

**COMMUNICATION FROM THE EUROPEAN COMMUNITIES
AND ITS MEMBER STATES**

Review of the GATS Annex on Air Transport Services

The following communication, dated 28 February 2007, from the delegation of the European Communities and its Member States is being circulated to the Members of the Council for Trade in Services.

I. INTRODUCTION

1. The Council for Trade in Services is currently engaged in its second periodic review of developments in the air transport sector and the operation of the Annex of the GATS concerning Air Transport Services. The Annex provides an indication of the scope of air transport services that is permissible for discussion on a multilateral basis (but does not per se require WTO members to make necessarily specific commitments in those services). The EC welcomes the opportunity to examine the recent market developments in the aviation sector and to consider the present and future operation of the Annex.

2. Air transport is a significant driver of economic and social prosperity. In 2005, the air transport sector worldwide carried over 2 billion passengers on scheduled air services alone and over 80 million tonnes of freight and mail. The sector also employs around 13.5 million people directly or indirectly to generate an estimated US\$ 330 billion a year, equivalent to 2.4% of world Gross Domestic Product. The world's air transport system is made up of around 900 airlines operating nearly 22,000 aircraft, through 1,670 airports and 160 air navigation service providers. With current projections putting air passenger traffic at a 4% annual growth rate for the next decade or so, a total of over 3.5 billion passengers will be flying by 2020¹.

3. The first periodic review of the Annex was concluded in October 2003 at which time it was decided to formally begin the second review at the last regular meeting in 2005 of the Council for Trade in Services. The first review provided the opportunity for a wide ranging analysis and discussion on developments in the air transport sector. Whilst the Annex specifies that the GATS shall not apply to measures affecting services directly related to the exercise of traffic rights, it only explicitly lists three activities (aircraft repair and maintenance services; the selling and marketing of air transport services; and computer reservation system services) in providing an indication of what constitutes services covered by the GATS. However, developments in the air transport sector over the

¹ Statistics in this paragraph are from the Airports Council International, the Air Transport Action Group, the Civil Air Navigation Services Organisation and the International Civil Aviation Organisation.

years since the Agreement came into force have revealed that other activities in the aviation market have grown in importance and are economically independent in their own right.

4. During that first review, the EC submitted Communications (S/C/W/168 of 26 September 2000 and S/C/W/186 of 4 December 2000) which reflected upon the coverage of the GATS and the need to clarify its scope of application. The EC took the position that the coverage of the Annex should aim to facilitate the good functioning of the air transport system. In this regard, groundhandling services and airport management services, clearly essential for ensuring smooth airport and airline operations, were identified for possible explicit reference in the Annex on Air Transport Services.

5. The EC wishes the second review of the Annex to be an in-depth and constructive process that assesses whether the current multilateral framework for trade in air transport services is well suited to today's business realities. The second review must be comprehensive and forward-looking to appreciate fully the dynamism and innovation of all the elements that make up the aviation sector. The last five years, characterised by significant challenges posed by external geopolitical shocks, the threat of worldwide epidemics, and the general economic downturn, have underlined the sector's global dimensions and have reinforced its drive to be a competitive and convenient means of transportation.

6. The EC welcomes the substantial work being undertaken by the WTO secretariat in order to facilitate a detailed discussion and analysis of the air transport sector; documents S/C/W/270 of 18 July 2006 and S/C/W/270/Add.1 of 30 November 2006. The first provides an analysis of the various sub-sectors that make up the air transport industry and a useful reflection on the operation of the Annex with reference to these sub-sectors. The second develops a tool, the Quantitative Air Services Agreement Review (QUASAR), for evaluating the degree of liberalisation and traffic coverage of existing air services agreements and compares and contrasts the contents of these agreements.

II. DEVELOPMENTS IN THE EUROPEAN MARKET

7. Since 2000, the development of the European air transport market has been heavily affected by a number of major external events. The most significant were the terrorist events of 11 September 2001, which had a major impact on air transport worldwide. However, even prior to that, the air transport industry was already experiencing a downturn in its financial performance due to a slowdown in the growth of key economies with a consequent effect on market demand. In Europe, the growth of low-cost air carrier operators has intensified competition in intra-European markets creating strong downward pressure on average fares and yields. At the same time costs were increasing due to rising fuel prices. Many airlines were suffering from poor financial results before the events of 11 September 2001. National air carriers, Swissair and Sabena filed for bankruptcy in January and November 2001, and many charter airline companies also left the market in the same way. Most of Europe's scheduled airlines posted large losses or severely diminished profits for 2001. Only the large low-cost carriers, Ryanair and easyJet, bucked the trend by yielding increased profits.

8. Subsequent events exacerbated the situation, with the threat of a SARS epidemic and the war in Iraq depressing demand for air transport, particularly on routes to the Middle East and Asia. As air traffic growth started to accelerate again in 2004, new challenges, the further rapid rise in fuel prices and the outbreak of avian influenza, began to undermine airline profitability once more. Against this turbulent and unstable market environment since 2000, the financial performance of Europe's airlines has been varied.

9. Most scheduled network carriers made a loss in 2001, with the Association of European Airlines (AEA) estimating the total loss to its membership (around 30 airlines) at US\$3.02 billion. Since then results have been mixed. Some carriers, such as British Airways, Austrian and Aer

Lingus, were quick to respond to the deepening crisis and were able to generate profits in 2002 and 2003. Others, such as Alitalia, Olympic, SAS and Swiss, have found it difficult to return to profitability. Only a few, like Air France, Iberia, and Lufthansa have continued to operate profitably throughout the period. As a group, the European network carriers have performed much better than their counterparts in the United States, few of whom have been able to return to profit. The European air carriers' results as a whole have been improving despite continued losses among many of them. The AEA estimates that its members collectively made a profit of €900 million in 2004 despite the high price of fuel. As a percentage of revenues this represents only a small margin but it indicates an improving trend.

10. Low cost carriers have grown very rapidly since 2000 despite the economic downturn and the various adverse external factors which have impacted on the network carriers' growth. Within this sector, the oldest and largest low-cost carriers, Ryanair and easyJet, have generated large profits every year since 2001. They have benefited from economies of scale and first mover advantage. But among the large number of more recent low cost airlines and other start-ups, financial performances have generally been very poor, and several have collapsed.

11. Charter airlines have suffered both from the economic downturn, which reduced the growth in inclusive tour package holidays, and from competition with the rapidly expanding low cost sector. For some, whose accounts are consolidated with larger parent travel companies, it is difficult to disentangle their true financial results. This is also the case for those who operate both scheduled and charter flights. Nevertheless, where data is available, the picture which emerges is one of a sector which is undergoing serious difficulties. For many charter airlines, profits in recent years have either been non-existent or very marginal. Only a few charter airlines have managed to operate profitably throughout the period. It is precisely because the charter industry has felt under threat that several charter airlines have launched their own low cost subsidiaries in recent years.

12. Regional airlines have shown contradictory results. Their traffic growth has outperformed that of the network carriers yet their financial results have been poor. Most of the regional airlines have posted losses or only very marginal profits in each of the last four years.

13. In recent years there has been a tremendous increase in the number of alliances, partnerships, and consolidation amongst airlines, and there have also now been two major cross-border mergers within Europe. In September 2003, the European Commission approved the merger between Air France and KLM. This was the world's first true cross-border merger of two major air carriers. In the same year, the Commission approved for six years an alliance between Iberia and British Airways, covering network co-ordination, sales and marketing, distribution, profit sharing and cargo operations. In July 2005 the European Commission approved the acquisition by Lufthansa of Swiss. These transactions demonstrate the growing pressure for consolidation in the European air transport industry. The low cost carrier sector has seen moves to consolidation with Ryanair acquiring Buzz in 2003 and easyJet acquiring Go in 2002.

A. TRAFFIC RIGHTS

14. The basic regulatory framework governing licensing, market access and air fares in the internal European air transport market has remained unchanged since 2000. The liberalised framework that characterises today's aviation market in the EU was concluded in 1997 after the adoption of three successive packages of measures. The first package, adopted in 1987, relaxed the previously established rules, for example, by limiting the right of governments to object to the introduction of new fares, and by affording some flexibility to airlines flying between any two Member States to share seating capacity. The second package, adopted in 1990, further opened the market by allowing greater flexibility in setting fares and in sharing capacity, and by establishing 'third, fourth, and fifth freedom rights' to all Community carriers. With the entry into force of the

third package, air carriers established in the EU are granted unimpeded access to provide services within the territory of the EU, including cabotage (i.e. the right for an airline of one Member State to operate a route within another Member State) and can set fares and rates freely, without the need for approval by national authorities. Last year, discussion began amongst the European Union institutions on proposals to revise and modernise the aforementioned legislation that establishes the single market for aviation.

15. Besides this general framework establishing a single market for the EU, important legislation at European Community level has been adopted in the fields of aviation safety, security and air traffic management. In particular, the establishment of the European Aviation Safety Agency (EASA) in 2002 marked a step-change in safety regulation in Europe. The regulatory framework for the Single European Sky established in 2004 aims to reform the architecture of European air traffic control to meet future capacity and safety needs. Furthermore, the EC took on competence for civil aviation security with the adoption of a framework Regulation, directly applicable to Member States, following the terrorist attacks of 11 September 2001.

16. The years since 2000 have seen more dramatic developments in relation to the external dimension on the EU's aviation market. In November 2002, the European Court of Justice (ECJ) issued judgements addressing the legality of certain aspects of the bilateral air services agreements established between eight Member States and the USA. In particular, the traditional nationality-based restrictions on designation were found to be incompatible with the fundamental right of establishment granted by the Treaty establishing the European Community.

17. A key outcome of the 2002 ECJ ruling was that all existing bilateral agreements between Member States and third countries that contain provisions contrary to Community law should be amended or replaced by new agreements. Two avenues are available to bring existing bilateral agreements into line with Community law. The first comprises bilateral negotiation at Community level by the European Commission in the framework of a horizontal mandate granted by the Council in June 2003. Such horizontal agreements are then submitted to the EU Council for approval. This permits the insertion of the standard clauses, as drawn up jointly by the Commission and the Member States, into the whole range of agreements reached between the Member States and third countries. The second avenue is bilateral negotiation by individual Member States, which again relies on the insertion of the standard clauses. Good progress is being made. At the latest count, nearly 500 agreements with over 65 countries have been amended, meaning that around one quarter of the total number of bilateral agreements has been amended in a period of just over two years.

18. The EC embarked on negotiations with the United States in 2003 aimed at establishing an EU-US Open Aviation Area. In November 2005 the text of a comprehensive draft first-stage agreement was finalised. This agreement would represent a major step towards the full liberalisation of the transatlantic market, and comprises not only market opening but also strengthened regulatory co-operation between the two parties. Conclusion of this agreement at present remains subject to further developments in US policy towards participation of foreign investors in the US airline industry.

19. The EC has also proposed to open negotiations with other key partners, such as Canada, China, India, Australia, New Zealand and Chile, with the aim of concluding comprehensive air transport agreements that would remove restrictions on market access and establish strong co-operation and convergence in regulatory matters.

20. The EC has pursued an external aviation policy in Europe that seeks to expand a European Common Aviation Area. Countries engaged in pan-European cooperation in the field of aviation and/or viewed in a pre-EU accession context have been targeted in this case. The aim is to conclude fully liberalised air transport agreements in order to establish by 2010 a wider internal market for

aviation in Europe, and promoting, prior to EU accession, the necessary economic and administrative reforms. In June 2006, the agreement to create a European Common Aviation Area (ECAA) was signed with Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Former Yugoslav Republic of Macedonia, Romania, Serbia, Montenegro, the United Nations Mission in Kosovo, Iceland and Norway. Bulgaria and Romania have since become Member States of the EU on 1 January 2007. As part of its neighbourhood policy, the EC also signed in December 2006 a comprehensive air transport agreement with Morocco. Negotiations with Ukraine on a comprehensive air transport agreement will commence in 2007.

B. AIRCRAFT MAINTENANCE AND REPAIR

21. The aircraft maintenance and repair sector is a significant revenue generator in the European Union. Indeed, some of the top companies in this field are from EU Member States, with services offered by both airlines and manufacturers generating many billions of euros in revenue a year. The importance of the sector in Europe has grown significantly since 2000 with many of the European players increasing their revenue by between 50% and 100%.

22. The dawn of new large aircraft, such as the Airbus A380, will further stimulate the market which shows encouraging prospects of strong future growth. For example, at Frankfurt Airport, Lufthansa Technik is investing around €150 million up until the year 2015 in what will become Europe's largest aircraft maintenance hangar.

C. COMPUTER RESERVATION SYSTEMS & MARKETING AND SELLING

23. Since the beginning of this decade, the CRS market has been dominated by two major developments. First, CRS have lost their natural monopoly over the airline distribution market. Under the pressure of increasing fuel prices and competition from low-cost carriers, airlines have strived to reduce their distribution costs. This has led to the rapid development of direct distribution, especially via airlines' websites. Direct bookings (airlines' websites, call centres and airline offices) now account for 40% of all bookings. This increases the airlines' bargaining power vis-à-vis the CRS providers. Second, airlines have divested from CRS.

24. As these developments reduce the risks of abuse of CRS by airlines, the EC is considering giving more room to market mechanisms in the CRS market. A revision of the Code of Conduct for CRS (Council Regulation 2299/89) by the European Commission will determine to what degree particular safeguards against possible abuse are still required in order to take account of the specificities of the European market.

25. The moves towards liberalising the CRS market in the USA in 2004 are also having a considerable effect on the European market. This is because the traditional CRS market model, where high incentive payments by the CRS providers to travel agents are charged through to the airlines in the form of high booking fees, is being challenged, and this change in the US market also affects the European distribution market as European airlines have to compete with US airlines that now benefit from lower distribution costs.

D. FRANCHISING

26. In Europe, franchising can be an important tool in an airline's commercial strategy, as it provides a means of expanding and securing the franchisor airline's position in the marketplace. In Europe, franchising has tended to be limited to that of regional air carrier franchisees operating under the brand name of a flag carrier.

27. Franchising can provide benefits in terms of providing new and more frequent services and exerting upward pressure on quality of service, as the franchisee air carrier is required to satisfy the franchisor air carrier's performance criteria. In terms of competition, especially on domestic routes, though franchising would tend to strengthen the position in the market of the franchisor airline, the impressive growth of low cost carriers on competing routes within any given Member State exerts downward pressure on prices and provides consumers with choice.

28. The operation of franchising could be considered in the multilateral context with a view to providing airlines with a greater variety of opportunities to enter into franchising arrangements with WTO members. However, due consideration would have to be paid to whether the legal framework in some countries do not bring into question the control of franchisee air services provided in one country, if the franchisor airline is from another country.

E. RENTAL AND LEASING SERVICES

29. Rental and leasing services are also important parts of airlines' commercial strategies. The markets for dry leasing (without flight crew) and wet leasing (with flight crew) are often characterised by different rules and regulations. In the EU, legislation determines the ability of EU airlines to lease aircraft from third countries by establishing economic criteria and conditions relating to safety. Other countries have restrictive approaches, such as the US where rules on leasing prevent any wet lease of non-US registered aircraft by US carriers.

F. GROUNDHANDLING

30. On 15 October 1996 the Council adopted Directive 96/67/EC, which has been transposed into the national law of all Member States, on access to the groundhandling market at Community airports. The Directive was a first step towards the gradual opening up of access to the groundhandling market so as to help reduce the operating costs of air carriers and improve the quality of service to airport users.

31. A study on the impact of the Directive was carried out in 2002. Its main findings were that the Directive has led to the introduction of competition at many airports which had previously closed or static markets, better value for money spent on groundhandling services due to greater pressure on the prices for groundhandling services, and a modest shake-up in the market shares in groundhandling at the economically most important EU airports.

G. AIRPORT MANAGEMENT

32. Since 2000, the tendency that started in the late 1980s in certain individual EU Member States to privatise their larger international airports has continued. A distinction is generally made between partial privatisation i.e. the minority of shares being sold to private investors and 'full' privatisation meaning that the majority of the shares, or even 100% of them, are being offered and subsequently transferred to private investors.

33. From 1987 to 2000, some 17 EU airports were subjected to privatisation, and from 2001 till the present day a further 14 airports have been privatised or the decision to that end has been taken and approved by the national authorities.

34. Reasons for this privatisation differ from one Member State to another. They range from improving possibilities for the financing of an airport's refurbishment or expansion with private equity to allowing an airport operator more leeway to engage in cross border co-operation for which additional (private) funding is said to be necessary. A combination of these underlying drivers is also possible.

III. OPERATION OF THE ANNEX

35. The Annex explicitly excludes measures directly affecting traffic rights from its scope. Today, the International Civil Aviation Organisation addresses issues concerning air traffic rights. The impact of air transport services liberalisation is considerable, as witnessed by the establishment of the EU's internal air transport market, completed in 1997, which has brought significant social and economic benefits as a result of eliminating impediments to market access. Between 1992 and 2004, the number of flight routes operated within the EU almost doubled, whilst increased competition among airlines has offered consumers a greater choice of routes and significantly lower air fares, especially with regard to the emergence of the low cost carrier model.

36. Liberalisation of air services beyond the EU is characterised by a web of bilateral air service agreements that strive to provide better market access for EU airlines abroad and to stimulate its own market by granting access to third country airline operators. The benefits are reaped by both the EU and its trading partners. For example, an air services agreement between the EU and the United States, which represent around two thirds of the world's air traffic, has the potential to deliver an estimated €8 billion or more a year in income generation.

37. The EC considers that the constantly evolving environment that shapes the market for air transport services merits consideration of how trade agreements for such services could be progressively, at a later stage, be addressed in a WTO multilateral context. Given the increasingly globalised structure of the air transport industry and the benefits that can arise from allowing airlines freer access to capital markets, discussion on facilitating foreign investment could be particularly useful. The second review of the Annex should not preclude the possibility of exploring, in the future, whether air transport services might be addressed in a multilateral context. One recent estimate² suggests that liberalisation of one-sixth of the approximately 2,000 existing bilateral air service agreements could stimulate the world economy to the tune of 24.1 million new full-time jobs and US\$ 490 billion in additional Gross Domestic Product. Air transport is, without doubt, a truly global and essential service that is one of the pillars supporting the social and economic prosperity of all countries.

38. The quest for sustainable competitiveness by airlines, underlined by the drive for greater efficiency in the use of resources and for lower operating costs, has had knock-on effects down the supply chain. Increasing pressure is exerted by airlines on airport operators and the suppliers of ancillary services to provide efficient services at attractive prices. Being competitive, efficient, and cost-effective are characteristics which now more than ever are essential traits for all operators involved in the provision of air transport services. Opening up markets is therefore important for encouraging healthy competition and thus greater efficiency in the provision of operational support services at the airport.

39. Many WTO Members, including the EC, have taken commitments in the three activities explicitly listed in the Annex as not directly relating to the exercise of traffic rights. These activities, ancillary to the provision of air services, are essential for ensuring the safe and continuous operation of aircraft and for ensuring that airline operators have ample commercial opportunities for accessing a wide customer-base for the purpose of providing air transport services. It is clear that the explicit coverage of these sub-sectors has fostered a stable environment in which service providers can do business on the basis of commitments taken by WTO Members.

40. There are other sub-sectors of the aviation sector that are also necessary for the smooth functioning of the air transport system that are not directly related to the exercise of traffic rights. Efficient airport infrastructure management and efficient provision of ancillary services are very

² The Economic Impact of Air Service Liberalization (2006), InterVISTAS-ga2 Consulting, Inc.

important. In this regard, some WTO Members have already offered specific commitments in groundhandling services and airport management.

41. Groundhandling services are an essential part of the air travel product and the efficiency with which they are provided is vital for delivering customer satisfaction and making effective use of often constrained airport infrastructure capacity. The benefits of opening up the groundhandling market have been observed in the European Union with the progressive liberalisation of the sector since 1996.

42. The EC holds the firm conviction that the groundhandling sector should be liberalised on a multilateral basis, with due consideration to social issues. WTO Members should be encouraged to offer specific commitments, as the EC has done, in these important ancillary services. Clarifying the fact that groundhandling services are covered by the GATS by modifying the Annex accordingly would provide more certainty for WTO Members to undertake commitments in this field. Entitlements to purchase and provide groundhandling services at an airport are not inherently granted through the distribution of traffic rights. Groundhandling is a separate activity which is economically established in its own right, as demonstrated by the evolution of the market in the EU where the number of independent third party groundhandlers present at airports - with no legal association to the airport at which they operate or the airline served - has increased since the liberalisation of the market.

43. It is acknowledged that some bilateral air service agreements today do contain clauses on groundhandling. These clauses pertain to the rights granted to airlines to perform self-handling or to choose between suppliers of groundhandling services at the airport; or, where restrictions exist with regard to self-handling or choice of service supplier, airlines must be treated on a non-discriminatory basis. The motivation behind granting such rights is as a means of ensuring choice and non-discriminatory practices. Whilst it is evident, that self-handling by any given airline in any given airport is only going to be feasible for those air carriers who have been granted traffic rights to serve that country, granting the right to independent handlers to provide groundhandling services at any given airport need not be conditional on those handlers having been granted traffic rights as those groundhandling services are provided in a fully independent manner from the rest of the air transport product.

44. Airport management is another example of an important service fostering the efficient use of the imperative ground infrastructure component of the air transport system. The significance of efficient airport management in Europe is underlined by the ever-increasing demand on airport facilities, as demonstrated by forecasts previously mentioned, as well as the drive towards improved cost-effectiveness which is bolstered by pressure in the industry from the fall out of bearing the increased costs associated with heightened levels of security, internalisation of environmental impacts, and hikes in the price of fuel. Experience and expertise accumulated by European airport operators in airport capacity management, which requires particular attention in the EU due to its constrained nature, constitutes an important pool of knowledge that can serve the international marketplace.

45. Expenditure on runway and terminal facilities runs into billions of euros. For example, London-Heathrow Airport's Terminal 5 is being constructed at an estimated cost of £4.2 billion (more than €6 billion) over an almost 6 year timeframe to open in April 2008; Amsterdam-Schiphol's fifth runway was constructed with an investment of €340 million over a two and half year time period finishing in February 2003. In other regions of the world, the recently opened Bangkok International Airport in Thailand represents an investment of almost €4 billion, and in Canada, Toronto International Airport's new Terminal 1 represented a cost of around €2.5 billion. These examples of substantial business commitment demonstrate the necessity for airport management to be able to operate in a predictable and stable investment environment.

46. A similar clarification, to that detailed above concerning groundhandling, of the Annex would serve to provide the clarity and certainty in the terms for the provision of airport management services on a multilateral basis. In the case of airport management, there is no question that this activity is not related to the exercise of traffic rights. Airport management traditionally constitutes the running and maintenance of physical infrastructure such as runways, aprons, terminal facilities etc. Though this role has changed over the last twenty years with airport management tending to diversify their activities to bring non-aeronautical revenue streams into their portfolios, (from business activities such as retailing or car parking), the business of airport management is a service in its own right.

47. Transport infrastructure and services play an essential strategic role in ensuring a country's economic and social prosperity and in providing gateways to and from the international community. As such, terrorist acts that have characterised the geopolitical climate in recent years have focussed particularly on the transport system. Ensuring safe and secure transport services and infrastructure is paramount and it should be noted that WTO members are not prevented from taking measures necessary to protect their essential security interests.

IV. POSSIBLE NEXT STEPS

48. The EC is fully committed to holding a comprehensive dialogue on the present review of the GATS Annex on Air Transport Services. Focus should be trained on the identification of services that could benefit from a clarification and even extension of the scope of the Annex. This exercise would serve to provide the foundations for WTO Members to establish a sound business environment for such service providers.

49. The business environment in which air transport services are provided has changed significantly since the GATS Annex was drawn up. The sector has become increasingly deregulated affording service providers greater economic freedom and has become further integrated and inter-dependent as the different actors in the air transport system forge partnerships (e.g. airline alliances; airport-airline joint ventures; service level agreements) aimed at providing efficient services at competitive prices to consumers.

50. Diverging views exist amongst WTO members on how the Annex should be applied in the future and how the Annex is applied today. The Annex could certainly benefit from an amendment to clarify its scope of application which may be achieved, not by distinguishing between which services are directly related or not directly related to the exercise of traffic rights, but rather by identifying services of common economic significance to WTO members. This way, the foundations for making commitments can be more clearly established in the Annex through an amendment.

51. The EC does already acknowledge that groundhandling services and airport management constitute two vital elements of the air transport system and that liberalising the market in which they are provided is desirable. Whilst such a process is already becoming a reality on a multilateral basis, with some WTO Members already offering commitments in these fields, clarification of their coverage by WTO rules would serve to build greater confidence in the system by WTO Members in making their commitments and by service providers in making their services available on the international market.

52. The current review should not limit itself to a discussion only on these specific services. It is important to consider how the provision of all air transport services relates to the multilateral context now and in the future. It is therefore prudent that any proposed amendments to the Annex, whether restrictive or expansive, are studied thoroughly in order to ensure that the Annex may continue to accommodate the dynamics of the world's air transport system.
