

Why is Air Transportation important for Social & Economic Development ?

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Presentation to the MIT Department of Aeronautics and Astronautics
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Air Transport has been perceived
as a rich people's activity

Not important to developing countries
Not critical for the poor

It has been neglected
by Development Practitioners

Yet...



There are many reasons why Air Transportation is important for Social & Economic Development



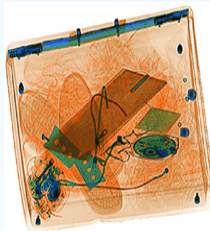
1. It has low barriers of entry



2. Its Business Contribution is substantial



3. Its integrated local, regional and global economies



4. Today, adequate safety & security are prerequisites for economic & social participation





1 - Air Transport is propitious to poor countries

It is ..

Secure - no track

Safe - even in Africa

Fast and reliable

Highly flexible - spatially and temporally

Quick to put in place - relative low fixed costs

Easy to develop private/public structures

*Leapfrog
Like cell phone*

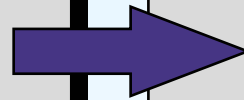




1 - Air Transport is important for Development because it is all about Regulatory Environment

From 1944 scenario

- Bilateral agreements (protecting the flag carrier interests)
- Civil Aviation Law with all the details inside (rigidity)
- State as Service Provider



To a modern concept

- Regional Liberalization
- Frame Laws and details in updated regulations
- The State as Regulator





2 - Air Transport is big business

- ✓ 1% of World GDP - more than 1% in US
- ✓ \$260 billion turnover
- ✓ 130 billion revenue ton kilometers
- ✓ 3.9 million jobs
- ✓ 1,600 million passengers
- ✓ 30 million tons of cargo
- ✓ 5.5% worldwide growth in passenger traffic & 5.3% in cargo (1998-2002)
- ✓ 18,000 aircrafts
- ✓ 15 million kilometer network, 10,000 airports,



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2 - Air Transport generates big business

- ✓ 40% of goods by value transported by air
- ✓ Tourism the World largest industry - half of tourists outside Europe travel by air
- ✓ Tourism will continue to grow with strongest growth and impact expected in developing countries





3 - Air Transport is key to local economic integration

- ✓ Air Transport contributes to shift from subsistence to market economy
Example: Burkina's export of 3,000 t of green beans per year generated 7,000 + employments
- ✓ Today's high tech, sophisticated, just in time products, esp. for fresh product represents overall market of several billion dollars
Example: Kenya niche of high value beans US\$150 million
➔ contributes to modernization and diversification





3 - Air Transport is key to local economic integration

- ✓ Significant development impact around terminals: services, packaging, conditioning, communication, food services and maintenance

Chicago O'Hare - 50% increase in traffic expected to generate 185,000 jobs

Schiphol Airport (Netherlands) linked to 85,000 jobs

- ✓ Huge potential to tap market opportunity

→ generates jobs & contributes to growth

→ Creates nodes of development





- Air Transport is key to economic regional integration

- ✓ Enterprises demand reliable infrastructure
- ✓ Direct international services 3rd most important location factor for 264 foreign based firms in Atlanta
- ✓ Air transport network the 3rd most important factor in location for 57 companies in Europe
- ✓ In Zurich, 34% of firms considered the airport as 'very important' and 38% as 'important' as location factor
- ✓ Air transport forms a part of Transport Chain effectiveness
- ✓ Air Transport integrates with other services
- ➔ contributes critically to economic integration
- ➔ Supports the emergence of private sector



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3 - Air Transport is key to regional integration, especially...

- ✓ In thin markets

Social role of Air Transport in Canada

- ✓ In sophisticated / high tech markets

High-tech management flies 60% more than traditional industries

➔ Overcomes the handicap of thin markets

➔ Critical to high tech markets





3 - Air Transport is key to political integration

- ✓ From Yaounde to Dakar: 4 days to attend a meeting?
- ➔ Contributes to Political integration





3 - Air Transport is key to global integration

Needs to be competitive & reliable

- ✓ Cost defines competitiveness

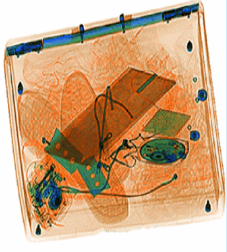
14c per seat/km AF Paris-New-York

49c per seat/km AF Paris-Brazzaville

- ✓ Reliable services conditions participation to markets: Africa's share of trade from 3% to 2% over last decade substantially due to transport constraints

➔ Reduces poverty giving access to global markets to the poor & to people isolated in far away places

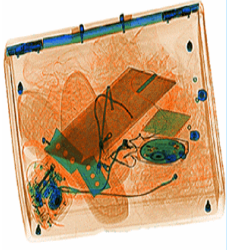




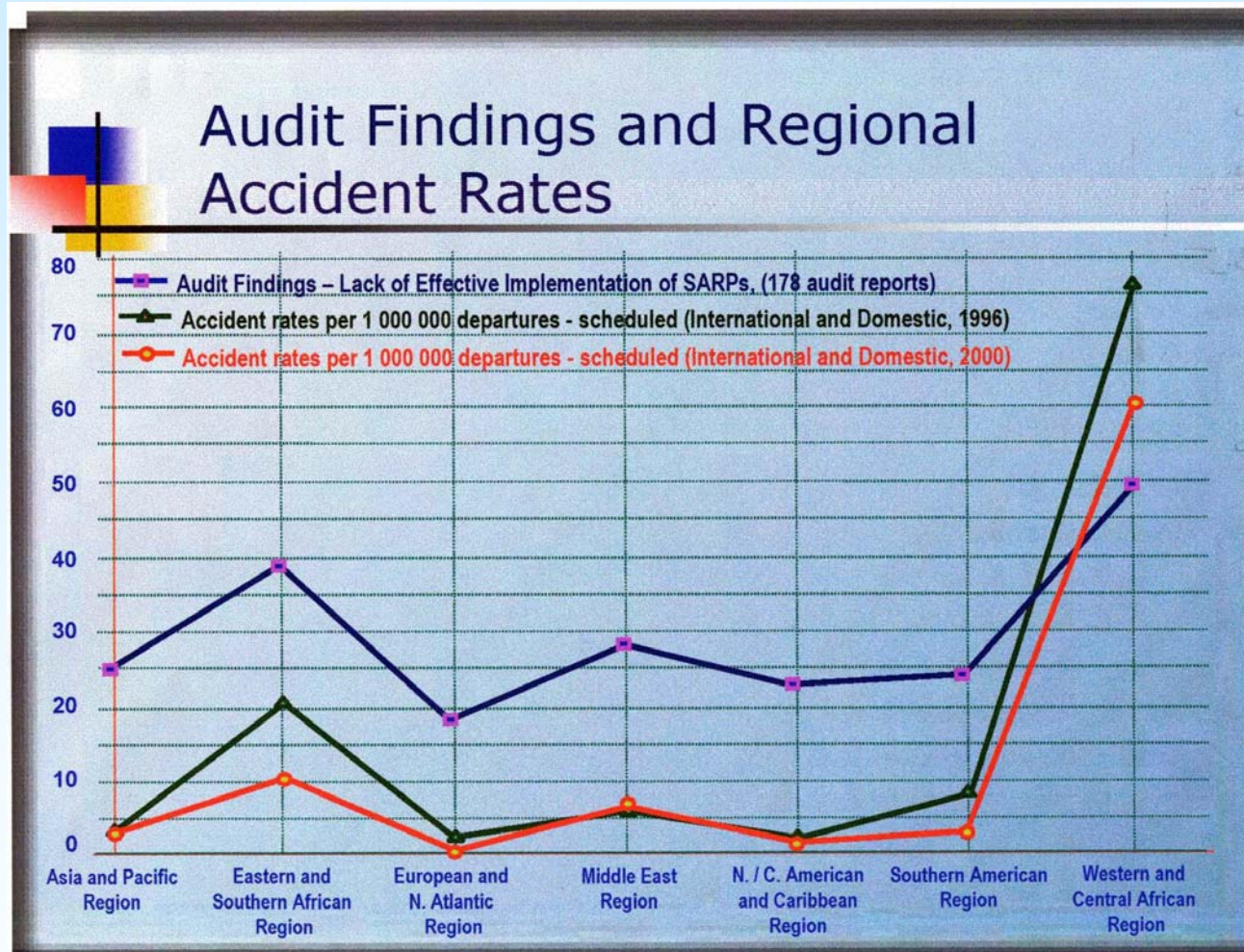
4 - Safety & security are prerequisites for economic & social participation

- ✓ New global standards for safety, oversight and infrastructure
- ✓ Impact of non-compliance of developing countries are more severe in a global air transport industry
- ➔ Lack of safe and secure Air Transport services has severe impact

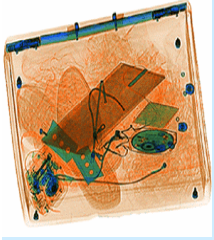




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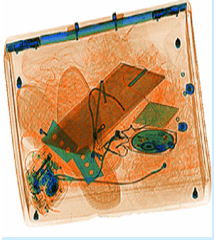
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4 - Safety, security & regulation are development priorities

- ✓ Air Transport Safety is not a public health issue, but..
- ** high accident rates mean high cost (insurance, financing, code sharing)
- ** open skies (US) unilateral until IASA Category 1
- ✓ Air Transport Security is not law enforcement issue, but
- ** high cost for infrastructure and carriers (ICAO)
- ** non-compliance hinders access to international markets (USA, Europe)
- ✓ Economic Regulation is needed for liberalization, dispute settlement and competition rules

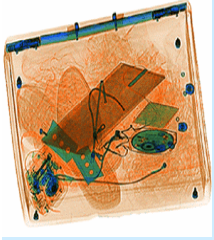




4 - Good governance is needed as part of the package

- ✓ Good prescriptions, good policies and good regulatory framework are not sufficient
- ✓ Credibility and effectiveness of the safety & Security requires good Governance

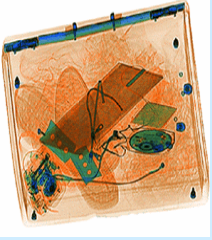




4 - Good governance means..

- ✓ Roles of the public and private sectors are respected
 - ✓ Management and financial techniques are effective
 - ✓ Liberal Policy framework is implemented
 - ✓ Safety oversight is real
 - ✓ Airline business is free of state interference
 - ✓ Airports are privately managed without interference
 - ✓ Competitive markets are at work
- Good Governance ensures predictability



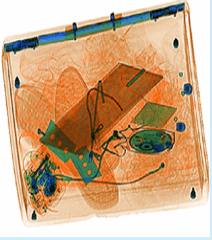


4 - Good governance requires relinquishing national powers to regional entities

Worldwide liberalization of Air Transport and increased Safety and Security responsibilities often require a regional approach

- ✓ Economic regulation: harmonization, competition rules, dispute settlement etc., regulatory body
- ✓ Safety & Security Oversight: Capacity building at national level and regional safety programs leading to safety agency





An illustration of operational experience

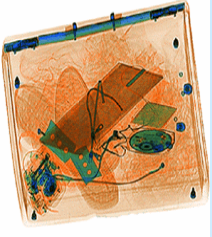
Achievements

- ✓ Discovered high-potential market
- ✓ Started reform momentum
- ✓ Liberalized intra-Africa air transport
- ✓ Restructured civil aviation Guinea, Cameroon, Senegal, Cote d'Ivoire
- ✓ Initiated regulatory & institutional set-up for safety & security
- ✓ Privatized Kenya Airways & Air Tanzania
- ✓ Established Private airlines Precision Air, Regional Air, Com Air
- ✓ Closed loss-making airlines Zambia, Uganda

Challenges

- ✓ Discovered high-potential market
- ✓ Started reform momentum
- ✓ Liberalized intra-Africa air transport
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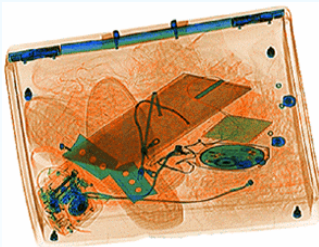
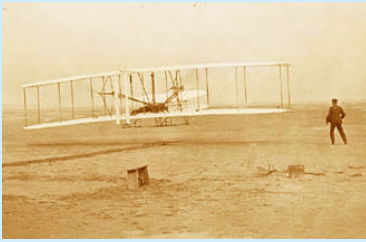




Air Transport at the World Bank

- ✓ Develop safe, secure, reliable, cost-effective and environmentally responsible air transport service to improve accessibility and affordability for all sections of the population, in support of social and economic growth
 - With grants and loans
 - For infrastructure and TA
- ✓ Safety & Security are key & addressed at national & regional levels
- ✓ Funding for regional agencies
- ✓ Long term goal of sustainable funding by public & operational income





Thank you !



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