Optimizing aviation’s impact via a “Smarter Regulations” approach

Sandile Chipunza
Manager, Advocacy & Strategic Relations

To represent, lead and serve the airline industry
IATA in Brief

Global trade association for the world’s airlines

290 passenger and cargo carriers

84% of global air traffic

Meeting our members’ needs
The Business of Freedom
Aviation as a key economic enabler

Total jobs and GDP generated by air transport in Africa, 2014

- **JOBS TOTAL**: 6.8 million
- **GDP TOTAL**: $72.5 billion
  - **Tourism catalytic**: 5,800,000, $46 bn
  - **Induced**: 219,000, $5.2 bn
  - **Indirect**: 417,000, $11.3 bn
  - **Aviation direct**: 381,000, $9.9 bn

- **76.6** million passengers
- **1,033,398** flights
- **369** commercial airports
- **244** airlines
- **38** air navigation service providers
Demand for air travel to double over the next 20 years

Source: IATA/Tourism Economics
Regional profitability remains very uneven

Net post-tax profit margins

Source: IATA Economics using data from ICAO, The Airline Analyst, IATA forecasts
Regional (net) profitability – Africa

Source: IATA
What does African aviation need?

1. Continuous improvement in Safety and Security
2. The full implementation of the Single Africa Air Transport Market (SAATM)
3. Regulatory & policy harmonization
4. Optimized infrastructure – ground and air
5. Ease of intra-African mobility (Visas/customs)
6. Reduce taxes and charges - competitiveness
7. Human capacity development
8. Multi-sector collaboration
THE VALUE OF AVIATION

Why is aviation so important?

Aviation delivers a wide range of benefits & value to different groups of people and organizations.

Aviation is one of the key drivers of the advancement of modern society. This is due to its ability to physically connect individuals over a wide geographical area safely and quickly. It is one of the key pillars to unlocking the economic potential of any nation. Aviation flies a third of world trade by value and it transports over half of international tourists. Aviation is also a cornerstone of nations, families and businesses. It is a direct link between the rapidly developing economies of Asia, Africa, Middle East, Latin America and the more established European and North American markets.

What “value” does aviation bring?

Aviation drives the global economy, it drives national economies and it supports businesses.

Economic Value: Aviation creates jobs, facilitates economic activity, supports trade and encourages investments, transports products to markets, allows business meetings to take place and agreements to be made, amongst many other enabling traits. If aviation were a country, it would rank 21st globally. It supports US$2.7 trillion jobs worldwide and contributes 3.5% of global GDP with the potential to achieve much more.

Social Value: Beyond aviation’s critical contribution to economic growth and prosperity, it also connects the world by enabling families and friends to see each other and enables tourists to visit other countries. In addition, aviation allows people to learn about other cultures, customs and peoples, which fosters increased understanding of others and can help drive greater social harmony and avoid conflicts. Aviation facilitates new experiences, which in turn drives innovation. Aviation makes large international conferences, sporting and other events possible. Aviation enables disaster relief and aid missions and supports the achievement of the UN’s Sustainable Development Goals (SDGs).

Aviation promotes harmony & prosperity, helps people learn new things, have more enriching lives and... be happy!

Aviation in action...

Aviation delivers inestimable value to national development and economic growth.

Countries that have strategically utilized the aviation industry to holistically develop their economies have grown in leaps and bounds over a relatively short period of time and continue to enjoy immense socio-economic value from aviation (e.g. Singapore, UAE, Rwanda, India, to name a few of many examples).

Today, Singapore is widely regarded as a successful trading centre and global business hub. However, Singapore does not have large amounts of natural resources or a particularly large population base to rely upon. Its economic success is underpinned by the fact that it is an accessible and open country in which to do business. Trade is particularly important to the Singapore economy. The value of goods traded in Singapore in 2012 was over three times its annual GDP. Singapore’s position as a global trading and business hub would not be possible without its strategic emphasis on aviation as shown through its high degree of air connectivity and supporting enabling infrastructure.

How should aviation be regulated?

Create an environment in which airlines can contribute economically and socially – and at the same time prosper themselves.

The enormous economic and social potential of aviation is clear. But it is not guaranteed. A 1% drop in aviation’s growth rate will lead to an 8% decrease in jobs generated by aviation and a 17% drop in economic activity supported by air transport. With so much on the line, how can we ensure that aviation meets its potential?

One important way is through the adoption of a regulatory framework in which the industry can sustainably contribute socially and economically and at the same time prosper itself. We encourage the authorities to regulate the industry in a way that will allow it to stimulate economic growth and job creation, as well as provide the necessary social benefits.

Many states have adopted smarter or better regulation programs, which seek to deliver clearly defined, measurable policy objectives in the least burdensome way. A policy framework which incorporates these principles positions a country for sustainable aviation growth.

Following the lead of governments in this area, IATA adopted its own smarter regulation methodology in 2014. The set of principles seeks to capture the common themes among the various government or international organization programs worldwide. It includes five principles that ensure a transparent, consultative, objective-driven approach to policymaking, and design principles that should guide the design of an individual piece of regulation.

THE SMARTER REGULATION METHODOLOGY

POLLICY DESIGN PRINCIPLES

- Consistency and coherence – Regulations should be consistent with existing (and planned) rules and practices that are applicable to regulated activities so that there are no overlaps and contradictions (nationally or internationally).
- Proportionality – Regulations should be used only when their necessity is demonstrated and should be proportionate to the problems identified so that the costs of compliance are minimized by pursuing the most cost-effective solution.
- Targeted at risk – Regulations should have specific and well-defined objectives that address problems identified, whenever appropriate, flexibility should be given to those being regulated to meet defined objectives.
- Fair and non-distortive – Regulations should be applied fairly, and not create discriminatory burdens on any groups in particular.
- Clarity and certainty – Audiences subject to regulation need to clearly know the regulations that will apply, what is expected of them, and have sufficient time to be able to comply with new requirements.

PROCESS PRINCIPLES

- The objective of the regulation should be identified based on sound evidence and available alternatives must be considered to select the most appropriate solution.
- There should be an assessment of the impacts from the regulation.
- The drafting of the regulation should involve those who are potentially affected; the decision making process should be transparent and objective.
- The process of developing the regulation should focus on reducing the compliance burden and allow for regular and systematic review (and subsequent modification, if needed) to ensure that the regulation is still appropriate.

Contact Us: amemer@iata.org Visit our website: www.iata.org
What do we mean by “smarter regulation?”

Smart regulation is regulation that promotes and enables the growth and sustainability of any industry. It delivers clearly defined, measurable policy objectives in the least burdensome way.
What it means....

• Partnership with governments that will results in well-designed regulations

• Recognition of similar effective initiatives launched by some governments and regulators

• Incorporation of best practices and global standards

• Achieve efficient policy outcomes that avoid unintended consequences.

• A set of common sense principles
Smarter Regulation: Core Design Principles

- Consistency and coherence
- Proportionality
- Targeted at risk
- Fair and non-distortive
- Clarity and certainty
Smarter Regulation: Core Process Principles

- Addresses a clear need
- Impact assessment
- Consultative
- Transparent and objective
- Reduces compliance burden
- Regular review
- Appeal
Focus: Regulatory Impact Assessment (RIA)

• A tool used to examine and measure the likely benefits, costs and effects of government policies

• An analytical framework for decision making:
  ✓ Clear identification of the underlying policy problem and specific options for addressing that problem.
  ✓ Organizes and consolidates a menu of options for decisions at early stages of policy development
  ✓ Provides an objective and transparent basis and criteria for decision making
Focus: Consultation

• Public participation can help governments understand stakeholders’ needs and ensure their feedback is considered.

• Consultation should be done at the earliest stages of the policy development process and if possible at various stages so that it helps governments collect data and the results can be used effectively.

• European Commission: “listen more closely to citizens and stakeholders, and be open to their feedback, at every stage of the process – from the first idea, to when the Commission makes a proposal, through to the adoption of legislation and its evaluation”.
RIA & Consultation together reinforce best practice

- Affected stakeholders are in a unique position to contribute to an accurate cost-benefit analysis, as well as identify unintended consequences

- Aviation example: imposition of new taxes and charges

- Consultation on RIA efforts therefore critical to share the burden and create an accurate picture of regulatory costs

- Timing of RIA & Consultation also critical as proposals can change during the legislative process
Tourism to lose billions over new travel laws

Cape Town - New regulations for passengers travelling by
air with children will cost the tourism sector over R63bn
in losses and could result in job cuts, warned the Board of
Airlines Representatives South Africa (Barsa) on Monday.

The ministry of home affairs amended immigration
regulations concerning travelling with children amid
concerns about the growing issue of child trafficking.

South Africa’s new Immigration Laws should be Repealed

I have been reading a lot of articles and watching news on television about South Africa’s
new immigration laws that went into effect in October 2014 and in June this year. Having
read these articles and watched the news, I’ve come to the conclusion that South Africa’s
journey to prosperity will be long, very long. Along the way severe turbulences will come –
that will, at times, reverse the socio-economic gains the country has made.

Visa regulations hurting tourism industry - report

Johannesburg - The new immigration regulations that came into effect at the beginning of the
month are already hurting the South African tourism industry, according to a new report
released on Tuesday.

The impact assessment report, compiled by the
Tourism Business Council of SA, named two
changes in the regulations that directly affected
tourism.

The first was the requirement for all children
Where do we need a smarter regulation approach in African aviation?

The policy framework which underpins aviation development

- Safety & Security
- Connectivity
- Airline repatriation of funds
- Infrastructure
- Environment
- Taxation, etc
The impact of a favourable regulatory environment in Africa

Source: Intervistas
SAATM Priority Implementation Plan 2018/2019
Key Issues for Consideration

1. Pillar 1: Advocacy for Effective Operationalisation of the SAATM
2. Pillar 2: SAATM Regulatory Framework
3. Pillar 3: Operationalization of SAATM
4. Pillar 4: SAATM infrastructure
5. Pillar 5: SAATM- Enhancing Safety and Security
6. Pillar 6: SAATM – Financing the Aviation Industry
Key Takeaways

• Efficient and effective regulation supports quality of life, social cohesion and the rule of law

• Smarter regulations:
  ✓ Helps achieve policy objectives at minimum cost
  ✓ Ensures that policy is prepared, implemented and reviewed in an open, transparent manner
  ✓ Supports regulations that are in the best interest of the public, justified, effective and transparent

• Stakeholders are in the best position to inform government policies
  ✓ Avoiding unintended consequences
  ✓ Expanding options for efficient regulatory choices
Thank you to represent, lead and serve the airline industry