

COMMUNICATION FROM COSTA RICA

Aircraft Repair and Maintenance Services

The following document has been received from the delegation of Costa Rica¹ with the request that it be circulated to members of the Council for Trade in Services.

I. IMPORTANCE OF THE SECTOR

1. In recent years, aircraft repair and maintenance services in Costa Rica have grown rapidly as a local industry that generates substantial value added.
2. The Costa Rican sector is competitive and has been providing such services for about 40 years. Over 97 percent of the services rendered by this sector are for the rest of the world.
3. During 2000, the sector exported over 33 million dollars.

II. ANALYSIS OF NATIONAL SCHEDULES

4. This proposal is based on the definition contained in Paragraph 6(a) of the Annex on Air Transport Services of the GATS, according to which "Aircraft repair and maintenance activities are defined as meaning "such activities when undertaken on an aircraft or a part thereof while it is withdrawn from service and do not include so-called line maintenance" – i.e., what the industry calls "maintenance, repair and overhaul", as mentioned in the Background Note by the Secretariat S/C/W/59.

5. As indicated in document W/59, "... Modes 2 and 3 seem by far the most important in this sector. The presence or absence of restrictions on consumption abroad of air maintenance services is critical."²

6. In spite of this, the number and quality of the commitments which Members have made in connection with this sector are unsatisfactory. Just 38 Members³ have made commitments, and in some cases, modes 2 and 3 appear unbound or subject to major restrictions.

¹ This communication is without prejudice to Costa Rica's position on this and other sectors or to any future offers on any such sectors. Costa Rica reserves the right to amend its proposal during the negotiations. This proposal is not to be analysed as a legal document.

² S/C/W759, page 4, paragraph 15.

³ Counting EU-15 as one single member.

III. OBSTACLES FACING THE COSTA RICAN SECTOR

7. The Costa Rican sector has identified a number of barriers which limit its ability to operate in other markets. The following are noteworthy in particular:

- Requirements that limit the temporary entry and departure of specialized technical personnel.
- Approvals required to operate as a foreign maintenance organization, where the granting of approvals is contingent upon economic needs tests.
- Measures mandating the existence of contracts with local firms as a prerequisite for doing business from abroad.
- In some cases, disproportionate administrative costs are charged for obtaining the certifications required to provide services in the territories of certain States.
- Discriminatory measures affecting those foreign service-providers seeking to offer repair services for aircraft flying under the national flag.
- Excessive taxes on outward payments and capital transfers.

IV. OBJECTIVES

8. In view of the importance and potential which this sector holds for developing countries, Costa Rica is proposing that Members:

- (a) Make more substantial commitments in this area, in particular, by eliminating restrictions or excessive requirements that interfere with the temporary entry and departure of specialized technical personnel; discontinuing economic needs tests; dispensing with measures mandating the use of contracts with local firms as a prerequisite for doing business from abroad; and removing any MFN exemptions;
 - (b) strengthen their existing commitments;
 - (c) make commitments with respect to all modes of supply, particularly modes 2 and 3. Furthermore, taking account of technological progress and facilities, Members should evaluate whether mode 1 is technically viable, and accordingly, whether they could also make commitments with respect to this particular mode of supply.
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