA has not pursued its efforts to constitute an inventory of national investment regimes.

- The attempt by ICAO to set up an inventory of designation and withholding policies has largely failed, since only 47 of its 190 Contracting States have provided an answer to its 2003 questionnaire (see compilation, page 222, paragraph 13).

(c) Regulatory developments

(i) Regulatory developments with regard to withholding and designation

(a) Multilateral developments

683. In March 2003, ICAO's Fifth Worldwide Air Transport Conference (ATConf/5) reviewed the Template Air Services Agreement (TASA) for bilateral and for regional/plurilateral arrangements.

The TASAs had been developed for the guidance and optional use, selectively, adapted or in full, by parties in their air transport relationships.

684. With regard to the withholding (and designation)[373] clause, the bilateral TASA contains the relevant provisions in Article 4 (and Article 3).[374] The article indicates under which circumstances "the aeronautical authorities of each Party shall have the right to withhold [...] authorisation [...] with respect to an airline designated by the other Party, and to revoke, suspend or impose conditions on such authorisations, temporarily or permanently". Three options are proposed:[375]

685. In the **traditional** approach, the TASA reads as follows:

> "a) in the event that they are not satisfied that substantial ownership and effective control are vested in the Party designating the airline, nationals of that Parts, or both"

686. For the **transitional** approach, the TASA presents two options, as follows:

> Option 1
> "a) in the event that they are not satisfied that the airline is and remains substantially owned and effectively controlled by nationals of any one or more States in a group, or by any one or more of the Parties themselves"
>
> Option 2
> "a) in the event that they are not satisfied that the designated airline has its principal place of business (see (i) below) [and permanent residence] in the territory of the designating Party;
> b) in the event that they are not satisfied that the Party designating the airline has and maintains effective regulatory control (see (ii) below) of the airline;
>
> Notes:
> (i) evidence of principal place of business includes such factors as: the airline is established and incorporated in the territory of the designating Party in accordance with relevant national laws and regulations, has a substantial amount of its operations and capital investment in physical facilities in the territory of the designating Party, pays income tax, registers and bases its aircraft there, and employs a significant number of nationals in managerial, technical and operational positions.
> (ii) evidence of effective regulatory control includes but is not limited to: the airlines holds a valid operating licence or permit issued by the licensing authority such as an Air Operator Certificate (AOC), meets the criteria of the designating Party for the operation of international air services, such as proof of financial health, ability to meet public interest requirement, obligations for assurance of service; and the designating Party has and maintains safety and security oversight programmes in compliance with ICAO standards."

687. Finally, the **full liberalisation** approach bases evaluation of withholding traffic rights on whether there is conformity with the laws and regulations of the designating States. Withholding prerogatives are therefore entirely divorced from national investment regimes and, instead, focused exclusively on the safety and security issues. The TASA option reads as follows:

> "a) in the event that they are not satisfied that the airline is under the effective regulatory control of the designating State".

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[373] The two are generally based on the same criterion. See above.

[374] There are no significant differences between the bilateral TASA and the multilateral TASA in this regard.

[375] The other grounds for withholding, revocation and limitation of authorisation (related to compliance with safety and security provisions and the laws and regulations of the Party) are common to the traditional, transitional and full liberalisation approaches, and have thus not been reproduced.

688. The issue of the liberalisation of the SOEC provision was high on the agenda at ATConf/5.[376] Opinions at the Conference varied greatly. Airline representative groups IATA and its non-scheduled counterpart, the International Air Carrier Association (IACA), argued in favour of liberalising ownership and control regulations, whereas labour unions, including the International Federation of Airline Pilots' Associations (IFALPA) and the International Transport Workers' Federation (ITF) argued strongly for retaining the status quo. ICAO Contracting States were equally divided.[377]

689. In spite of these differences, the participants at the Conference did support the formulation of a non-mandatory "Declaration of Global Principles for the Liberalisation of Air Transport", which includes a "Model Clause" on authorisation and designation.

690. The Model Clause distinguishes between economic and regulatory control. On the economic side, it replaces the traditional SOEC requirement with the concept of "principal place of business". On the regulatory side, it underlines the responsibility of the designating State for the exercise of regulatory control over the designated air carrier by requiring "effective regulatory control".[378]

691. Evidence of "principal place of business" is predicated, *inter alia*, upon establishment and incorporation of the airline in the designating State, or the substantiality of the amount of operations and capital investment in that State.[379] As for "effective regulatory control", this is demonstrated by, *inter alia*, the fact that the airline holds a valid operating licence or permit, such as an Air Operator Certificate, or the fact that the designating Party has an maintains safety and security oversight programmes in compliance with ICAO standards.[380]

692. The emphasis on a regulatory control criterion is related to the concern about the establishment of "flags of convenience". Under the Model Clause, the designation of a carrier which has its principal place of business in a third Contracting State would not be permitted. Under the proposed system, therefore, air carriers would not be able to "cherry pick" the State with the cheapest safety, security and social costs as the State of designation. If they did so, the carriers would be limited to operations from and to (and via, if fifth freedom rights had been granted) that State.[381]

693. The Conference agreed that the Model Clause should be used as an optional criterion. Moreover, it stressed that its use would not necessitate that Contracting States change their existing national investment/establishment regimes. Indeed, the Model Clause is intended to bring about a regime under which States that did not wish to liberalise foreign ownership of their domestic airline could do so whilst not inhibiting others from doing so. In other words, the Model Clause would not affect a Contracting State's "internal ownership" regime (i.e. national regime on establishment/foreign investment in its airlines), but would liberalise the "external ownership" side through a withholding policy that would authorise the bilateral partner to designate a third-party owned carrier.

694. Whilst the Model Clause, if universally adopted, would represent significant, though still imperfect[382], progress towards progressive liberalisation of the SOEC withholding/designation provision, it still remains only an optional approach and nothing guarantees that all ICAO Contracting

[376] For a fuller discussion of the deliberations and outcome of ATConf/5, see Hörstke, S., *op cit.*

[377] See Höstke, S., *op. cit.*

[378] ICAO, "Report of the Worldwide Air Transport Conference: Challenges and Opportunities of Liberalisation", Document 9819.

[379] ICAO Document 9819, *ibid.*, para. 2.1.3.2.

[380] ICAO Document 9819, *ibid.*

[381] Hörstke, S., *op cit.*, page 52.

[382] It has been noted that even this criterion would impede full-scale mergers, for an airline could only operate from one single Contracting State, namely the State with which it maintains an economic as well as regulatory link. A merger between two airlines would still require having to artificially separate the merged carrier, for instance by setting up a subsidiary in another State and submitting this subsidiary to regulatory control of that second State. (See Hörstke, *op cit.*, pages 47-48.)

States would act accordingly and thus largely remove the aero-political uncertainties for the parties involved in a merger, including the national governments concerned.[383]

(b) Regional developments

695. The single most important development at a regional level stems from the European Court of Justice "open skies" rulings of 2002 (see also section I.A and Box 2). Following these judgments, any bilateral agreement by an EC Member State which precludes the possibility to designate any other EC Member State-owned airline (i.e. because the withholding requirement is based on the principle that the airline has to be SOEC by nationals of the Member State in question) has become illegal under EC law. As a result, all aviation agreements involving an EC Member State will have to include a withholding provision based on the "Community clause".

696. Under the "Community clause"[384], third parties have a right of revocation, suspension and withholding of authorisation if:

- the airline is not established in the territory of an EC Member State;
- the airline has not received an operating licence in accordance with European Community law;
- effective regulatory control of the airline is not exercised and maintained by the European Community Member State responsible for issuing its Air Operators Certificate.

697. It is worth noting that the concept of "establishment" in the Community clause is different from the one of "principal place of business " in the ICAO Model Clause. The ECJ has interpreted the meaning of "establishment" in a very broad way, pointing out that it could be any sort of established presence, such as a business, sales office or subsidiary.[385] As a result, a carrier can only have one single principal place of business, but it may have several establishments.[386]

698. The longer-term implications of the ECJ judgements became clear in September 2003, when Air France and KLM announced a proposed merger, which was accomplished in April 2004 following approval by the EC Commission's Competition Directorate. The deal marked the start of the consolidation of European flag carriers. It was followed in July 2005, by Lufthansa's take-over of Swiss International Airlines.

699. The withholding clauses contained in plurilateral agreements concluded since 2000 have been analysed in detail in the section of the present document devoted to plurilateral ASAs. Overall, plurilateral agreements appear more liberal than bilateral ones as the "community of interest" criterion, a logical corollary of plurilateralism, is very widespread, though not universal.

(c) Bilateral developments

700. The application of the QUASAR methodology to bilateral ASAs has revealed that SOEC withholding clauses are still largely prevalent in bilaterals. As indicated in document S/C/W/270/Add.1 (page I.33, paragraph 61), SOEC clauses are found in around 90 per cent of

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[383] Van Fenema, H.P. (2001), 'Airline Ownership and Control: Long and Short-term Approaches to a Trade Barrier', in "European Air Law and Policy – Recent Developments", European Air Law Association Conference Papers, Vol. 17.

[384] See Commission Decision of 29 March 2005 on "Approving the standard clauses for inclusion in bilateral Air Service Agreements between Member States and third countries jointly laid down by the Commission and the Member States".

[385] European Court of Justice (2002), Commission of the European Communities vs. Kingdom of Denmark, C467/89, paragraph 131.

[386] Hörstke, S., *op. cit.*

agreements, covering the same share of the WASA traffic. By comparison, principal place of business provisions are found in about 6 per cent of agreements (covering around 8 per cent of traffic), while community of interest clauses are found in less than 1 per cent of agreements (covering 0.1 per cent of traffic).

701. In preparation of the Fifth Worldwide Air Transport Conference, ICAO had drafted a questionnaire on designation and withholding policies built around four questions, namely:

- When designating a carrier to operate the rights granted in a bilateral ASA, does the Contracting State in question require the carrier to be substantially owned and effectively controlled by nationals?

- What are the criteria applied when accepting the designation of foreign airlines? Five standard criteria are envisaged: substantial ownership and effective control; community of interest; principal place of business; principal place of business and effective control (PPOB&EC); principal place of business and effective regulatory control (PPOB&ERC).

- Would the Contracting State in question be willing, in the future, to negotiate non-traditional ownership clauses for both its carriers and the carriers of its bilateral partners, or only for the partner's airlines?

- Could the Contracting State in question envisage any positive action in regard to withholding and designation policies, such as developing a common policy with aviation partners or taking unilateral action to liberalize through an individual statement of policy?

702. Thus far, 54 Contracting States have provided detailed answers to the ICAO questionnaire.[387] They are summarised in Table 53.

Table 53
Summary of responses to ICAO's 2003 questionnaire on withholding and designation policies

Contracting State	Summary of responses
Argentina	Argentina requires the airlines it designates to be nationally substantially owned and effectively controlled and imposes these obligations on the carriers of its bilateral partners.
Bahrain	There is no absolute requirement of domestic ownership and control for Bahrain-designated airlines. SOEC or COI requirements are imposed on carriers serving Bahrain, except for non-scheduled and cargo carriers which need only meet the PPOB&ERC criteria. Bahrain is willing to liberalize the relevant provisions and to develop a common ACAC policy with Arab States.
Brazil	Brazil requires national ownership and control from its airlines and also from those of its bilateral partners, though COI is also possible. No other clauses are agreed to and Brazil clearly stated that it would not be willing to alter its approach in the foreseeable future.
Cameroon	Cameroon stated that in designating its own carriers it applies the ownership and control criterion but alternatively, rather than cumulatively. When dealing with third countries, Cameroon does sometimes impose SOEC criteria to avoid flags of convenience but also accepts PPOB, PPOB&EC and PPOB&ERC criteria which favour the flow of capital. Cameroon would be willing to accept any future criteria which favour economic enhancement but always on a reciprocal basis. It would further be interested in developing a common policy on a sub-regional framework.
Cape Verde	Cape Verde does not impose a condition of SOEC on its designated carriers but in practice the only airline providing services is fully State owned. Where SOEC appears in Cape Verde bilaterals, this is on the request of the other party; Cape Verde favours any of the more liberal clauses. Cape Verde aspires to further liberalize its bilateral agreements on a reciprocal basis. It would consider unilateral and regional action to promote further liberalization.

[387] The complete text of these answers is available at:
http://www.icao.int/icao/en/atb/epm/Ecp/OwnershipControl.htm

Contracting State	Summary of responses
Central African Republic	Airlines designated must meet SOEC criteria. Airlines serving the Central African Republic may be subjected to any one of the standard bilateral conditions or even different terms as found in the relevant ASA. Liberalization may be pursued reciprocally or only for the benefit of the airlines of partner States. Conditions to such liberalization will be local representation and local bank guarantees. A common policy may be agreed within the CEMAC Zone.
Chile	The only criterion for carriers to be designated by Chile is that the real place of business be in Chile. The criteria of partner States will usually be adopted with regards airlines to serve Chile. Further liberalization will be bilateral and based on reciprocal benefits.
Colombia	Colombia does not require its designated carriers to be nationally owned and controlled; the bilateral text will dictate which carriers are eligible. Colombia does have bilaterals with the SOEC criterion, but for members of the Andean Pact the PPOB&EC test is used and Colombia has accepted PPOB&ERC carriers to serve Colombia. Further liberalization will insist on technical and operational control being in the designating State. Colombia is willing to undertake multilateral liberalization such as by way of the Andean Pact and the ACS.
Croatia	Croatia had insisted on SOEC criteria both for its airlines and those of foreign States; however since ATConf/5, the PPOB&ERC test has been adopted. Croatia will adhere to the common EU regulation by joining the ECAA.
Cuba	Cuba generally insists on SOEC for its carriers and those of partner States, although there are exceptions to the rule. It is willing to liberalize these conditions on a reciprocal basis. An airline designated by Cuba would have to be headquartered in Cuba an maintain close economic, business and fiscal links to Cuba. Cuba is willing to develop a common policy within the ACS.
Cyprus	Cyprus requires its designated carriers to be nationally owned and controlled. It has accepted PPOB and COI criteria under the EU regime. Further anticipated liberalization is that undertaken jointly by the EU with third States rather than by Cyprus individually.
Denmark	Denmark does not require its designated carriers to be domestically owned and controlled. Foreign carriers serving Denmark can be exempted from SOEC only where effective control is vested in the partner State. Denmark is in favour of further liberalization; however, this will always be subject to assurance of responsibility and accountability with regard to safety.
Dominican Republic	The Dominican Republic applies SOEC tests to both airlines designated by itself and by foreign States to serve its territory. Although it does not rule out relaxing these rules for foreign carriers or developing a common policy with other States, it does underline that new civil aviation legislation does not foresee any alteration to the ownership and control provisions.
Egypt	Egypt subjects its carriers to the SOEC criterion. It also applies this internationally but also accepts some COI carriers or those meeting an “ownership and headquarters” test. There is no indication of future liberalization.
El Salvador	For an airline to be designated by El Salvador it must be under its regulatory control. Partner States airlines must be under the control of that State. No changes to this policy are expected unilaterally, bilaterally or multilaterally.
Estonia	Estonia-designated carriers must be nationally owned and controlled. This criterion is also applied to foreign carriers, although COI airlines are also accepted and different rules apply within the EU. Estonia was willing to consider alternative requirements beginning with its accession to the EU.
Finland	Finland does not impose SOEC requirements on its carriers and is open to all bilateral ownership criteria for foreign airlines provided the foreign State accepts the EU standard designation clause. It is open to further advancing ownership liberalization in bilateral and multilateral agreements and possibly through a unilateral policy statement.
France	Under EU jurisprudence, France was in the process of modifying its policy so as to eliminate SOEC requirements for its airlines. France sometimes requires SOEC of foreign carriers but is open to negotiation on a case by case basis. COI airlines from the Gulf and Africa serve France and the PPOB clause is included in its agreement with Macao, China at Macao’s request. France would consider further liberalization where regulation is assured but major policy shifts are only envisaged in the framework of the EU.

Contracting State	Summary of responses
Germany	Germany's approach to designation of its carriers and acceptance of foreign carriers is done purely on a case by case basis according to the terms of the relevant bilateral agreement. The only clause which Germany indicated would not be accepted is PPOB&ERC although to date it has no COI clauses in its agreements. Although Germany is seeking to modify the provisions for the designation of its carriers to fall in line with Community law, it has no plans to further liberalize its requirements for foreign airlines, nor to develop a unilateral or multilateral policy of liberalization outside of the EU initiatives.
Hong Kong, China	Carriers designated by Hong Kong, China do not have to meet a SOEC test; however foreign carriers are expected to meet this test to serve Hong Kong, China. No policy change is anticipated.
Iceland	Although Iceland requires its designated airlines to be domestically owned and controlled, it is open to any other criteria with its bilateral partners and will pursue this policy subject to there being clear indication of the responsibility for safety oversight. Iceland will pursue a common aviation policy with the EU, EAA and EFTA States.
India	India routinely requires SOEC of its carriers and those designated to serve India under bilateral ASAs, with exceptions made for Gulf Air and SAS as COI carriers. India has no plans to liberalize this nor to develop any alternative policies of its own or with partner States.
Indonesia	Indonesia requires its airlines to be owned and controlled by nationals. Conditions for foreign carriers are negotiated individually and all of the standard terms are possible, except for the single PPOB clause. Through 2014 Indonesia will continue to liberalize ownership for partner airlines only and from 2015 also liberalize its requirements for designating Indonesian carriers. Future progress includes developing ASEAN and APEC policies, a possible unilateral policy statement and seeking broad harmonization of ownership and control regulatory regimes.
Iran	Iran indicated that it strictly requires national ownership and control of its carriers and those of partner States with no prospect of changing this policy.
Italy	Italy applies EU law and as such may designate any Community carrier. Partner States' airlines are typically subjected to SOEC criteria although COI airlines may serve Italy and a PPOB criterion is exceptionally allowed in the case of Hong Kong, China. Italy may be prepared to liberalize further on a case by case basis although there are no major policy changes foreseen outside of the EU.
Kuwait	Kuwait requires its carriers to be domestically owned and controlled and typically requires this of foreign partners, although PPOB and COI terms can be specifically negotiated. Kuwait always requires effective control and management to be in the designating State. This criterion will also be used for future liberalization which will be on a case by case basis and subject to worldwide developments.
Lesotho	Lesotho requires its operators to be nationally owned and controlled although legislation is pending in the Parliament to liberalize in the Yamoussoukro framework. Lesotho accepts PPOB&ERC criteria for designation of airlines by bilateral partners.
Lithuania	Both Lithuanian airlines are State-owned, so the issue of domestic ownership policy has never been raised. However from its accession in May 2004, the Community carrier criterion will be applicable. Lithuania will be guided by EU policy in the future and will encourage the EU to adopt a flexible approach to ownership and control of third country airlines.
Macao, China	Carriers need not be domestically owned and controlled to be designated by Macao, China; all of the standard bilateral clauses have been included in its negotiations. Future liberalization will be sought on a reciprocal basis. Unilateral and multilateral policies may be adopted.
Malaysia	Malaysian airlines must be domestically owned and controlled to be designated. For foreign airlines, either SOEC or PPOB&ERC must be in the designating State. Future liberalization is possible in bilateral agreements on a case by case basis.
Maldives	Maldives-designated carriers must be nationally owned and controlled. Pre-2002 ASAs required SOEC of foreign designated carriers serving Maldives, but PPOB&ERC is now offered to bilateral partners. Maldives seeks to pursue this, while retaining SOEC domestically.
Mexico	Mexico requires minimum 75 per cent ownership and effective control for any carrier it designates and requires SOEC of airlines designated by partners. There are no plans to liberalize and this is not permitted under Mexican legislation.

Contracting State	Summary of responses
Moldova	SOEC is not required of Moldovan designated airlines. SOEC is sometimes required of partner States' airlines, this is not the case with EU Member States, where Community carriers are accepted from all Member States. Future changes will be on a case-by-case basis with a view to gradually liberalize with consideration of the interest of all parties.
Mozambique	SOEC requirements should be fulfilled by carriers designated by Mozambique and by its bilateral partners. Future liberalization is not ruled out but no indication of the form of this was provided.
Netherlands	The Netherlands may designate carriers which meet the Community carrier definition. It generally accepts SOEC and COI airlines to serve its territory but also accepts all of the other terms on the basis of reciprocity. Further bilateral liberalization will be on a case by case basis although a unilateral policy decision to promote liberalization may be taken and regional EU liberalization will be adopted.
Norway	SOEC is not required for a carrier to be designated by Norway. Some agreements provide for SOEC, but Norway also considers requests for alternative requirements with assurance safety and oversight always being a pre-requisite to non-traditional clauses. Further reciprocal liberalization is possible provided safety is adequately ensured. Liberalized unilateral and multilateral policy may be pursued.
Pakistan	Pakistan requires its carriers to be domestically owned and controlled. The same requirement is not always made of foreign airlines: SOEC, PPOB, PPOB&ERC and PPOB&EC (only on one occasion) have been negotiated with different States. No departure from this policy is foreseen.
Papua New Guinea	Domestic airlines are required to be nationally owned and controlled, but a PPOB criterion is applied to foreign airlines serving Papua New Guinea. Reciprocal liberalization will be sought with a PPOB&EC criterion. A joint policy with Pacific Island Countries is a future goal.
Paraguay	Domestic SOEC is required of both Paraguay and partner designated airlines. Reciprocal liberalization and a unilateral policy change are possible in the future.
Peru	Peruvian designated airlines are required to be SOEC by nationals, although the minimum requirement to meet this is only 30 per cent. PPOB&ERC is the test which foreign designated carriers must meet to serve Peru. As Peruvian law is very flexible, further liberalization will be pursued bilaterally on a case-by-case basis. Common policy is sought with the Andean Pact and other potential partners to liberalization are being studied.
Philippines	Constitutionally, Filipino airlines must be domestically owned and controlled. Generally this is also required of partner States' airlines, although PPOB and COI criteria may be negotiated individually if circumstances require this. Future liberalization will be limited to partner airlines. Studies will be undertaken on unilateral or multilateral liberalization.
Poland	Airlines are required to be owned and controlled by nationals. Foreign airlines may be subjected to SOEC or PPOB criteria to be allowed to serve Poland. Further developments will be in the framework of EU policy.
Portugal	Portugal-designated carriers are subject to the Community carrier principle only. All of the standard bilateral designation clauses may be negotiated by Partner States for their airlines to serve Portugal. Air Afrique was an instance of a COI carrier. Future bilaterals must include the Community carrier clause and liberalization for partner States will be negotiated individually. Safety and oversight are the primary concerns in accepting liberal terms. Extensive common EU policy is anticipated.
Republic of Korea	SOEC is required of Republic of Korea-designated airlines and this is usually the case of airlines designated by bilateral partners; exceptions are made for COI carriers SAS and Gulf Air. No other terms are possible and no policy shift is foreseen.
Romania	Romania requires its carriers to be domestically owned and controlled and this is usually also required of airlines designated by other States. An exception is made for COI airlines and specifically for SAS. Changes are expected, particularly upon membership of the EU, however PPOB&ERC may be adopted in bilateral agreements.
Russian Federation	National SOEC is required of carriers designated by the Russian Federation and by its partner States. No plans to change this policy exists.
Singapore	Singapore carriers are subject to SOEC requirements. This is for the practical reason that most ASAs contain SOEC provisions. Singapore is actively seeking to replace these with PPOB&EC criteria. Unilateral or multilateral policy statements would be unusual for Singapore but not impossible if circumstances require this.

Contracting State	Summary of responses
Slovak Republic	Slovak airlines were required to be domestically owned and controlled, but this has been overwritten upon EU membership. Bilateral agreements differ on the criteria for the requirements of carriers to serve the Slovak Republic: SOEC, COI, PPOB or PPOB&ERC tests may be applied to Partner States' airlines. PPOB&ERC will be sought in future bilateral agreement on a reciprocal basis only. The Slovak Republic has adopted EU policy and is open to developing a common transatlantic policy as well as within the EU and the ECAA.
Slovenia	Airlines designated by Slovenia must be substantially owned and controlled by Slovenians. Criteria for foreign airlines are negotiated on an individual basis. Different clauses can be found in the relevant bilateral agreements. Future changes will be conform to EU policy.
Suriname	National SOEC is required of Surinamese carriers due to a 2002 Law on Safety and Security. Foreign airlines serving Suriname may be subjected to SOEC, PPOB or PPOB&ERC tests. Domestic law will need to be altered for further liberalization to occur as Suriname wishes to ensure equal opportunity for its airlines. If the relevant Act is amended, Suriname will seek further liberalization bilaterally.
Sweden	Swedish designations are subject only to the Community carrier principle. Foreign airlines serving Sweden are required to meet SOEC or PPOB&ERC criteria. Safety is the principal consideration in ongoing liberalization of bilateral arrangements. Unilateral, bilateral and multilateral policy shifts are foreseen.
Switzerland	Swiss carriers must be nationally owned and controlled. Requirements of foreign carriers serving Switzerland diverge and can be found in the ASAs. All of the standard clauses have been accepted by Switzerland. Future liberalization will be sought on a reciprocal basis and multilateral policy may be sough with like-minded countries.
Tanzania	National ownership and control principles apply to Tanzania-designated carriers, but all of the standard bilateral clauses may be negotiated by partner States for the airlines to be designated. Future bilateral liberalization will be sought on a reciprocal basis, subject to the condition of incorporation in the designating State with fiscal obligation owed in that State and employees and management coming there from. A unilateral shift of policy is possible.
Ukraine	Ukraine-designated carriers must be nationally owned and controlled, as should foreign carriers serving the Ukraine, with an exception made for COI carriers. Unilateral or reciprocal bilateral policy changes are possible.
United Kingdom	Designation of carriers by the UK is based on EU carrier principles. SOEC and PPOB&ERC are the preferred criteria for airlines designated by Partner States although COI carriers are also accepted. The PPOB&ERC test is sought as the preferred clause in future bilateral agreements.

Note: Most of these answers date back from 2003 and therefore may not always reflect the current legislative situation.
Source: ICAO, as summarised by the WTO Secretariat.

Members may be willing to correct, update or complement the information contained in Table 53.

703. One new concept has recently emerged in the specialized press and literature with regard to withholding regimes, that of the "blind eye policy". This is a deliberate unilateral withholding policy by which a Contracting State does not use its withholding right and is indifferent to the question of the ultimate ownership of the foreign airline, so long as this airline complies with safety and security regulations.

704. Canada is said to be considering such a policy.[388] Some commentators have also, probably hastily, qualified the national investment regime provision of the recently concluded First Phase US-EU agreement of "blind eye policy", notably for the provision relating to the takeover by European carriers of African airlines flying to the United States (Article II:2 of Annex 4 of the US-EU Agreement).[389]

[388] Airline Business, March 2007.
[389] For the complete text of this provision, see Box 1 of the profile of the US-EU Agreement.

(ii) Regulatory developments with regard to national investment/establishment regimes

705. As explained in the section on documentary limitations, the efforts by IATA and ICAO to create a complete inventory of national investment/establishment regimes have been interrupted. However, by making use of various sources, the Secretariat has identified a limited number of changes in national investment regimes since the issuance of the documentation of the first review. These changes are listed in Table 54.

Table 54
National investment/establishment regimes changed or clarified since 2000

WTO Member	Investment regime	Comments
Canada	Creation of two classes of voting shares with differentiated voting rights according to the nationality of the shareholder.	Division of shares in two classes, one for Canadian one for foreigners. If foreign shares exceed 25% of the voting shares, the vote attached to each foreign share decreases so that total vote by all foreign shareholders can never exceed Canada's 25% cap on foreign control of an airline.
China	35% (25% voting).	No reported changes since the first review. However, the rule also applies to non-mainland holdings i.e. Hong Kong and Macao. This is relevant due to the increasing ties between Cathay Pacific and Air China, whereby the former has a 20 per cent interest in the latter and the latter holds a 17.5 per cent interest in the former. The Director must also be from the mainland.
Chinese Taipei	49.9 % 25% for individual foreign shareholder.	Up from 33%.
Colombia	No formal restriction	No aviation specific legislation. Previous law requiring that Colombian companies must be 60 per cent domestically owned has been overruled and declared inoperative. However Columbian Civil Aviation authorities (Aerocivil) still deem a 51 per cent rule to apply given that their bilateral all provide for substantive ownership and effective control.
Hong Kong, China	No restriction.	Hong Kong registered airlines are required only to be established and have their principal place of business in the territory.
India	Generally 40%.	Air India may have a strategic partner take up to 40 percent shareholding and 26 per cent of the equity may be foreign. A foreign airline participation is allowed. For Indian Airlines, a strategic partner may hold up to 26 per cent of its shares and a foreign partner may hold up to 40 per cent in this partner but may not be an airline. For private airlines foreign equity is limited to 40 per cent and airlines are excluded from direct or indirect participation.
Israel	34%	This rule is accompanied by requirements that the Chairman, Directors and principal place of business be in Israel. No distinction is made between airline and non-airline participation.
Malaysia	30%	Clarifying the previous review, the general rule for airlines to be considered Malaysian is fixed at a 30 per cent cap. The law has increased this to 45 per cent exclusively in favour of Malaysian Airlines. No foreign airline may own more than 20 per cent and the government retains at all times a golden share in Malaysian Airlines.
Mauritius	40%	Foreign interest may not exceed 40 per cent of share capital. No distinction is applied to airlines. There is no formal restriction on control by foreigners, however this is implied due to the bilateral terms and the fact that to qualify for assistance from the UN Economic Commission for Africa, an airline must be controlled by the national government.
New Zealand	49%	The general rules remain the same as in 2001. However, interestingly, in the case of a domestic carrier, no limit is placed on foreign ownership.
Peru	49%	Law 27.261 (Civil Aeronautical Law) still requires a 49 per cent limit; however national law allows for exceptions.
Singapore	No restriction	Internal rules of Singapore Airlines allow the Directors to set a limit for foreign investment however this has not been done. No shareholder, foreign or domestic may hold more than 5 per cent shareholdings without the assent of Directors. The Ministry of Finance has a mechanism to buy shares if air service is threatened due to the level of foreign participation.
Viet Nam	49% (30% for individual foreign investors)	The first beneficiary of this measure was QANTAS, who acquired a share in low-cost carrier Pacific Airline, which was formerly State-owned.

Source: ICAO, IATA and issues of Airline Business, as compiled by the WTO Secretariat.

Members may wish to correct, update or complement the limited information contained in Table 54

(iii) Regulatory aspects with regard to privatisation

706. ICAO has ceased to follow in detail developments in privatisation processes since the discontinuation of its annual publication, "The World of Civil Aviation".

707. Table 55 contains the surprisingly few airlines which, by the end of the period under review, were more than 80 per cent government-owned.

Table 55
Airlines more than 80 per cent government-owned, September 2006

Airline	Contracting State	Governmental share
Aer Lingus	Ireland	85.1%
Air Algérie	Algeria	100%
Air Jamaica	Jamaica	100%
Air Malta	Malta	98%
Air India	India	100%
Egypt Air	Egypt	100%
Emirates	United Arab Emirates	100%
Ethiopian Airlines	Ethiopia	100%
Garuda	Indonesia	100%
Gulf Air	Bahrain (50%), Oman (50%)	100%
Iran Air	Islamic Republic of Iran	100%
Kuwait Airways	Kuwait	100%
Malev	Hungary	97%
Pakistan International Airlines	Pakistan	87%
Royal Brunei Airlines	Brunei Darussalam	100%
Royal Jordanian	Jordan	100%
Uzbekistan Airways	Uzbekistan	100%
Viet Nam Airlines	Viet Nam	100%

Source: Airline Business, September 2006

708. During the period under review, there have also been instances, albeit rare ones, in which airlines have been re-nationalised following the demise of private shareholders. The re-nationalisation of Air Jamaica in 2004 after nine years of private ownership is a case in point.

2. Commercial and economic developments

(a) Main developments in the ownership structure of airlines

709. The Secretariat has gathered information on developments in the ownership structure of the world's major scheduled airlines from the annual reports on the ownership of airlines published by Airline Business (see Table 56). This information is not exhaustive, since most charter/leisure carriers, regional airlines and low-cost carriers are absent. Still, to the Secretariat's knowledge, it is by far the best set of data available.

710. Time constraints have not allowed the Secretariat to refine the data as much as it would have liked to. That is why Table 56 does not always allow for a complete overview of developments in the ownership structure of airlines.

Members may be willing to correct, update or complement the information contained in Table 56.

Table 56
Developments in the ownership structure of the world's main scheduled passenger airlines, 2002-2006

Airline	2002	2003	2004	2005	2006
Algeria					
AIR ALGERIE	100% Gvt. Owned	Unchanged	Unreported	Unchanged	Unchanged
Angola					
TAAG ANGOLA AIRLINES	100% Gvt. Owned	Unchanged	Unreported	Unreported	Unreported
Argentina					
AEROLINEAS ARGENTINAS	92% Marsans Group	92% Marsans Group 5% Gvt. owned 3% Employees	Unchanged	Unchanged	Unchanged
AUSTRAL LINEAS AEREAS	90% Interinvest	Unchanged	Unchanged	Unchanged	Unreported
DINAR LINEAS AEREAS	95% Desimone family 5% Miguel Scadi	100% American Falcon	Unreported	Unreported	Unreported
Australia					
QANTAS	78.5% Publicly traded 21.5% British Airways	81.07% Publicly traded 18.93% British Airways	81.75% Publicly traded 18.25% British Airways	100% Publicly traded	100% Publicly traded
VIRGIN BLUE	Unreported	Unreported	50% Patrick Corp. 25.1% Virgin Group 24.9% Private investors	62.42% Patrick Corp. 25.26% Virgin Group 12.34% Private Investors	Unchanged
Austria					
AUSTRIAN AIRLINES	Unreported	100% Austrian Airlines Group	100% Austrian Airlines Group 1.5% Air France	43.5% Floating stock 39.7% OIAG 10.3% Austrian Institutional Investors 5% Austrian Airlines Group 1.5% Air France	Unchanged
LAUDA AIRLINES	100% Austrian Airlines	Unchanged	Unchanged	Unreported	Unreported
Azerbaijan					
AZERBAIJAN AIRLINES	100% Gvt. Owned	Unreported	Unreported	Unreported	Unreported
Bangladesh					
BIMAN AIRLINES	Unreported	100% Gvt. Owned	Unchanged	Unchanged	Unreported
Belarus					
BELAVIA AIRLINES	Unreported	100% Gvt. Owned	Unreported	Unreported	Unreported
Belgium					
SN BRUSSELS AIRLINES	100% Airholding	72% Airholding 22% SIC	92% SN Airholding 8% SIC	Unchanged	Unreported

Airline	2002	2003	2004	2005	2006
VIRGIN EXPRESS	Unreported	Unreported	88.6% Virgin Sky Investment 11.4% Public shareholders	100% SN Air Holding	Unreported
Bolivia					
AEROSUR	100% Private Bolivian investors	Unchanged	Unreported	Unreported	Unreported
Brazil					
GOL	Unreported	Unreported	Unreported	77% Aeropar 17.6% Venture 5.4% American International Group	Unreported
TAM LINHAS AEREAS	Unreported	Unreported	69% Amaro family 22% Banca Garantia Funds 7% Other	Unchanged	54.7% Amaro family and TEP 45.3% Others
VARIG	55.63% Ruben Berta Foundation 0.43% State of Rio Grande do Sul	Unchanged	Unchanged	Unchanged	100% Varig Log
Brunei					
ROYAL BRUNEI AIRLINES	100% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unchanged
Bulgaria					
BULGARIAN AIR	Unreported	100% Gvt. Owned	Unreported	Unreported	Unreported
BALKAN BULGARIAN	75% Zeevi Group 25% Gvt. Owned	Unreported	Unreported	Unreported	Unreported
Cameroon					
CAMEROON AIRLINES	3.56% Air France	Unreported	Unreported	Unreported	Unreported
Canada					
AIR CANADA	100% Publicly owned	70% Institutions 19% Retail 11% employees	Unchanged	100% ACE Aviation Holdings	Unchanged
Cayman Islands					
CAYMAN AIRWAYS	100% Gvt. Owned	Unreported	Unreported	Unreported	Unreported
Chile					
LAN CHILE	38.7% Cueto family 33.2% Pinera Group 16% Hirmas Geblen Group	32.3% Cueto family 37.7% Pinera Group 23.7% Hirmas Geblen	31.8% Cueto family 26.8% Pinera Group 18.2% Hirmas Geblen	27.8% Cueto family 28.2% Pinera Group 17.2% Hirmas Geblen	Unchanged
LAN EXPRESS	Unreported	99.4% LAN	Unchanged	Unchanged	Unchanged

Airline	2002	2003	2004	2005	2006
China					
AIR CHINA	100% Gvt. Owned (CNAC)	Unchanged	100% Air China Group	69% CNAC 21% Public float 10% Cathay Pacific	24.2% Public float 20% Cathay Pacific
CHINA AIRLINES	71.62% China Aviation Development Foundation	Unchanged	70.02% China Aviation Development Fund	Unchanged	Unchanged
CHINA EASTERN AIRLINES	61.64% Gvt. Owned 32.19% Publicly held H shares 6.17% Publicly held A shares	Unchanged	Unchanged	61.64% China Eastern Air Holding Corporation 32.20% Publicly held H shares 6.18% Publicly held A shares	32.20% Publicly held H shares 6.18% Publicly held A shares
CHINA NORTHERN	100% Gvt. Owned	Unreported	Unreported	Unreported	Unreported
CHINA SOUTHERN	62.5% Southern Airlines Group	Unchanged	50.3% China Southern Air Holding Group	Unchanged	50.3% China Southern Air Holding Group 26.84% Hong Kong & non-PRC shareholders (H shares) 22.84% PRC private investors (A shares)
HAINAN AIRLINES	Unreported	Unreported	7.31% HNA Holding 7.28% Hainan Qixing Industrial Investment 4.55% China Everbright Group 2.37% Administration of Hainan 14.8% American Aviation 0.89% Hainan Bank of Communicat. 0.89% China International Travel Agency 0.59% Beijing Fieldtrade Corp. 0.44% China Industrial Trust Hainan	Unchanged	14.8% American Aviation LDC 11.85% HNA Holding 6.83% Hainan Qixing Industrial Investment 2.37% Hainan Jincheng State Property Administration Company

Airline	2002	2003	2004	2005	2006
			0.41% China Education Trust Inv. 60.47% Other shareholders		
SHANGHAI AIRLINES	75% Shanghai Airlines 25% Public Holders	75% Chinese Government Owned 25% Public Holders	44.69% Publicly held 40.66% Alliance Investment 14.65% Bank of China	Unchanged	Unchanged
XIAMEN AIRLINES	Unreported	Unreported	Unreported	60% China Southern 40% Xiamen Construction & Development Corp.	Unchanged
YUNNAN AIRLINES	100% CAAC	Unreported	Unreported	Unreported	Unreported
Chinese Taipei					
EVA AIR	25.33% Evergreen Marine Corp. 13.5% Evergreen International Corp.	Unchanged	22.74% Evergreen Marine Corp. 12.37% Evergreen International Corp.	Unchanged	Unchanged
UNIAIR	Unreported	Unreported	Unreported	17.92% EVA Air 17.02% Evergreen Development Corp.	Unreported
Colombia					
ACES COLOMBIA	50% Grupo Valores Columbia 25% Compania de Inversiones de la Flota Mercante 23% Federacion Nacional de Cafeteros 2% Other shareholders	Unreported	Unreported	Unreported	Unreported
AVIANCA	50% Federacion Nacional de Cafeteros 43.73% Grupo Valores Bavaria 6.14% Versiones Fenicia	50% Federacion Nacional de Cafeteros 43.73% Grupo Valores Bavaria 6.14% Versiones Fenicia 5% Helicol	50% Federacion Nacional de Cafeteros 43.73% Grupo Valores Bavaria 6.14% Versiones Fenicia 4.77% Helicol 0.13% Other investors	75% Synergy Group	100% Synergy Group

Airline	2002	2003	2004	2005	2006
ALIANZA SUMMA	Unreported	50% Grupo Valores Bavaria 25% Compania de Inversiones de la Flota Mercante 23% Federacion Nacional de Cafeteros 2% Other shareholders	Unreported	Unreported	Unreported
Costa Rica					
LACSA	86.98% Individual shareholders 10% TACA 3.02% Employees	Unchanged	Unchanged	Unreported	Unchanged
Croatia					
CROATIA AIRLINES	90.6% Gvt. Owned 3.4% State Agency for Deposit Insurance and Bank Rehabilitation 2.6% Croat Privatization Fund 2.0% Others 1.6% Private individuals	91.6% Gvt. Owned 3.0% State Agency for Deposit Insurance and Bank Rehabilitation 2.1% Croat Privatization Fund 3.3% Other	94.1% Gvt. Owned 2.4% State Agency for Deposit Insurance and Bank Rehabilitation 1.6% Croat Privatization Fund 1.9% Other	Unreported	Unreported
Cuba					
CUBANA	100% Gvt. Owned	100% Corporacion Cubana de Avaicion SA	Unchanged	Unreported	Unchanged
Cyprus					
CYPRUS AIRWAYS	69.62 Gvt. Owned 30.38% Other investors	Unchanged	100% Cyprus Airways Group	69.62% Gvt. Owned 30.38% Other investors	Unchanged
Czech Republic					
CSA CZECH AIRLINES	56.43% Czech National Property Fund 34.49% Czech Consolidation Bank 4.33% Czech Insurance Company	56% Czech National Property Fund 34% Czech Consolidation Bank 4% Czech Insurance Company 3.92% Municipality	56.43% Czech National Property Fund 34.49% Czech Consolidation Bank 4.33% Czech Insurance Company 3.92% Municipality 0.49% Endowment	56.43% Czech National Property Fund 34.49% Czech Consolidation Bank 4.33% Ceska Pojistovna 2.94% City of Prague 0.98% City of Bratislava 0.49%	56.92% Ministry of Finance of Czech Republic 34.59% Czech Consolidation Bank 4.33% Ceska Pojistovna 2.94% City of Prague

Airline	2002	2003	2004	2005	2006
			fund 0.24% Fund of National Property of Slovak Republic	Endowment fund 0.24% Fund of National Property of Slovak Republic	0.98% City of Bratislava 0.24% Fund of National Property of Slovak Republic
Denmark					
MAERSK AIR	100% A P Moller Group Denmark	Unchanged	Unchanged	100% Fons Eignarhaldsfelag	Unreported
Egypt					
EGYPT AIR	100% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unchanged
El Salvador					
TACA	Unreported	Unreported	Unreported	100% Grupo TACA	Unchanged
Estonia					
AERO AIRLINES	Unreported	51% Aero Holding 49% Finnair	Unreported	Unreported	Unreported
ESTONIAN AIR	49% Maersk Air 34% Gvt. Owned 17% Baltic Cresco Investment Group	Unchanged	Unreported	Unreported	Unreported
Ethiopia					
ETHIOPIAN AIRLINES	Unreported	Unreported	100% Gvt. Owned	Unchanged	Unchanged
Fiji					
AIR PACIFIC	51% Gvt. Owned (Fiji) 46% Qantas 2% Air New Zealand Governments of Kiribati, Tonga, Nauru, Western Samoa	Unchanged	51% Gvt. Owned (Fiji) 46% Qantas 1% Governments of Kiribati, Tonga, Nauru, Western Samoa	51% Gvt. Owned (Fiji) 46.3% Qantas 1.94% Air New Zealand 0.27% Gvt. of Kiribati, 0.27% Gvt. of Tonga, 0.12% Gvt. of Samoa 0.08% Gvt. of Nauru	51% Gvt. Owned (Fiji) 46.3% Qantas 3.67% Air New Zealand 0.27% Gvt. of Kiribati, 0.27% Gvt. of Tonga, 0.12% Gvt. of Samoa 0.08% Gvt. of Nauru
Finland					
FINNAIR	58.43% Gvt. Owned 9.84% Odin Forvaltning 31.19% Others	Unchanged	58.43% Gvt. Owned 4.74% Odin Forvaltning 3.44% Tapiola Group 31.41% Others	58.42% Gvt. Owned 6.2% Burdaras 4.73% Odin Forvaltning 3.44% Tapiola Group 1.69% Pohjola Group 1.18% Local Government Pension Institution 24.35% Others	57.04% Gvt. Owned 10% FL Group 5.82% Burdaras 3% Odin Forvaltning 1.76% Tapiola Group 6.12% Other shareholders

Airline	2002	2003	2004	2005	2006
France					
AIR AUSTRAL	37.72% Sematra 36.01% Air France 26.3% French banks	Unchanged	37.72% Sematra 33.36% Air France 26.3% French banks	37.72% Sematra 30.36% Air France 26.3% French banks	37.72% Sematra 26.3% French banks
AIR CALEDONIE	83% Gvt. Of New Caledonia owned 6% BCI 6% Sofrana Unilines 1% Leroux Group	Unchanged	Unreported	Unreported	Unreported
AIR FRANCE	56% Gvt. Owned 33% Publicly held 11% Employees	55.9% Gvt. Owned 31% Publicly held 11.1% Employees 2% Alitalia	100% Air France KLM Group	Unchanged	Unchanged
AIR LIB	100% Holco	Unreported	Unreported	Unreported	Unreported
French Polynesia					
AIR TAHITI NUI	Unreported	57.89 Gvt. Owned 0.88% Socredo Bank 5.95% Tahiti Tourisme 4.26% small shareholders 10.07% SEGC 10% Air Tahiti	Unreported	61.43% Gvt. Owned 9.07% SEGC 8.9% Socredo Bank 8.14% Air Tahiti 5.82% Tahiti Tourisme 1.62% Wan Holding 5.02% Others	61.7% Gvt. Owned 8.8% SEGC 8.7% Socredo Bank 7.9% Air Tahiti 5.9% Tahiti Tourisme 1.6% Wan Holding 5.4% Others
Germany					
AIR BERLIN	Unreported	Unreported	Unreported	61.86% Freefloat 9.44% Rngerike 9.08% Hans Joachim Knieps 5.45% Werner Huehn 4.54% Severin Schulte 4.45% Rudolf Schulte 3.4% Joachim Hunold 1.45% Johannes Zurnieden 0.24% Others	Unreported
DEUTSCHE BA	100% British Airways	Unchanged	Unreported	Unreported	Unreported
HAPAGFLY	Unreported	Unreported	Unreported	Unreported	100% TUI

Airline	**2002**	**2003**	**2004**	**2005**	**2006**
LTU INTERNATIONAL AIRWAYS	Unreported	Unreported	Unreported	49.9% VBE Beteiligungsgesellschaft 40% Rewe Touristik 10.1% CKA	Unreported
LUFTHANSA	100% Publicly Owned	Unreported	Unreported	88.52% Private Investors 10.05% MGL 1.03% Deutsche Postbank 0.4% Deutsche Bank	100% Lufthansa Group
Ghana					
GHANA AIRWAYS	100% Gvt. Owned	Unchanged	Unreported	Unreported	Unreported
Greece					
AEGEAN AIRLINES	Unreported	Unreported	Unreported	45.2% Th. Vassilakis Group 25.3% Laskaridis Group 8.3% Konstantakopoulou Group 8.1% Joannou Group 6.3% David Group 5.9% Piraeus Bank 0.9? Others	Unchanged
OLYMPIC AIRLINES	100% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unchanged
Guatemala					
AVIATECA	30% TACA International Airlines	Unchanged	Unreported	Unreported	Unreported
Gulf States (Bahrain, Oman)					
GULF AIR	Unreported	33.3% Gvt. of Abu Dhabi 33.3% Gvt. of Bahrain 33.3% Sultanate of Oman	Unchanged	Unchanged	50% Gvt. of Bahrain 50% Sultanate of Oman
Hong Kong, China					
CATHAY PACIFIC	45.11% Swire Group 25.4% Citic Pacific (Chinese Gvt.)	Unchanged	Unchanged	Unchanged	40% Swire group 25% Public shareholders 17.5% Citic Pacific 10.2% Air China
DRAGONAIR	43.29% China National Aviation	43.29% China National Aviation	43.29% China National Aviation	Unchanged	Unchanged

Airline	2002	2003	2004	2005	2006
	Company 28.49% CITIC Pacific 17.79% Cathay Pacific 7.71% Swire Group	Company 29.35% CITIC Pacific 17.79% Cathay Pacific 7.71% Swire Group 1.86% Other shareholders	Company 28.5% CITIC Pacific 17.79% Cathay Pacific 7.71% Swire Group 2.71% Other shareholders		
Hungary					
MALEV	97% Gvt. Owned 0.528% Municipalities 0.524% Employees	Unchanged	Unchanged	Unchanged	Unchanged
MALEV EXPRESS	Unreported	100% Malev	Unchanged	Unreported	Unreported
Iceland					
ICELANDAIR	100% Privately owned	Unchanged	100% Flugleidir Iceland Air Group	FL Group	Unreported
STERLING AIRLINES	Unreported	Unreported	Unreported	Unreported	100% FL Group
India					
AIR INDIA	100% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unchanged
INDIAN AIRLINES	100% Gvt. Owned (via holding company)	Unchanged	Unchanged	Unchanged	Unchanged
Indonesia					
BOURAQ INDONESIA AIRLINES	100% Sumendap family	Unchanged	Unreported	Unreported	Unreported
GARUDA INDONESIA	100% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unchanged
MERPATI NUSANTARA	9.5% Garuda	6.8% Garuda	93.2% Gvt. Owned 6.8% Garuda	Unreported	Unreported
Iran					
IRAN AIR	100% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unchanged
Ireland					
AER LINGUS	95% Gvt. Owned 5% Employees	Unchanged	Unchanged	85.1% Gvt. Owned 14.9% Employees	Unchanged
Israel					
EL AL AIRLINES	100% Gvt. Owned	Unchanged	51% Publicly held 49% Gvt. Owned	40% Knafaim-Arkia Holdings 30% Private 20% Gvt. Owned 10% Employees	39.49% Knafaim-Arkia Holdings 31.36% Private 21.03% Gvt. Owned 8.12% Employees

Airline	2002	2003	2004	2005	2006
Italy					
AIR EUROPE	100% Volare Group	Unchanged	Unreported	Unreported	Unreported
AIR ONE	99% Toto	Unchanged	Unchanged	Unchanged	Unchanged
ALITALIA	53% Gvt. Owned 27% Other Shareholders 20% Employees	Unchanged	62.4% Gvt. Owned 35.6% Other shareholders inc. employees 2% Air France	Unchanged	49.9% Gvt. Owned 35.7% Other shareholders inc. employees 8.2% Walter Capital Management 4.2% Newton Investment Management 2% Air France
MERIDIANA	57.19% Interprogramme Hldg 4.51% AIRFIN 17.59% HH The Aga Khan 16.42% Employees	57.19% Interprogramme Hldg 4.51% AIRFIN 3.39% Fondazione Cariplo 17.59% HH The Aga Khan 16.08% Employees 1.24% Other shareholders	Unreported	Unreported	Unreported
Jamaica					
AIR JAMAICA	70% Air Jamaica Acquisition Group 25% Gvt. Owned 5% Employees	Unchanged	Unreported	100% Gvt. Owned	Unchanged
Japan					
AIR JAPAN	95% All Nippon Airways 5% Air Nippon	78% All Nippon Airways 17% ANA Group	17% ANA Group 10% All Nippon Airways	Unreported	Unreported
AIR NIPPON	75.5% All Nippon Airways 14% Hokkaido PC	99.5% All Nippon Airways 0.5% Air Do	Unchanged	Unreported	Unreported
ALL NIPPON AIRWAYS	Unreported	100% ANA Group	Unreported	Unchanged	Unchanged
JAPAN AIR SYSTEM	8.25% Japan Airlines	Unchanged	Unreported	Unreported	Unreported

Airline	2002	2003	2004	2005	2006
JAPAN AIRLINES	100% Publicly listed	4.47% Mizhou Financial Group 4.06% Tokyu Corporation 3.13% Eitaro Itoyama 2.79% Tokyo Marine & Fire Insurance Co. 2.27% Nissay Dowa Mutual Life Insurance Co.	4.05% Tokyu Corporation 3.53% Eitaro Itoyama 3.37% Japan Master Trust Bank 2.76% Japan Trustee Service Bank 2.72% Tokyo Marine & Fire Insurance Co. 2.7% Mizhou Corporate Bank 2.27% Nissay Dowa General Insurance Co. 2.09% Nippon Life Insurance 2% Fukuoka Mutual Life Insurance 1.81% JAL Group employees	100% Japan Airlines Corporation	Unchanged
JAPAN AIRLINES DOMESTIC	Unreported	Unreported	100% Japan Airlines Corp.	Unreported	Unreported
Jordan					
ROYAL JORDANIAN AIRLINES	100% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unchanged
Kazakhstan					
AIR KAZAKHSTAN	50% Gvt. Owned 50% KazKommerz Bank	100% Gvt. Owned	Unreported	Unreported	Unreported
Kenya					
KENYA AIRWAYS	22% Gvt. Owned 16.22% Kenyan Institutions 31.23% Kenyan Individuals 26% KLM	37.7% Kenyan Institutions 32.5% Kenyan individuals 30.35% Foreign Institutional Investors	22% Gvt. Owned 15.7% Kenyan Institutions 32.5% Kenyan Individuals 26% KLM 4.36% Foreign Institutional Investors 0.07% Foreign Individual Investors	Unchanged	Unchanged
Kuwait					
KUWAIT AIRWAYS	100% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unchanged
Latvia					
AIR BALTIC	47.2% SAS 0.2% Transaero 52.6% Others	Unreported	Unreported	Unreported	Unreported

Airline	2002	2003	2004	2005	2006
Lebanon					
MIDDLE EAST AIRLINES	99.37% Banque Central	Unchanged	Unchanged	Unchanged	Unchanged
Lithuania					
LITHUANIAN AIRLINES	100% Gvt. Owned	Unchanged	Unchanged	Unreported	Unreported
Luxembourg					
LUXAIR	23.1% Gvt. Owned 13.4% Banque et Caisse d'Épargne de l'État 13.2% Luxair Group 13.1% Dexia/BIL 13% Lufthansa 12.1% Banque Générale de Luxembourg 12.1% CLT/UFA SA	23.1% Gvt. Owned 13.4% Banque et Caisse d'Épargne de l'État 13.2% Luxair Group 13.1% Dexia/BIL 13% Lufthansa 12.1% Banque Générale de Luxembourg 12.1% Panalpina World Transp.	Unchanged	Unreported	Unreported
Macao, China					
AIR MACAU	Unreported	Unreported	51% CNAC 5% EVA Air 5% Gvt. of Macao 5% Macao Investors 15% TAP 14% STDM	Unchanged	20% TAP 14% STDM 5% EVA air 5% Macau investors 5% Gvt. of Macao
Madagascar					
AIR MADAGASCAR	89.58% Gvt. Owned 6.91% Private interests 3.48% Air France	Unreported	Unreported	Unreported	Unreported
Malawi					
AIR MALAWI	100% Gvt. Owned	Unchanged	Unreported	Unreported	Unreported
Malaysia					
MALAYSIA AIRLINES	29.09% Gvt. Owned 20.21% Kumpulan Wang Amanah Pencen 13.7% Employees	Unchanged	69.34% Penerbangan Malaysia Berhad 8.19% Employees 5.45% Amanah Raya Nominees 2.71% State Financial secretary 2.4% Warisan Harta Saba Sdn Bhd	Unchanged	69.34% Penerbangan Malaysia Berhad 10.72% Employees 5.69% Amanah Raya Nominees 2.71% State Financial secretary 2.4% Warisan Harta Saba Sdn Bhd

Airline	**2002**	**2003**	**2004**	**2005**	**2006**
Malta					
AIR MALTA	96.4% Gvt. Owned 2% Middle Sea Insurance	96.4% Gvt. Owned 2% Middle Sea Insurance 0.8% Middle Sea Valletta Life	98% Gvt. Owned 2% Private companies	Unchanged	Unchanged
Mauritius					
AIR MAURITIUS	51% Air Mauritius Holding 4.72% State Investment Corporation 4.53% Gvt. Owned 4.28% Rogers & Co. 3.84% British Airways 2.78% Air France 2.56% Air India 6.32% Port Louis Fund 19.72% Public investors	Unchanged	51% Air Mauritius Holding 4.72% State Investment Corporation 4.53% Gvt. Owned 4.28% Rogers & Co. 3.84% British Airways 2.78% Air France 2.56% Air India 5.75% Port Louis Fund 20.54% Public investors	51% Air Mauritius Holding 4.72% State Investment Corporation 4.53% Gvt. Owned 4.28% Rogers & Co. 3.84% British Airways 2.78% Air France 2.56% Air India 6.32% Port Louis Fund 19.97% Public investors	Unchanged
Mexico					
AEROMEXICO	Unchanged	Unchanged	Unchanged	Unchanged	Unchanged
MEXICANA	99.95% Cintra	Unchanged	Unchanged	Unchanged	100% Grupo Posada
Mongolia					
MIAT MONGOLIAN AIRLINES	100% Gvt. Owned	Unreported	Unreported	Unreported	Unreported
Morocco					
ROYAL AIR MAROC	92.7% Gvt. Owned 3.97% Air France 1.3% Iberia	92.7% Gvt. Owned 2.87% Air France 1.3% Iberia	95.95% Gvt. Owned 2.86% Air France	95.39% Gvt. Owned 2.86% Air France 2.86% Iberia 0.21% Others	95.39% Gvt. Owned 2.86% Air France 0.95% Iberia 0.21% others
Mozambique					
LAM	80% Gvt. Owned 20% Employees	Unchanged	Unreported	Unreported	Unreported
Namibia					
AIR NAMIBIA	100% Gvt. owned	Unchanged	Unreported	Unreported	Unreported
Netherlands					
KLM ROYAL DUTCH AIRLINES	Unreported	Unreported	100% Air France-KM Group	Unchanged	Unchanged
TRANSAVIA	80% KLM 20% Nationale Investeringbank	100% KLM	Unchanged	Unreported	Unreported

Airline	**2002**	**2003**	**2004**	**2005**	**2006**
New Zealand					
AIR NEW ZEALAND	82% Gvt. Owned 5.5% Brierley Investments 4.5% Singapore Airlines	77.9% Gvt. Owned 5.2% Brierley Investments 5% Qantas 4.5% Singapore Airlines	80.5% Gvt. Owned 4.5% Singapore Airlines 5.1% Others	80.4% Gvt. Owned 19.6% Publicly held	80.1% Gvt. Owned 19.9% Publicly held
Nigeria					
Nigeria Airways	100% Gvt. Owned	Unchanged	Unreported	Unreported	Unreported
Norway					
NORWEGIAN	Unreported	Unreported	Unreported	Unreported	16.09% HBK Holding 15.43% Lufttransport Holding 4.63% JP Morgan Chase Bank 4.58% Ojada 3.58% Goldman Sachs Intern Equity 3.5% Bank of New York 3.34% Vital Forsikring 2.64% Ankerlokken Holding 2.6% Credit Suisse 2.57% JP Morgan Chase Bank Omnibus Lending 2.15% Fidelity Funds 2.03% Holdberg Norden Verdipapirfondet 1.99% NB NOR Norge 1.8% Ferd AS Invest 1.53% Holdberg Norge Verdipapirfondet 1.49% Fondsvasne

Airline	2002	2003	2004	2005	2006
					1.37% Rasmussengr uppen 1.3% Brown brothers Harri 1.11% Jakobsen & Sonner 0.96% Aweco Inverst
SAS BRAATHENS	Unreported	Unreported	Unreported	Unreported	100% SAS Group
Oman (see also Gulf States)					
OMAN AIR	33.844% Gvt. Owned 42.699% Individuals 23.457% Private Omani Companies	33.8% Gvt. Owned 41.7%% Individuals 24.5% Private Omani Companies	Unchanged	Unreported	33.8% Gvt. Owned 43.3%% Individuals 22.99% Private Omani Companies
Pakistan					
PAKISTAN INTERNATIONAL AIRWAYS	57.66% Gvt. Owned 27.37% Financial Institutions 2.83% Investment Companies 9.04% Individuals	Unchanged	87% Gvt. Owned 13% Others	Unchanged	Unchanged
Panama					
COPA AIRLINES	51% Mota family 49% Continental Airlines	Unchanged	51% Panamanian private investors 49% Continental Airlines	Unchanged	51% Panamanian private investors 10% Continental Airlines
Papua New Guinea					
AIR NIUGINI	10% Gvt. Owned	Unchanged	Unreported	Unreported	Unreported
Philippines					
PHILIPPINE AIRLINES	53.79% Lucio Tan 35.15% Top Wealth Enterprises/Max well Holdings/Richma rk Holdings 4.26% Gvt. Owned 2.61% Employees 4.19% Others	Unchanged	53.72% Lucio Tan 35.15% Top Wealth Enterprises/Ma xwell Holdings/Rich mark Holdings 4.26% Gvt. Owned 2.75% Employees 4.14% Others	Unchanged	Unchanged
Poland					
LOT POLISH AIRLINES	67.96% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unchanged

Airline	**2002**	**2003**	**2004**	**2005**	**2006**
	25.1% SAirLines Europe 9.94% Employees				
Portugal					
TAP	100% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unchanged
Qatar					
QATAR AIRWAYS	50% Gvt. Owned 50% Private Investors	Unchanged	Unchanged	Unchanged	Unchanged
Romania					
TAROM	97.87% Gvt. Owned 2.13% Private property	99.72% Gvt. Owned 0.28% Private property	90.59% Gvt. Owned 4.85% Bucharest airport 4.11% Romanian Air Traffic Control 0.28% Mutenia Private Investment Fund 0.17% Romanian CAA	Unreported	Unreported
Russia					
AEROFLOT	51% Gvt. Owned 26% Carrroll Trading/Nimegen Trading 23% Unknown Investors	51% Gvt. Owned 26% Carrroll Trading/Nimegen Trading 23% Offshore trading companies	51.2 Gvt. Owned 27% National Reserve Corporation 19% Employees & others	Unchanged	Unchanged
KRASAIR	Unreported	Unreported	Unreported	51% City Gvt. of Krasnoyarsk 49% Air Bridge Management Company	Unchanged
PULKOVO AIRLINES	100% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unchanged
TRANSAEREO	95% Private Holdings 5% Aeroflot	Unreported	Unreported	Unreported	Aerotrans Joint Stock Company, Ikar, Ilyushin Design Bureau, Laves
Saudi Arabia					
SAUDI ARABIAN AIRLINES	100% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unchanged
Scandinavia					
SAS	50% Publicly held	100% SAS Group	50% Publicly held	100% SAS Group	Unchanged

Airline	2002	2003	2004	2005	2006
	21.4% Gvt. Of Sweden 14.3% Gvt. Of Denmark 14.3% Gvt. Of Norway		21.4% Gvt. Of Sweden 14.3% Gvt. Of Denmark 14.3% Gvt. Of Norway		
Serbia					
JAT AIRWAYS	Unreported	Unreported	100% Gvt. Owned	Unreported	Unreported
Seychelles					
AIR SEYCHELLES	100% Gvt. Owned	Unchanged	Unchanged	Unreported	Unreported
Singapore					
SILK AIR	100% Singapore Airlines	Unchanged	Unchanged	Unchanged	Unreported
SINGAPORE AIRLINES	56.7% Temasek Holdings 11.45% Raffles Nominees 8.45% DBS Nominees 4.1% HSBC Singapore Nominees 3.59% Citibank Nominees 9.96% Other investors	57% Temasek Holdings 12% Raffles Nominees 8% DBS Nominees 2% DB Nominees (Singapore) 4% HSBC Singapore Nominees 3% Citibank Nominees 1.65% United Overseas Bank Nominees 3% Other investors	100% Singapore Airlines Group	Unchanged	Unchanged
Slovakia					
SKYEUROPE AIRLINES	Unreported	Unreported	Unreported	Unreported	57.3% Free float 13.3% Endavor Holdings 9.9% Loryma Investments 8.4% East Capital 6.5% Merrill Lynch 5.7% Griffin Capital Management
Slovenia					
ADRIA AIRWAYS	75% Gvt. Owned 16% Slovenian investment funds	Unchanged	Unreported	Unreported	Unreported
Solomon Islands					
SOLOMON AIRLINES	100% Gvt. Owned	Unchanged	Unreported	Unreported	Unreported

Airline	2002	2003	2004	2005	2006
South Africa					
COMAIR	40% Institutions & public 37% Management 18% British Airways 5% Employees	Unchanged	Unchanged	39% Management 38% Institutions & Public 18% British Airways 5% Employees	Unreported
SOUTH AFRICAN AIRWAYS	100% Gvt. Owned (via Transnet)	Unchanged	Unchanged	Unchanged	98.2% Gvt. Owned (via Transnet) 1.8% SAA Share Incentive Trust
South Korea					
ASIANA AIRLINES	15.1% Korea Kumho Petrochemical Co. 9% Kumho Development Co. 29.8% Kumho Industrial 2.9% Treasury stock 41.1% Other Private investors	29% Kumho Industrial 15% Kumho Petrochemical 7% Korea Development Bank 2.9% Treasury stock 2% Kumho Development 1% Korean Foreign Exchange Bank 41% Other shareholders	29.8% Kumho Industrial 15.1% Kumho Petrochemical 7.2% Korean Development Bank 2.9% Treasury stock 1.8% Kumho Development 1.2% Korea Foreign Exchange Bank 0.6% Cho-Heung Bank 41.4% Other private investors	29.51% Kumho Industrial 15.05% Kumho Petrochemical 7.18% Korea Development Bank 2.89% Treasury stock 1.76% Kumho Development 1.18% Korea Foreign Exchange Bank 11.9% Foreign investors 30.53% Private investors	Unchanged
KOREAN AIR	18.56% Mr. Choong-Hoon & family 16.16% Foreign ownership 13.66% Other institutions 3.66% Bank of Seoul 3.19% Kokusai Kogyo & Co. 2.89% Employee stock 40.59% Others	30.82 Mr. Yang Ho Cho & family 15.98% Foreign ownership 39.1% Other institutions 3.66% Bank of Seoul 3.27% Franklin Templeton Investment Trust Management 3.18 National Pension Corporation 3.14% Kokusai Kogyo & Co. 0.23% Employee stock	12.13% Yang Ho Choi & Family 7.82% Hanjin 8.22% Employees 3.44% National Pension Corporation 3.21% Kojusai Kogyo Corp. 2.71% Inha University Foundation 1.96% Jungseok foundation 1.15% Hana Bank 0.87% Oriental Fire & Marine Insurance Co.	Unchanged	12.13% Yang Ho Choi & Family 7.82% Hanjin 8.22% Employees 3.44% National Pension Corporation 3.21% Kojusai Kogyo Corp. 2.71% Inha University Foundation 1.96% Jungseok foundation 1.15% Hana Bank 0.87% Oriental Fire

Airline	2002	2003	2004	2005	2006
		40.59% Others	0.33% Korea Research Foundation for 21C 61.14% Others		& Marine Insurance Co. 61.14% Others
Spain					
AIR EUROPA	Unreported	Unreported	Unreported	100% Globalia Corp.	Unreported
IBERIA	60% Stock exchange 10% Caja Madrid 9% British Airways 7.3% BBVA 1% American Airlines	60% Stock exchange 10% Caja Madrid 9% British Airways 7.3% BBVA 6.7% Logistica 3% El Corte Ingles 3% Ahorro Corporacion 1% American Airlines	Unchanged	Unchanged	Unchanged
SPANAIR	51% Marsans Group 49% SAS	51% Teinver SA 49% SAS	94.9% SAS 5.1% Grupo Marsens	Unchanged	Unchanged
Sri Lanka					
SRILANKAN AIRLINES	51% Gvt. Owned 43% Emirates 5.37% Employees	51% Gvt. Owned 40% Emirates 5.37% Employees	51.05% Gvt. Owned 43.63% Emirates 5.32% Employees	Unchanged	Unchanged
Switzerland					
SWISS (Swiss International from 2002)	20.5% Gvt. Owned 10.5% UBS 6.8% AMAG 10% Crédit Suisse 10.2% Canton of Zurich 52% Others	20.5% Gvt. Owned 64.7% Institutional investors 2.7% Privately held 12.1% Cantons & communities	20.3% Gvt. Owned 61.3% Institutional investors 4.1% Privately held 12.2% Cantons & Communities 2.1% Non-registered shares	98.7% Air Trust	99% Air Trust
Syria					
SYRIANAIR	100% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unreported
Tanzania					
AIR TANZANIA	100% Gvt. Owned	51% Gvt. Owned 49% South African Airways	Unreported	Unreported	Unreported

Airline	2002	2003	2004	2005	2006
Thailand					
THAI AIRWAYS INTERNATIONAL	93% Gvt. Owned	Unchanged	79.5% Gvt. Owned (Ministry of Finance) 7.1% Institutional & private investors Gvt. Savings Bank 13.4%	53.98% Gvt. Owned (Ministry of Finance) 9.15% Vayupak Fund by Krung Thai Asset Management 9.15% Vayupak Fund by MFC Asset Management 2.64% Morgan & Stanley 1.98% State St. Bank London 1.22% Goldman Sachs 1.13% HSBC Singapore 1.13% State St. Bank 0.98% NVDR Co.	53.98% Gvt. Owned (Ministry of Finance) 9.15% Vayupak Fund by Krung Thai Asset Management 9.15% Vayupak Fund by MFC Asset Management 2.64% Morgan & Stanley 1.98% State St. Bank London 1.22% Goldman Sachs 1.13% HSBC Singapore 1.13% State St. Bank 0.98% NVDR 0.8% Citibank
Tonga					
ROYAL TONGAN AIRLINES	100% Gvt. owned	Unchanged	Unreported	Unreported	Unreported
Trinidad & Tobago					
BWIA	49.26% Gvt. Owned 29.52% Foreign shareholders 21.22% Regional shareholders	Unchanged	Unreported	75% Gvt. Owned 25% Private investors	Unchanged
Tunisia					
TUNISAIR	74.42% Gvt. Owned 5.58% Air France 20% Private sector	Unchanged	Unchanged	Unchanged	Unchanged
Turkey					
SUNEXPRESS	Unreported	Unreported	Unreported	50% Thomas Cook 50% THY Turkish Airlines	Unchanged
THY TURKISH AIRLINES	98.2% TC Privatization Administration 1.8% Public shareholders	Unchanged	Unchanged	75.2% TC Privatization Administration 24.8% Private shareholders	53.57% Private shareholders 46.43% TC Privatization Administrat.

Airline	**2002**	**2003**	**2004**	**2005**	**2006**
Ukraine					
AEROSVIT	Unreported	40% Ukraine Agency for Air Communication and Tourism 38% Gilward Investments 22% State Property Fund Ukraine	Unreported	Unchanged	Unchanged
AIR UKRAINE	100% Gvt. Owned	Unreported	Unreported	Unreported	Unreported
UKRAINE INTERNATIONAL AIRLINES	61.6% Gvt. Owned 6% Debis 22.5% Austrian/Swiss Airlines 9.9% EBRD	Unchanged	Unreported	Unreported	Unreported
United Arab Emirates					
EMIRATES	100% Gvt. of Dubai	Unchanged	Unchanged	Unchanged	Unchanged
United Kingdom					
BRITISH AIRWAYS	100% publicly traded	Unchanged	Unchanged	Unchanged	Unchanged
BRITISH MEDITERRANEAN	Unreported	Unreported	100% Privately owned	Unreported	Unreported
BRITISH MIDLAND (BMI)	60% Private investors -(BMI Partnership) 20% Lufthansa 20% SAS	50% Private investors - (BMI Partnership) 30% Lufthansa 20% SAS	Unchanged	Unchanged	50%+1 vote Private investor - (Sir Michael Bishop) 30% Lufthansa 20% SAS
FLY BE	Unreported	Unreported	Unreported	100% Privately owned	Unreported
GB AIRWAYS	100% Bland Group	Unchanged	Unchanged	Unchanged	Unchanged
VIRGIN ATLANTIC	51% Virgin Group 49% Singapore Airlines	Unchanged	Unchanged	Unchanged	Unchanged
United States					
ALASKA AIRLINES	Unreported	Public	Public	100% Alaska Air Group	Unchanged
ALOHA AIRLINES	100% Aloha Air Group	Unchanged	Unchanged	Unchanged	Unchanged
AMERICA WEST	51% Texas Pacific Group 49% publicly listed	Unchanged	100% America West Holding	Unchanged	100% US Airways Group
AMERICAN AIRLINES	100% publicly traded	Unchanged	Unchanged	Unchanged	Unchanged
ATA AIRLINES	Unreported	Unreported	Unreported	100% ATA Holdings	Unreported

Airline	2002	2003	2004	2005	2006
CONTINENTAL AIRLINES	100% publicly traded	Unchanged	Unchanged	Unchanged	Unchanged
CONTINENTAL MICRONESIA	100% Continental Airlines	Unreported	Unreported	Unreported	Unreported
DELTA	89% publicly traded 11% employees	Unchanged	Unchanged	89.3% publicly traded 9.8% employees 0.8% other	Unchanged
FRONTIER JET EXPRESS	Unreported	100% Mesa Air Group	Unreported	Unreported	Unreported
HAWAIIAN AIRLINES	100% Publicly traded	100% Hawaiian Holdings Inc.	Don Carty Hawaiian Holdings	100% Hawaiian Holdings Inc.	Unchanged
NORTHWEST	27% Employees 11% Alfred Checci 11% Gary Wilson 11% Richard C Blum	Unchanged	Unchanged	100% publicly traded	Unchanged
SOUTHWEST AIRLINES	Unreported	Unreported	Unreported	100% Publicly held	Unreported
UNITED	100% publicly held (majority through employees)	Unchanged	Unchanged	Unchanged	Unchanged
US AIRWAYS	100% publicly traded	36.6% Retirement Systems Alabama 19.3% ALPA members 7.8% Management 5% General Electric 10.08% Other employees 10.5% Unsecured creditors 10% Air Transportation Stabilization Board	Unchanged	Unchanged	100% US Airways Group
Uzbekistan					
UZBEKISTAN AIRWAYS	100% Gvt. Owned	Unchanged	Unreported	Unreported	Unchanged
Western Samoa					
POLYNESIAN AIRLINES	100% Gvt. Owned	Unchanged	Unreported	Unreported	Unreported
Vanuatu					
AIR VANUATU	100% Gvt. Owned	Unchanged	Unreported	Unreported	Unreported

Airline	2002	2003	2004	2005	2006
Venezuela (Bolivarian Republic of)					
AEROPOSTAL-ALAS DE VENEZUELA	100% Haydhelen Velasquez & Ramiz	Unchanged	Unreported	Unreported	Unreported
SERVIVENSA	100% Avensa	Unreported	Unreported	Unreported	Unreported
Vietnam					
VIETNAM AIRLINES	100% Gvt. Owned	Unchanged	Unchanged	Unchanged	Unchanged
Zimbabwe					
AIR ZIMBABWE	100% Gvt. Owned	Unchanged	Unreported	Unreported	Unreported

Source: Airline Business September 2001-2006, compiled and supplemented by the WTO Secretariat.

711. The Secretariat is planning, if Members so agree, to analyse these data in more detail, i.e. by region, level of developments and type of shareholders (public vs. private, national vs. foreign, central government vs. regional government, airlines vs. financial investors, etc). so as to provide a "reality check" for the information contained in QUASAR and in its future versions.

(b) Trans-national ownership developments

(i) Introduction

712. Because of the regulatory constraints proper to the sector, and in particular because of the pervasiveness of the SOEC criteria both in bilateral ASAs and in national investment regimes, trans-national ownership remains a marginal phenomenon in the air transport sector.

713. In a recent discussion paper, the UK Civil Aviation Authority[390] notes that ownership is less internationalized in the air transport sector than that in sectors traditionally insulated from foreign direct investment flows, such as defence and utilities.

714. Majority foreign ownership remains an extremely rare feature, except in countries that have adopted principal place of business criteria both in their investment and designation/withholding regime. When it was still UK-owned, Virgin Blue, the Australian-based subsidiary of the UK Virgin Group, was a case in point,[391] even it was essentially operating on the internal Australian market, as it risked facing a withholding veto on the part of Australia's bilateral partners applying the SOEC criterion.

715. Majority-ownership may also occur in the case of airlines' privatisation. Examples include the 51 per cent of Cameroon's carrier Camair owned by a Belgium consortium led by SN Brussels, or the 51 per cent of Air Senegal owned by Royal Air Maroc.

716. Minority share-holdings are more frequent and can be classified in two types:

- Symbolic and often reciprocal participations, mainly motivated by the desire to materialize an alliance e.g. the 2 per cent share of Alitalia owned by Air France or the recent US$12 million reciprocal exchange between Japanese carrier ANA (equivalent to 0.16 per cent of the shares) and Korean carriers ASIANA (0.76 per cent of the shares).

[390] Available at: http://www.caa.co.uk/docs/33/CAP769.pdf

[391] Virgin Blue was taken over by an Australian investor, Toll Holdings, but for pure commercial reasons.

- Substantial holdings, ranging from 25 to 49 per cent of the equity, sometimes coupled with a management contract where the investing airline plays the role of a strategic partner, e.g. Emirates and Sri Lankan Airlines, Virgin and Nigeria Airlines.

717. Table 57 presents international cross-airline investments and disinvestments, at the beginning and at the end of the period under review.

Members may wish to correct, update or complement the information contained in Table 57.

Table 57
International cross-airline investments and disinvestments, 2001 and 2006

Holding airline	Held airline	2001 holding	2006 holding	Change 2001-2006
Aer Lingus (IRL)	Futura International Airways (ESP)	85%	20%	-65 %
Air China (CHN)	Cathay Pacific (HGK)	0%	10.2%	+10.2%
Air France (FRA)	Air Afrique (Multinational) (defunct)	12.2%	0%	-12.2%
Air France (FRA)	Air Gabon (GAB)	20%	0%	-20%
Air France (FRA)	Air Madagascar (MDG)	3.5%	3.2%	-0.3%
Air France (FRA)	Air Mauritius (MUS)	2.8%	2.8%	Unchanged
Air France (FRA)	Air Tunis (TUN)	5.6%	5.5%	-0.1%
Air France (FRA)	Alitalia (ITA)	0%	2%	+2%
Air France (FRA)	Austrian Airways (AUT)	1.5%	1.5%	Unchanged
Air France (FRA)	Cameroon Airways (CAM)	3.6%	3.6%	Unchanged
Air France (FRA)	Royal Air Maroc (MAR)	4.0%	2.9%	-1.1%
Air Malta (MAL)	Azzur'Air (ITA) (defunct)	49%	0%	-49%
Air New Zealand (NZL)	Air Pacific (FJI)	2.0%	3.6%	+1.6%
Air India (IND)	Air Mauritius (MUS)	2.6%	2.6%	Unchanged
American Airlines (USA)	Iberia (ESP)	1%	1%	Unchanged
Austrian Airlines (AUT)	Slovak Airlines (SVK)	0%	62%	+62%
Austrian Airlines (AUT)	Ukraine International Airways (UKR)	19.7%	22.5%	+2.8%
British Airways (GBR)	Air Mauritius (MUS)	3.8%	3.8%	Unchanged
British Airways (GBR)	Com Air (RSA)	18.3%	18%	-0.3%
British Airways (GBR)	Iberia (ESP)	9%	9%	Unchanged
British Airways (GBR)	Qantas (AUS)	25%	0%	-25%
Cathay Pacific (HGK)	Air China (CHN)	0%	20%	+20%
Continental (USA)	Copa (PAN)	49%	10%	-39%
Delta (USA)	Proteus (FRA) (defunct)	34%	0%	-34%
Emirates (UAE)	Srilankan Airlines (LKA)	26%	43.6%	+17.6%
EVA (TWN)	Shanghai Airlines Cargo (CHN)	0%	25%	+25%
EVA (TWN)	Air Macau (MAC)	5%	5%	Unchanged
Iberia (ESP)	Royal Air Maroc (MAR)	1.3%	1%	-0.3%
Kenya Airways (KEN)	Precision Air (TAN)	0%	49%	+49%
KLM (NED)	Braathens (NOR)	30%	0%	-30%
KLM (NED)	Kenya Airways (KEN)	26%	26%	Unchanged
Kuwait Airways (KUW)	Shorouk Air (EGY) (defunct)	49%	0%	-49%
LAN (CHL)	ABSA (BRA)	0%	73.3%	+73.3%
LAN (CHL)	Florida West International Air (USA)	0%	25%	+25%
LAN (CHL)	LAN Argentina (ARG)	0%	100%	+100%
LAN (CHL)	LAN Dominicana (DMA)	0%	49%	+49%
LAN (CHL)	LAN Ecuador (ECU)	0%	45%	+45%
LAN (CHL)	LAN Peru (PER)	49%	49%	Unchanged
LAN (CHL)	MAS (MEX)	0%	39.5%	+39.%
Lufthansa (DEU)	Air Dolomiti (ITA)	26%	100%	+74%
Lufthansa (DEU)	BMI & BMI Regional (GBR)	20%	30%	+10%
Lufthansa (DEU)	Lauda Air (AUT)	20%	0%	-20%
Lufthansa (DEU)	Luxair (LUX)	13%	13%	Unchanged
Maersk Air (DNK) (defunct)	Estonian Air (EST)	49%	0%	-49%

Holding airline	Held airline	2001 holding	2006 holding	Change 2001-2006
Qantas (AUS)	Air Pacific (FJI)	46%	46.3%	+0.3%
Qantas (AUS)	Jetstar Asia (SGP)	0%	49%	+49%
Qantas (AUS)	Thai Air Cargo (THA)	0%	49%	+49%
Royal Air Maroc (MAR)	Air Gabon (GAB)	0%	51%	+51%
Royal Air Maroc (MAR)	Air Senegal (SEN)	0%	51%	+51%
SAS	Air Baltic	34.2%	47.2%	+13%
SAS	BMI	20%	20%	Unchanged
SAS	Spanair	49%	94.9%	+45.9%
Singapore Airlines (SGP)	Air New Zealand (NZL)	49%	0%	-49%
Singapore Airlines (SGP)	Virgin Atlantic (GBR)	49%	49%	Unchanged
Swissair (CHE) (defunct)	Air Europe (GBR) (defunct)	49%	0%	-49%
Swissair (CHE) (defunct)	Air Littoral (FRA) (defunct)	49%	0%	-49%
Swissair (CHE) (defunct)	AOM French Airlines (FRA) (defunct)	49%	0%	-49%
Swissair (CHE) (defunct)	Austrian Airlines (AUT)	10%	0%	-10%
Swissair (CHE) (defunct)	Delta (USA)	4.6%	0%	-4.6%
Swissair (CHE) (defunct)	LOT (POL)	37.6%	0%	-37.6%
Swissair (CHE) (defunct)	LTU (DEU)	49.9%	0%	-49.9%
Swissair (CHE) (defunct)	Portugalia (POR)	42%	0%	-42%
Swissair (CHE) (defunct)	SAA (RSA)	20%	0%	-20%
Swissair (CHE) (defunct)	Sabena (BEL) (defunct)	49%	0%	-49%
Swissair (CHE) (defunct)	TAP (POR)	34%	0%	-34%
Swissair (CHE) (defunct)	Ukraine International Airlines (UKR)	5.6%	0%	-5.6%
Swissair (CHE) (defunct)	Volare (ITA)	34%	0%	-34%
TACA (SLV)	Aviateca (COL)	30%	30%	Unchanged
TACA (SLV)	Islena (HND)	20%	20%	Unchanged
TACA (SLV)	LACSA (CRI)	10%	10%	Unchanged
TACA (SLV)	NICA (NIC) **	49%	0%	-49%
TAP (POR)	Air Sao Tome e Principe (STP)	40%	40%	Unchanged
TAP (POR)	Air Macau (MAC)	25%	20%	-5%
Transaereo (RUS)	Baltic Airlines (LAT)	0.2%	0.2%	Unchanged
Transaereo (RUS)	Riga Airlines (LAT) (defunct)	30%	0%	-30%
Varig (BRA)	PLUNA (URY)	49%	49%	Unchanged
VASP (BRA) (defunct)	Ecuatoriana (defunct)	50.1%	0%	-50.1%
VASP (BRA) (defunct)	LAB (BOL)	49%	0%	-49%
Virgin Atlantic (GBE)	Virgin Nigerian Airways (NGR)	0%	49%	+49%
Virgin Blue (AUS)	Pacific Blue (NZL)	0%	100%	+100%
Virgin Blue (AUS)	Polynesian Blue (WSM)	0%	49%	+49%

Source: Airline Business, September 2001-2006, as compiled by the WTO Secretariat.

(ii) *Regional analysis*

(a) Intra-Europe

718. In 2000, cross-ownership between European airlines accounted for 42 per cent of all instances of cross-airline ownership. By 2006, this share had decreased 20.3 per cent. This apparent regression is, however, misleading, for two main reasons:

- First, the need to create company structures which permit the retention of international traffic rights under bilateral ASAs explains why the major consolidations of Air France-KLM and Lufthansa-Swiss International Air Lines do not appear as foreign investments, despite constituting important consolidations of the market.

- Second, following the 2002 ECJ "open skies" judgements, consolidation is widely expected and up to certain extent has already started with the takeover/merger of KLM by Air France and of Swiss by Lufthansa. The ongoing sale of Alitalia and the various offers formally or informally made for a possible takeover of Iberia are other examples of this tendency.

719. An interesting development in the case of Alitalia and Iberia is the key role played by various private equity funds (e.g. Apax, Texas Pacific Group) in the financing of the various bids.

720. Another notable development is the appearance of extra-EU actors: Aeroflot was at one stage bidding for Alitalia[392], and Aeroflot and Air India for the Serbian carrier JAT, whose privatisation is still under way. One of these extra EU bid was successful, as the Russian consortium Airbridge, led by the Russian carrier Kras Air, took over the Hungarian national carrier Malev in February 2007.

(b) Europe-North America

721. American Airline's 1 per cent interest in Iberia is now the only remaining transatlantic cross-ownership instance. However, the newly negotiated provisions on cross-ownership in the First Phase US-EU agreement[393] may open up new possibilities in this regard.

(c) Europe-Asia/Pacific

722. The sale by British Airways of its interest in Qantas, which had already been reduced to 18.25 per cent, signified the relinquishment of one of the only two cases of cross-ownership between European and Asia-Pacific airlines. The other case, TAP's equity share in Air Macao, has also been significantly reduced.

723. The sole instance of investment in a European carrier by an Asian entity, i.e. the 49 per cent share of Virgin Atlantic owned by Singapore Airlines has remained stable.

(d) Europe-Africa

724. In spite of a slight reduction, there remains a significant number of investments in African airlines by European counterparts. The majority of these are held by Air France and represent minority stakes with francophone African countries. Significantly, Air France has withdrawn from its two largest investments, Air Gabon and Air Afrique which ceased operation in 2001.

725. The remaining major investments are British Airway's continued equity interest in Comair of South Africa, another instance of historical ties underpinning trans-national ownership, KLM's ongoing major investment in Kenya Airways, and the major new initiative of Virgin Atlantic taking a 49 per cent share in a new Nigerian national airline, Virgin Nigeria, after the folding of Nigeria Airways in 2004. One may note also the recent sale of 51 per cent of the share of Cameroon's national carrier Camair to a consortium of Belgium investors led by SN Brussels.

(e) Intra-Africa

726. The period under review has seen the first examples of consolidation in Africa. Two of Africa's most successful airlines, Royal Air Maroc and South African Airlines, have taken major equity interests in other African carriers: Air Senegal, Air Gabon and, more recently, Air Mauritanie in the case of Royal Air Maroc, and Air Tanzania in the case of South African Airlines.

(f) Intra-Asia/Pacific

727. Qantas and Air New Zealand have both retained their interests in Fiji's Air Pacific. However, the two principal carriers from Oceania saw their plans to merge into a single entity blocked by a New

[392] At various stages of the process, several Italian government officials had also expressed the hope that Alitalia end up being sold to a large Asian carrier.

[393] For the integral text of these provisions, see Box 1 in the profile of the US-EU Agreement.

Zealand court, which found the move to be anti-competitive in 2004, and definitively ruled out on appeal in late 2006. The Single Aviation Market (SAM) has nevertheless allowed Australia's Virgin Blue to set up a fully owned subsidiary in New Zealand under the name Pacific Blue. Samoa-based Polynesian Blue is also 49 per cent owned by Virgin Blue. Qantas has moved into the Asian market with important interests in Thai Air's cargo section and Jetstar Asia, a low-cost airline operating out of Singapore.

728. Emirates has increased its equity interest in SriLankan Airlines and controls the airline under a management contract. Cathay Pacific's stake in Air China increased to 20 per cent; reciprocally, Air China now has a 10.2 per cent interest in Cathay. EVA, the airline of Chinese Taipei, has also invested in a mainland cargo airline, Shanghai Airlines Cargo. Korean Airlines is also reported to be attempting to penetrate the Chinese cargo market by setting up a strategic alliance with a Chinese software company to form an all cargo Chinese carrier.

(g) Intra-Americas

729. The only case of investment between North and Central America, Continental's 49 per cent stake in COPA, has remained constant. However, within South America, airlines have generally followed the example established by TACA which expanded in the 1990s from its Salvadorian base to Guatemala (Aviataca), Costa Rica (Lacsa), Nicaragua (Nica) and Honduras (Sahsa).[394]

730. LAN-Chile is probably the best-known example of that tendency. During the period under review it established its presence in the passenger markets of Argentina, the Dominican Republic, Peru, Ecuador, as well as on the all-cargo markets of Mexico (MASair) and of the United States (Florida west International Airways).

731. In March 2007, Gol the successful Brazilian low-cost carrier, was reported as pondering setting up domestic units in Argentina and Peru. By finally taking over Varig after a protracted bankruptcy process, it also has prevented LAN-Chile from creating a Brazilian unit.

732. Brazilian carrier Vasp sold its stake in Ecuatoriana and Lloyd Aero Boliviano. Similarly, Varig had once held a participation in the Uruguayan carrier Pluna, but finally sold it to Conviasa, the new state-owned Venezuelan carrier. Another Brazilian carrier, Ocean Air, owned by the Sinergy Group, traditionally specialized in regional and freight traffic, has followed a path similar to that of LAN by taking control successively of the Colombian carrier Avianca (75 per cent in 2004, 100 per cent in 2006) and of the Ecuadorian carrier Vipsa, and by launching with a local Peruvian partner Wayra-Peru. Citizenship problems for the majority ownership of Avianca were solved by the granting of the Colombian nationality to the Chairman of the Sinergy group Mr. German Efremovich.

733. During the period under review, Brazil's TAM tried a similar strategy by taking a management control share in the Paraguayan carrier Lapsa, that it renamed TAM-Mercosur.

734. Peruvian carrier Aero Continente created a start-up in Chile and tried to buy Ecuatoriana. It has now only one foreign subsidiary left, in the Dominican Republic.

735. Aerolinas Argentinas also created a unit in Chile, Aerolíneas del Sur. It had had the intention of creating "Aerolíneas del Peru" in January 2006 and bid unsuccessfully for Uruguayan carrier Pluna.

736. Finally, Venezuelan carrier Aero Postal took a minority stake in Honduran local start-up airline Solair and in the Ecuadorian carrier Aerogal, a stake in Aero República, the second largest airline of Colombia, and has a start-up project in Nicaragua, Alas de Centro América.

[394] The projects announced during the period under review have been so numerous that it is difficult to know, even by following developments in the specialised press, if all have succeeded.

737. This frantic trans-national activity in Latin America can be explained partially by a desire to achieve economies of scale. Out of around 400 million Latin-Americans, only about 3 per cent can afford to travel by air. The small traffic volumes, coupled with generally long distances, mean that the only way for carriers to reap economies of scale is to go cross-boarder. Significantly, the successful ventures are either located on a string of fifth, sixth or seventh freedom destinations (e.g. subsidiaries of LAN-Chile located between Chile and the United States) or are using the hub and spoke system in a cross border fashion.

738. National legislations, however, do not seem have been adapted to the changed environment, at least not at the same pace. It would thus appear that a "*lex mercatoria*" has developed in Latin America, and the region may constitute an example for the rest of the world in that respect.

739. Tables 58 and 59 provide a synthetic snapshot of trans-national ownership in April 2004, by region and by level of development.

Table 58
Trans-national ownership, April 2004

	Asia	Africa	Eastern Europe	Western Europe	Latin America	Middle East	North America	Pacific	Total
Number of operating airlines	143	91	156	223	135	53	149	60	1010
Number of airlines whose equity is held by foreign investors/ airlines	37	24	23	60	39	8	29	10	230
Number of airlines owning stakes in foreign airlines	7	7	3	26	9	5	6	2	65

Source: Air Transport Bureau, ICAO.

Table 59
Foreign direct investments by and in airlines, by region, 2004

Item	**Developing countries**				**Developed countries**				**CIS**	**Total**
	Africa	**Asia**	**Latin America**	**Sub total**	**Western Europe**	**North America**	**Other developed countries**	**Sub total**		
Number of operating airlines	91	196	135	422	223	149	60	432	156	1010
Number of airlines owned by foreign investors/ airlines	24	45	39	108	60	29	10	99	23	230
Share owned by foreign investors/ airlines	26	41	29	26	27	19	17	23	15	23
Number of airlines owning stakes in foreign airlines	7	12	9	28	26	6	2	34	3	65
Share of airlines owning stakes in foreign airlines	8	14	7	7	12	4	3	8	2	6

Note: CIS = Commonwealth of Independent States.
Source: Air Transport Bureau, ICAO.

(iii) Other significant trends

740. It may be ambitious to talk about "trends" when examining the Brownian activity of trans-national investments and disinvestments in airlines. Nevertheless, some recurrent features can be noted.

(a) Rationale

741. Some of this trans-national activity obeys to purely commercial considerations, while other is clearly linked to the regulatory specificities of the sector.

742. With regard to commercially-motivated activity, there are several examples in which investors and journalists alike seem to forget that air transport is not a sector like any other. For instance, in June 2006, British Airways' shares rose by 5.8 per cent in one day on rumours that the airline would be totally taken-over by Emirates. Similarly, the Financial Times appeared to take seriously the rumour of a complete merger between Singapore Airlines and Qantas.

743. Besides these anecdotal cases, however, commercial motives behind investments and disinvestments in airlines may include:

- A need to finance new projects, e.g. British Airways' sale of its 18.5 per cent stake in Qantas or the recent review by Singapore Airlines of its 49 per cent stake in Virgin Atlantic on the wake of several investment projects in China.

- A satisfactory price being offered, e.g. the disinvestment of the UK Virgin Group from Virgin Blue to the benefit of the Australian company Toll Holdings.

- An interest in emerging markets, notably China and India, e.g. Singapore Airlines' desire to acquire a 25 per cent stake in China Eastern, or the investment in Indian start up low-cost carrier Spice Jet on the part of European, North American and Middle Eastern financial groups (e.g. BNP Paribas, KBC, Goldman Sachs, Ishtimar).

- An interest in challenging but highly lucrative markets, e.g. the case of the 49 per cent stake of Virgin in Virgin Nigeria, or, symmetrically, an interest in more mature but less risky markets, e.g. Aeroflot's bid for Alitalia and JAT.

744. Some trans-national activity is also triggered by the specific regulatory framework of the sector. For instance, during the period under review both Lufthansa and Air France-KLM had to launch a share buy-back, self-control scheme, as the proportion of foreign shareholding was dangerously approaching the 49 per cent threshold above which the carriers would no longer have been considered European-owned (or, for non-yet re-negotiated ASAs, French-Dutch and German-owned, respectively) and would have consequently run the risk of seeing their traffic rights denied abroad.

745. In the same vein, the Canadian nationality of Air Canada has been challenged before the US Department of Transportation.

746. In certain instances, the regulatory framework may also constrain the amount and the form of trans-national investment. For instance, Virgin, LAN and AirAsia are now trans-national brands managed like franchises, because national investment rules are such that, except in very rare cases (Virgin Blue in Australia), they cannot be, respectively, fully UK, Chilean or Malaysian-owned, except in their country of origin. They have had to find a local partner for the 51 per cent remaining equity stake, for instance in Thailand (Thai Air Asia), Nigeria (Virgin Nigeria) and Peru (LAN Peru).

(b) Actors involved

747. The actors involved can be airlines and non-airlines. Among **airlines,** at least three types can be distinguished:

- Alliances. Alliances have not played the prominent role in terms of trans-national ownership that observers initially expected. For instance, whereas Transatlantic linkages are regularly rumoured, they have thus far failed to materialise and are now fewer than in the 1990s, whereas the degree of operational and commercial integration of carriers has notably progressed.

- Strategic partners. In privatisation processes, governments often look for a major airline as a "strategic partner", typically with a 25 per cent stake. In such instances, the shareholding is a kind of symbol of the degree of involvement in the management of the newly privatised airline.

- Code-sharing partners. Symbolic exchanges of shares may take place with code-sharing partners.

748. Among **non airlines actors,** the period under review has witnessed the emergence, alongside local institutional investors that are traditionally present in privatisation processes, of private equity funds, the most prominent of which being the Texas Pacific Group, Macquarie and Apax Partners. This is, at the same time, good and bad news for the air transport sector. On the one hand, it proves that the sector can potentially be profitable and attract serious investors that have the capacity to support development plans. On the other hand, it may generate a short-term management vision which may be difficult to reconcile with the long-term strategic planning that the sector requires. Nevertheless, it is possible that these dynamic and powerful new actors may, in the long run, have an impact on the traditional regulatory framework that has governed the sector thus far.