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Council for Trade in Services

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COMMUNICATION FROM THE EUROPEAN COMMUNITIES AND THEIR MEMBER STATES

The Review of the GATS Annex on Air Transport Services

The attached communication has been received from the delegation of the European Communities and their Member States with the request that it be circulated to Members of the Council for Trade in Services.

Introduction

1. The Council for Trade in Services is currently engaged in its first periodic review of developments in the air transport sector and the operation of the Air Transport Annex. As mentioned in their earlier communication on this issue (s/c/w/168), the European Communities and their Member States welcome this opportunity to examine the recent market developments and to consider the operation of the Annex in the years since the entry into force of the Agreement.

2. As the Council for Trade in Services moves towards completion of the first stage of its work, the review of developments, the European Communities and their Member States submit this communication with the objective of developing more clarity about the coverage of different services that facilitate the provision of air transport services. It follows in the same line of reasoning as the previous contribution, but is intended to enter into more detail. If the operation of the Annex is to be properly assessed, it will be important to reach a better understanding of the extent of its current coverage. The review of developments in the sector appears to indicate that many services, other than those three activities specifically listed in the Annex and those already covered under other service sectors in GATS, should be considered as independent economic activities in their own right.

Issues for Consideration by the CTS Review

3. Members will need to consider whether the current drafting of the Annex gives enough scope to economic operators in these supporting sectors to provide their services efficiently to their airline customers and whether the Annex requires updating in order to keep pace with the changing business environment.

4. Furthermore, Members might consider whether the Annex would better serve the air transport industry if it was more specifically targeted at the facilitation of air transport. Rather than carving-out all services related to the exercise of traffic rights, the emphasis of the Annex might be shifted to promote trade in all supporting services that facilitate the exercise of existing commercial traffic

rights that allow carriers to provide services. The European Communities and their Member States consider that the Council could, as part of its review, seek to identify the services that are most important to air carriers if they are to exercise their existing traffic rights in the most efficient way. Having identified those services, the Annex could be examined with a view to ensuring that these facilitating and enabling services are more fully and explicitly covered by the GATS.

5. The review should examine the experiences of members with the air transport services mentioned in paragraph 3 of the Annex, including the problems relating to clarifications of classification issues, and limits of the current commitments. Based on the elements mentioned above, the review could also focus on the identification of a number of more pragmatic steps that could be taken to make air transport services more efficient than within its existing regulatory framework.

Coverage of the Annex on Air Transport Services

6. Among the services analysed in the Secretariat's information papers to date, there are some that are clearly and explicitly covered by the GATS by being listed in the Annex.

7. In addition, there are other services which play an important facilitating role in air transport which, while not mentioned specifically in the Annex, do not seem to be specifically excluded from the scope of the Agreement because service suppliers generally do not need traffic rights to perform them. Some of these services are supplied under considerable restrictions, but nonetheless, substantial international trade in many of them is developing.

8. Finally, there are some services which seem to overlap to some extent with the exercise of traffic rights or which touch on sensitive issues, but which Members might want to consider for some coverage by the Agreement where appropriate.

9. According to such grouping of services the following paragraphs outline some of the activities that could be suitable for a broader interpretation of the scope of the Annex:

I. Services specifically mentioned in the Annex

Repair and maintenance

Aircraft maintenance activities such as: routine services performed before flight; non-routine services requested by the airport user; the provision and administration of spare parts and suitable equipment.

Selling and Marketing

Computer Reservations Systems

II. Facilitating Services not specifically mentioned in the Annex

Ground-handling Services

Efficient ground-handling is essential to the proper functioning of air transport and competition between operators in this area ensures that proper use is made of air transport infrastructure. It helps reduce the operating costs of airlines and improves the quality of service for airport users.

The GATS can be considered to cover ground-handling without affecting either the right of Members to distribute traffic rights or the right of air carriers to use them. Liberalising ground handling simply promotes efficient use of the existing traffic rights that are already in the possession of air carriers. While it is not always practical to allow multiple providers of these services at every airport, especially smaller airports, application of the GATS should ensure that, where that market is indeed open, all ground-handling operators at least have market access on fair and equal terms. As demonstrated by the Secretariat paper, ground-handling is already an international business, where access is often guarded by various types of reciprocity measures.

Where so-called “self-handling” by airlines is permitted for certain services, this possibility should be available to all individual airlines on a neutral, transparent and non-discriminatory basis, subject to them already having the necessary traffic rights to the airport concerned. The right to self handle cannot be used to open-up traffic rights.

This series of services could be considered either as a single group, or as individual elements. The major elements of ground-handling can be listed as follows:

- Ground Administration – supervision and administration at the airport (CPC 7461);
- Passenger Handling – assisting arriving, departing and transfer passengers (CPC 7461);
- Baggage Handling – handling baggage in the sorting area (CPC 7461);
- Freight and Mail Handling – physical handling of freight and mail, dealing with security and customs procedures (CPC 74110 (container handling services) and 74190 (other cargo handling services));
- Ramp Handling – marshalling and moving the aircraft, loading and unloading of aircraft, transport of passengers, freight, supplies (CPC 7469).
- Aircraft Services – cleaning the aircraft, heating and cooling, removal of snow and ice (CPC 7469);
- Fuel and Oil Handling – organisation and provision of fuel and oil;
- Aircraft Maintenance – covered specifically by the Annex as above;
- Flight Operations and Crew Administration – preparation of the flight, inflight and post-flight assistance, crew administration;
- Surface Transport – organisation and execution of transport within airport – except to and from aircraft;
- Catering Services – administration, storage, preparation and delivery of bar and food supplies (CPC 6421/6431).

Airport management services

(CPC 74610) Provision of air terminal services and runway operating services. In most countries, the state still performs a major role in provision of these services. But in so far as

such services are open to foreign operators, it could be considered whether GATS could contribute to ensure transparent procedures and non-discrimination.

Leasing or Rental Services concerning aircraft without operator

(CPC 83104) Leasing without crew (dry-leasing) is widely used throughout the air transport industry and is essential for airlines to be able to procure the aircraft they need. The traffic rights remain with the airline, so are not a matter for the lessor. Members have already made commitments in this area.

Services auxiliary to all modes of transport when delivered in an air transport context

In addition to cargo handling as mentioned above in the ground handling section, there is also storage and warehousing (CPC 742) which should be considered already covered by the Agreement. Members have already made commitments in this area.

III. Other Services and Freedoms

During the review, consideration could be given to a wider range of issues and supporting services that facilitate the operations of carriers, while ensuring that appropriate levels of safety, management control and employment conditions are maintained and dealt with in the appropriate bodies. In the following weeks the EC and their Member States will submit a communication covering issues such as franchising, rental and leasing and transit.
