



Summary of Proceedings Consultation Workshop

Toward Connected Skies: Scoping the Role of CAREC in Enhancing Regional Cooperation in Aviation

6-7 April 2017, Singapore

Background

1. The strategic location of Central Asia Regional Economic Cooperation (CAREC) countries means that the region holds the potential to serve as a hub for aviation, both in terms of passenger and freight transport. The land-locked nature of many CAREC countries also means that air transport represents an essential mode in regional and global connectivity.
2. Air transport is particularly suited to addressing market competitiveness for perishable and high-value goods as well as passenger services where value of time is paramount. Air transport is thus an instrument to facilitate economic development involving sectors such as tourism, business travel, high-value consumer goods, and agriculture.
3. CAREC countries have already made strides to increase investment, expertise, and cooperation on air transport. The CAREC Transport and Trade Facilitation Strategy 2020 (TTFS 2020) includes 15 airport and civil aviation projects, encompassing terminal facilities, aviation equipment, and airport accessibility.
4. However, the full potential of air transport in CAREC region has not been realized. Financial constraints on infrastructure investment, unmet institutional capacity, and the lack of comprehensive regional agreements all limit aviation's contribution to the region's economies. Climatic conditions in the region also present challenges with respect to air safety.
5. During the 15th CAREC Ministerial Conference, held in October 2016, Prime Minister Nawaz Sharif of Pakistan encouraged CAREC countries to work toward more regional integration in the aviation sector.
6. Under this backdrop, on 6-7 April 2017, a Consultation Workshop titled "Toward Connected Skies: Scoping the Role of CAREC in Enhancing Regional Cooperation in Aviation" was held in Singapore (hereafter the Workshop). The participants to the Workshop comprised of officials from transport ministries, civil aviation authorities, and some of the airline carriers in the CAREC region. The Workshop agenda and list of participants are in Appendices 1 and 2.
7. The Workshop was chaired by Tajikistan in its role as the chair to the CAREC program in 2017, and hosted by Singapore, represented by IE Singapore and Civil Aviation Authority of Singapore (CAAS).. The Workshop was supported by CAREC multilateral development partners including the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), and the World Bank. Specialized organizations including the Changi Airport International, Centre for Aviation (CAPA), the International Civil Aviation Organization (ICAO), and vCargo Cloud contributed with valuable technical content.

Objectives of the Workshop

8. The objectives of the Workshop were to (i) allow CAREC member countries and key stakeholders in the aviation sector to discuss CAREC's potential role in facilitating greater air connectivity in the region, and (ii) assist CAREC member countries to begin defining topics and themes within the aviation sub-sector that could be meaningfully coordinated through the CAREC program. Such topics and themes were considered in three broad areas, namely: policy and regulation (including open skies and economic development), infrastructure, and operations.

Setting the Scene: State of Aviation in CAREC countries

9. Participants first learned of the dynamic global landscape of the aviation industry through a presentation given by ICAO. Current air connectivity challenges in the CAREC region, both among CAREC member countries and with external air hubs were presented. ICAO's representative highlighted that scheduled passenger traffic in CAREC countries experienced a growth rate of 13.8% in 2015 above the world average growth of 7.1%. This in turn supported, inter alia, the tourism sector through an estimated 69 million international tourists visiting CAREC countries and spending about \$112 billion in the region.

10. Participants also learned from CAAS of the importance placed by Singapore on air connectivity, as a major driver of its economic development. In 2011, the Changi International Airport directly contributed 6% to Singapore's GDP, and a further 13% through its impacts on tourism and trade, which supported 640,000 direct and indirect jobs. CAAS's representative stressed the transformative impact of air services liberalization on the success of Singapore's air hub. Successful cases of air liberalization were also noted, especially the large passenger ridership increase following the open skies agreement between Singapore and Malaysia.

11. CAREC country representatives exchanged information on the state of civil aviation in each of their countries, with a focus on infrastructure challenges, operational and safety challenges, and issues in air transport regulation. The major challenges identified by CAREC members countries included (i) meeting ICAO's standards and recommended practices on safety and security, (ii) lack of financing for the modernization and expansion of infrastructure, for both airports and air navigation services, and (iii) capacity development of civil aviation professionals and institutions.

12. The discussions underlined the ongoing efforts of CAREC member countries to (i) modernize and expand their aviation infrastructure, including airports, aircraft fleet, air navigation equipment, and operations and maintenance facilities, (ii) introduce new services, including through the low-cost carrier model and commercial arrangements with other carriers (alliances, joint ventures...), and (iii) expand direct connectivity with more countries through bilateral and multilateral agreements.

Policy and Regulation

13. Participants especially examined the global trend toward the integration and liberalization of the civil aviation market. It was noted that over 400 open skies agreements were signed to date involving 146 States in most of the world regions.

14. Learning from the example of the Association of South-East Asian Nations (ASEAN) Single Aviation Market (SAM) presented by CAPA, participants recognized how such market

integration, when designed and implemented well, can lead to improved economic benefits for all countries concerned. CAPA's representative emphasized that the ASEAN-SAM was incrementally implemented over the past 10 years, starting with capital cities of the 10 member countries prior to expanding to secondary cities and signing an agreement with the People's Republic of China. It was also noted that liberalization policy, including the ASEAN-SAM agreement, boosted the low-cost carrier's penetration rate in the ASEAN region, which increased from 32.1% in 2007 to 53.4% in 2016.

Infrastructure and equipment

15. Participants reviewed selected air transport infrastructure and equipment projects in Asia funded by CAREC partners and took note of their critical role in improving air connectivity. Participants recognized the important role of multilateral development banks, including those supporting the CAREC program, as financing vehicles and knowledge partners to develop air transport infrastructure.

16. Through a field visit of Changi Airport and the Singapore Aviation Academy, participants witnessed first-hand how continued investment in infrastructure and human resources has allowed Changi Airport to be consecutively ranked the world's best airport since 2011, both in terms of its management and the offering of amenities to the flying public.

Operations

17. A roundtable discussion featuring airline representatives revealed common challenges in the CAREC region that includes limited intra-regional routes, relatively low volumes of traffic, high prices of fuel, and safety considerations. Participants suggested tackling these challenges by renewing their aircraft fleets, investing in low-cost carriers, improving the implementation of existing bilateral agreements, signing or updating new strategic agreements, and enabling provision of adequate time slots.

18. Participants acknowledged the importance of air safety and security in shaping their aviation industry and operations. ICAO's representative provided an overview of the 8 critical elements of a safety oversight system and how these elements should feed into a global aviation safety plan. It was noted that the effective implementation of critical safety elements across the CAREC region counted for 71.2% in average in 2017. It was noted that there is much opportunity to further improve the air safety across the region.

19. Participants noted that investments in air cargo are best matched with modernization of services and processes such as cargo clearance. It was further noted that average air shipment generates more than 30 documents handled by various stakeholders in the supply chain. Participants examined the Singapore example of e-freight solutions launched in 2006, supported by the International Air Transport Association (IATA), which was recognized as a model that may be considered in the CAREC region.

The Way Forward

20. Participants proposed that aviation should be recognized as new pillar within the CAREC transport and trade facilitation program.

21. Participants underlined that improvement of regional air connectivity should be addressed as a system that includes 3 main dimensions: i) Policy and regulation; ii)

Infrastructure and equipment; and, iii) Operations. Participants agreed that these dimensions will benefit from close cooperation amongst CAREC member countries.

22. For the dimension of policy and regulation, particular emphasis will be placed on analysis of the potential issues and benefits of regional agreements on connectivity. This analysis and investigation as part of a proposed scoping study will suggest possible ways forward and possible capacity support for regional connectivity.

23. For the dimension of infrastructure and equipment, the participants proposed to examine investment needs for hub and regional airports development, the modernization of air navigation capability and systems, security systems, and aircraft.

24. For the dimension of operations, the provision of capacity development support for efficient airport and airline operations will be examined. In particular, there will be an emphasis on operational procedures for safety and security. In addition, the development of efficient facilitation services, including visa and immigration processing and freight and customs processing, will be addressed. An overall objective for operations is to ensure inter-operability to the extent possible between CAREC countries.

25. Having noted the various opportunities for the expansion of aviation in the CAREC region and reconfirmed the importance of regional cooperation to this effect, participants agreed on the following priorities for the CAREC program moving forward:

- The CAREC Secretariat will commission a scoping study in 2017 that will assess and expand on the regional cooperation opportunities in: (i) Policy and regulation (including regional agreements); (ii) Infrastructure and equipment; and (iii) Operations (including safety, security, and facilitation). The scoping study will include successful case studies on these topics.
- Each CAREC member country will nominate two focal points for civil aviation, who will actively take part in the development of the scoping study;
- Resource organizations and knowledge partners will be invited to engage in the development of the scoping study and contribute with relevant data and analysis;
- The CAREC Secretariat will further discuss with CAREC member countries to identify and assess opportunities to achieve financial sustainability through support for: i) financing and funding (including public-private partnerships); and ii) capacity development and partnerships facilitation;
- The CAREC platform will be utilized to further advance the civil aviation agenda and monitor the progress made on the above agreed actions.

26. These recommendations will be reported, for consideration and guidance, to the 16th Transport Sector Coordinating Committee (TSCC) meeting of the CAREC program that is to be held in May 2017 in Tbilisi, Georgia.

Appreciation

27. The CAREC multilateral development partners expressed their satisfaction with the valuable contributions and effective outcomes reached during the Workshop.

28. Delegates expressed their gratitude to the Civil Aviation Authority of Singapore, Singapore Aviation Academy, IE Singapore, Changi Airport Group, and CAREC Secretariat for their generous hospitality and support to the conduct of the Workshop. Delegates also thanked the government of Tajikistan for its active role in chairing the Workshop.