

Priorities for Philippine aviation



Tony Tyler

AIR TRANSPORT plays an important role of connecting people across this great country which has over 7,000 islands and stretches for about 1,800 kilometers from north to south. And it has an even greater role connecting the Philippines to the rest of the world, facilitating trade and tourism.

The net result is that aviation is an important contributor to the Philippine economy. In a study conducted by Oxford Economics, it was found that aviation supports P35.5 billion of economic activity-equal to 0.4 percent of GDP-and has created some 123,000 jobs. If we add in the impact of aviation-related tourism, the numbers rise to P192.2 billion-2.4 percent of GDP-and some 874,000 jobs (2.5 percent of the workforce).

Aviation's economic contribution to the Philippines can be much more than what it is today. Unfortunately, policy neglect over the years has led to safety concerns, inadequate airport capacity and high taxation, resulting in missed economic opportunities.

Safety is the industry's No. 1 priority, but there is a lack of confidence in the Philippines' safety oversight capabilities. It has been on the Category 2 list of the US Federal Aviation Administration's International Aviation Safety Assessment Program since 2008 and on the EU's banned list since 2010. As a result, the economic opportunities that can be facilitated by Philippine carriers are limited when these carriers cannot expand their operations to the United States and to Europe. Moreover, this brings a stigma to the Philippines that does not encourage people to travel to and explore this wonderful country.

World-class safety levels are possible. In fact, Philippine Airlines has been on the International Air Transport Association's Operational Safety Audit (IOSA) Registry since 2006. It has achieved the global standard in operational safety management.

I welcome the recent appointment of Lt. Gen. William Hotchkiss as director general for civil aviation. He has a huge task in front of him. It will take more resources and a strong long-term commitment by the government to close the oversight gaps, including staffing and training of oversight personnel. A strong commitment can be demonstrated by using IOSA and IATA Safety Audit for Ground Operations as part of its safety oversight requirements. There is no cost to the government. And many other governments-those of Brazil, Mexico, Turkey and Egypt, among others-are using IOSA.

The Philippines also faces crippling infrastructure issues. Failure to make appropriate investments in air transport is causing it to be left behind in the Asian economic growth story. The World Economic Forum's Travel and Tourism Competitiveness Index ranks the Philippines 112th among 139 countries for the quality of its air transport infrastructure. The only Asian countries to rank lower are Nepal, Bangladesh and Mongolia.

Manila needs a strong hub airport to facilitate the growth of the Philippine aviation industry. But where should the hub airport be located? There have been calls to develop Clark as the hub as Ninoy Aquino International Airport is operating near capacity with little possibility for significant expansion.

Clark has a role to play in Philippine aviation-serving the community near it, and for maintenance, repair and overhaul. But it is not the ideal choice for the hub airport in view of the expense. Building a new terminal building, a second runway, and, not to forget, 100 km of land transport infrastructure to link Clark Airport to Manila, has been estimated to cost P10-15 billion.

A better move is to find a more convenient option closer to Manila. I strongly urge the government to explore all other possibilities. There are no successful hub airports that are located 100 km from the city center. Even Tokyo's Narita Airport is only about 50 km away from the city center. And with the reopening of Haneda (much nearer the city) to international traffic, airlines are scrambling to secure slots there, precisely because passengers prefer the closer option.

In the interim period we need to maximize the potential of the current facilities at Naia-both the terminal building and airside. The implementation of the IATA Worldwide Slot Guidelines is now complete and has alleviated some of the airspace delays. And we are eager to work with the authorities on further solutions. At the same time, we need to push ahead with a major upgrade of the air traffic control system, which is badly needed.

And finally, air transport in the Philippines is excessively taxed. Elimination of the Common Carrier Tax and Gross Philippine Billings on foreign airlines will create "win-win" opportunities by lowering the total cost of international passenger travel by 2.5 percent, and increasing the number of international arrivals and departures in the Philippines by 1.9 percent. This will translate into a potential gain of up to \$78 million for the wider Philippine economy from increased tourism. And there will be a positive impact on cargo and exports.

The IATA has been working closely with the Board of Airline Representatives and other stakeholders in the Philippines on this issue. I look forward to the speedy passage in the Senate of the bill that seeks to eliminate these taxes.

The Philippines needs a vision for aviation that is big with joined-up thinking and with a long-term focus on enhancing competitiveness. We hope to soon see a resolution on the long-standing tax issues. But to be really effective, the Philippines must adopt global standards on safety oversight and provide the air transport infrastructure needed to welcome growth and development. Only then will it fully achieve the full potential of economic benefits that aviation makes possible.

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