



ASSEMBLY — 36TH SESSION

ECONOMIC COMMISSION

Agenda Item 40: Regulation of international air transport services

ECONOMIC REGULATION AND LIBERALIZATION

(Presented by Pakistan)

EXECUTIVE SUMMARY

The process of liberalization in Pakistan began as early as 1992, when it declared its largest international airport Karachi as unilateral open skies for a period of one year before switching over to bilateral open skies arrangements with selected countries. Pakistan signed its first bilateral open skies agreement with USA in 1995 followed by Switzerland in 1998. Liberalized bilateral arrangements were also concluded with a number of European countries and some regional countries allowing unlimited market access to selected points in the country. The experience of Pakistan in liberalization has been mixed. The competition on domestic and international routes has lowered the prices and increased connectivity but the policy of allowing unrestricted wet-leased operations of foreign registered aircraft has resulted in safety and social dumping besides stunting the growth of aviation industry in the country. Pakistan has applied mid-course correction to its liberalization policy by controlling unrestricted wet-leased operations. Hence, liberalization initiatives by contracting States should be guided by the considerations of aviation safety, security and human resource development in the country.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective D.
<i>Financial implications:</i>	Not applicable.
<i>References:</i>	

1. INTRODUCTION

1.1 The process of deregulation and liberalization in Pakistan took a jump start in 1992 with the permission to establish private airlines, deregulation of domestic routes and opening up the largest airport of the country-Karachi-as unilateral open skies for a period of one year. ICAO policies and guidance produced in response to the recommendations and conclusions of 4th & 5th World Wide ICAO Conference held in 1994 & 2003, respectively, have contributed significantly in streamlining our liberalization policies. Pakistan signed its first “open skies” bilateral air services agreement with USA in 1995, followed by open skies arrangements with Switzerland in 1998. At the same time Pakistan concluded liberal bilateral arrangements with Scandinavian countries, Gulf Countries and Singapore allowing them market access to three additional gateways in Pakistan (i.e Islamabad. Lahore and

Peshawar Pakistan is pursuing unilateral open skies policy for pure cargo operations to/from all international airports in Pakistan since 1998 while pursuing open skies policy for passenger operation to/from Gwadar international airport, which is currently in the process of development for operations of heavier aircraft.

1.2 Pakistan permits establishment of airports in the private sector. The first private international airport (i.e. Sialkot International Airport), is ready to commence operations any time soon.

1.3 The liberalization initiative led to the establishment of private airlines without sound financial and professional background. Some of these airlines could not survive for more than a few months while others kept operating under wet-leased arrangements for a decade before winding up completely. We still have two airlines operating under dry-leased arrangements with six to seven aircraft each.

1.4 The policy of allowing private airlines to continue unrestricted wet-leased operations of foreign registered aircraft on domestic and international routes, from 1993 to 2005, resulted in safety and social dumping. It also stunted the growth of aviation industry in the country. Demand for the local pilots almost dissipated resulting in stifling training in flying clubs. However, in 2005 we started to clamp wet-lease operations, which increased the demand for local pilots and, rekindled training activities in flying clubs. This also helped improve safety, security, passengers and third-party liability situation in the country.

1.5 Competition on domestic and international routes also upset our National Airlines, which enjoyed protection from competition for over half a century. Its inability to adjust to the new realities of the market not only stunted its growth but also made it dependent on State subsidies to sustain its operations.

2. PROPOSED NEW AVIATION POLICY

2.1 Pakistan is in the process of developing new Aviation Policy in consultation with stakeholders. The new policy is based on the principles that:

- a) air transport is a direct contributor to national economy and a leading trade and tourism facilitator;
- b) market forces to determine the price, quality and frequency of air transport services;
- c) Pakistani airlines to have fair and equal opportunities to compete in international market; and
- d) liberalization initiative to be guided by the considerations of aviation safety, security and human resource development in the country.

2.2 The policy provides framework which would allow only financially and professionally sound parties to start airline business. It discourages unlimited wet-leased operations of foreign registered aircraft. The new policy provides framework that encourages competition and development of new and better international air services to benefit shippers and travellers, and would facilitate trade and tourism. It provides opportunities to Pakistani airlines to grow and compete successfully in a more liberalized global environment. The new policy also encourages foreign airlines to operate at least daily frequency to Karachi and Lahore. The policy aims to facilitate and support the objectives of the National Transport

Master Plan and the National Trade Corridor by establishing cargo villages at all major international airports, including development of trans-shipment hubs at Karachi and Gwadar.

2.3 The policy envisages public private partnership for the development and operations of the existing airports in Pakistan and general aviation in the country by allowing the private sector to own aircraft and helicopters for sports, personal and commercial transportation and also permits them to build landing strips/ heliports for operations of such aircraft. This would encourage private investors and entrepreneurs to invest in constructing airstrips and airports, connecting rural populations with urban areas, facilitating carriage of passengers and cargo. Privatization of airports is also encouraged.

2.4 The policy also encourages the private sector in the development of aircraft maintenance facilities and training facilities to develop human resources, i.e. pilots cabin crew, technicians and engineers, in private sectors.

3. CONCLUSION

3.1 Allowing un-restricted wet-leased operations of foreign registered aircraft for a period of 12 years resulted in safety, security and social dumping, and also stunting the growth of infrastructure and development of human resource in the country.

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