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ASSEMBLY — 37TH SESSION

ECONOMIC COMMISSION

Agenda Item 49: Liberalization of international air transport services

POLICY INITIATIVES FOR ENHANCING INTERNATIONAL AIR CONNECTIVITY

(Presented by India)

EXECUTIVE SUMMARY

This Paper highlights the initiatives taken by India in the recent past for enhancing air connectivity to various international destinations by following a liberal policy in the bilateral air services negotiations, easing the requirements for operation of tourist charter flights and deregulation of legal regime on filing and approval of tariffs.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective D — Efficiency — Enhance the efficiency of aviation operations.
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<i>Financial implications:</i>	Not applicable.
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<i>References:</i>	
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1. INTRODUCTION

1.1 The Worldwide Air Transport Conference held under the auspices of ICAO in Montreal from 24 to 29 March, 2003, adopted a Declaration of Global Principles for International Air Transport. The declaration emphasized, inter alia, that economic liberalization in air transport should proceed in a gradual, progressive and orderly manner, with appropriate safeguards to ensure safety, security and fair competition.

1.2 In its Resolution A35 – 18: Consolidated Statement of Continuing ICAO Policies in the Air Transport Field, the International Civil Aviation Organisation had reaffirmed its primary role in developing policy guidance on the regulation of international air transport and in facilitating safeguarded liberalization. Accordingly, the member States were urged to follow the global principles for international air transport, particularly in the field of economic regulation.

1.3 In India, traffic rights are exchanged between the two sovereign countries under bilateral Air Services Agreements on the basis of reciprocity keeping in view the requirements of tourism, travel and trade. In addition to the capacity granted in the bilateral agreements, foreign airlines are also permitted to operate extra-section flights to take care of seasonal spurts in traffic.

1.4 India has been witnessing a very high growth in air traffic for some time. In 2009, domestic passenger traffic was around of 43 million and the international traffic to/from India was around 28 million. India has been following a liberal policy in the area of exchange of traffic rights and has also taken a number of other steps to improve connectivity and cater to the needs of the travelling public. From the year 2003 onwards India has moved towards a calibrated approach for liberalization in air transport service to make available seats to/from India all through the year. It was recognized that increased connectivity has a direct bearing on the economy besides meeting the needs of the business trade, tourism and employment generation. Till 2008 Government had been following the liberal policy towards grant of traffic rights on reciprocal basis. However, from the beginning of 2009, due to the global recession and steep rise of ATF prices, India has been adopting a calibrated approach towards granting further bilateral traffic rights.

1.5 India has bilateral Air Services Agreements with 108 countries. The total bilateral entitlements available for Indian/foreign carriers on reciprocal basis for operations to/from India is as under:

Year	Bilateral entitlements (Seats/week)	%age increase over the previous year
2000	188,115	--
2001	202,582	7.69
2002	214,336	5.80
2003	228,064	6.40
2004	249,078	9.21
2005	335,907	34.86
2006	418,672	24.64
2007	567,959	35.66
2008	656,751	15.63
2009	765,646	16.58

1.6 At present, 72 foreign airlines from 49 countries operate international air services to/from India, in addition to 7 all-cargo airlines.

2. MEASURES IN REGARD TO BILATERAL AIR SERVICES AGREEMENTS

2.1 Recognizing the spurt in demand, India has been following a liberal policy in the exchange of traffic rights and have taken the following initiatives:

- a) India has adopted the ICAO template on bilateral Air Services Agreement;
- b) the existing bilateral agreements are being reviewed and revised to provide for multiple designation of airlines in place of single or dual designation;
- c) India has been consistently following the policy of granting two points of call in India with 7 frequencies to each point;
- d) in a significant move, private owned Indian carriers have also been permitted to operate scheduled services on several international routes;
- e) a policy decision has been taken that any additional capacity operated by foreign airlines on the existing or new routes to India shall not be covered by the mandated commercial agreements with the national carriers and the existing commercial agreements have already been phased out with effect from 1st January, 2010;
- f) a liberal bilateral policy has been thrown open to ASEAN countries granting their designated airlines to operate seven flights/week to four metros (Delhi, Mumbai, Kolkata and Chennai) and unlimited access to eighteen points of tourist interest in India. The restriction on the number of airlines has also been done away with;
- g) a liberal policy regime has been concluded with member States of the South Asia Association for Regional Cooperation (SAARC) allowing its designated airlines seven flights/week to six metro cities (Delhi, Mumbai, Kolkata, Chennai, Hyderabad and Bangalore) in addition to unlimited capacity to eighteen points of tourist interest in India. There is no restriction on the number of airlines which can operate to each other's territory;
- h) an open sky agreement has been concluded between India and the USA enabling the airlines of both countries to launch unlimited capacity between the two countries with any intermediate or beyond point;
- i) India has unilaterally declared open sky policy for cargo flights, under which foreign airlines are allowed to operate any number of all-cargo flights to/from any destination in India;
- j) India has also a liberalized form of Air Services arrangements with UK, may be termed as nearly open sky arrangements. Under this arrangement, the designated airlines of both sides are entitled to operate 56 services/week on the routes Delhi/Mumbai – London Heathrow v.v. Apart from it the designated airlines of UK may operate on any other routes between UK and India subject to a total capacity limit of 7 services/week to/from each airport in India except that in the cases of Bangalore and Chennai only, for which the total capacity limit is 14 services/week. Reciprocally, the designated airlines of India may operate without capacity limit on any other route between India and UK. Also the designated airlines of each side can operate to any point beyond from each other's territory; and
- k) India has been signing the revised Air Services Agreements or initiating actions for amendment of the existing Air Services Agreement for the incorporation of modernized and the most liberalized provisions based on ICAO template viz. designation clause, tariff, security, safety, code share arrangements between the airlines, routing flexibility, inter-modal services and open sky for all cargo operations.

2.2 As a result of the above mentioned measures, the enhancement in the capacity entitlements exchanged between India on the one hand and foreign countries on the other since 2004 is as follows:

2005:	86,829 seats per week for each side
2006:	82,765 seats per week for each side
2007:	149,287 seats per week for each side
2008:	88,792 seats per week for each side
2009:	108,895 seats per week for each side

3. OTHER MEASURES

3.1 Apart from liberalization in the bilateral Air Services Agreements, the following additional measures have been introduced:

- a) the Tourist Charter Guidelines have been liberalized allowing the Indian passport holders to travel by charter flights and also dispensing with the requirement of mandatory foreign exchange spending in India;
- b) India has been declaring a unilateral open sky policy during the peak period from November to March since the year 2000 to cater to the seasonal upsurge in demand, whereby foreign airlines are permitted to operate as much additional capacity as they wish without any let or hindrance; and
- c) the tariff regime has been completely deregulated leaving the determination of fares and rates to the market forces.

4. AERODROME INFRASTRUCTURE

4.1 India has adopted several innovative strategies to improve its airport services. These include restructuring of Delhi and Mumbai airports through Public Private Partnership mode. This has led to adequate investment in total upgradation of these airports and other related facilities. A new Greenfield airport policy has been introduced to promote and facilitate establishment of new airport infrastructure both in private and public sectors. Two Greenfield airports have been commissioned in Hyderabad and Bangalore in 2008 and are successfully handling both domestic and international flights. Government has established an independent Airport Economic Regulatory Authority (AERA) for overseeing economic civil aviation operation at the Airports. India has also initiated necessary procedure for setting up an independent Civil Aviation Authority.

4.2 The Government is focusing on the development of hubs at Delhi and Mumbai airport and also regional hubs at Kolkata, Chennai and Hyderabad for distribution of traffic coming into India from abroad to different cities by the domestic carriers and vice-versa. The basic purpose of the same is to generate business for the domestic carriers operating on international routes. Considering the strategic position in India, hub traffic out of Delhi and Mumbai will be a key part of the future growth. The commissioning of new T3 Terminal at Delhi, which was inaugurated by the Honourable Prime Minister of India on 3rd July, 2010, will be a major step forward for developing Delhi as a hub and the national carrier of India viz. Air India has already initiated action for utilizing Delhi airport on hub and spoke principles for its international operations. The location of Delhi has a unique advantage and will encourage feeder traffic from the non-metro airports in India.

5. CONCLUSION

5.1 With the above policy decision, India has been able to cater to the needs of the travelling public and at the same time ensure that there is no unnecessary dumping of capacity resulting in unhealthy competition, artificial lowering of tariff and decline in yields that could result in sickening of the aviation industry in general and elimination of the weak players in particular. A perfect balance in opportunities to the airlines and at the same time benefit to the consumers emanating from the competitive environment has been created.