



**ASSEMBLY — 36TH SESSION**

**ECONOMIC COMMISSION**

**Agenda Item 40: Regulation 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 Objectives A, C & D.
<i>Financial implications:</i>	Not applicable.
<i>References:</i>	

**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 emphasised, inter alia, that economic liberalisation 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 liberalisation. 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 2006, while growth in domestic passenger traffic was of the order of 46%, the international traffic to/from India grew at the rate of approximately 16%. India has been following a very liberal policy in the area of exchange of traffic rights and has also taken a number of other steps so as to improve connectivity and cater to the needs of the travelling public.

1.5 India has bilateral air services agreements with 100 countries. At present, 67 foreign airlines from 50 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 Recognising the spurt in demand, India has been following a very liberal policy in the exchange of traffic rights and has 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. So far, 'multiple designation' clause has been agreed with 52 countries.
- (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 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 shall be phased out in the next five years effective January, 2005.
- (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 near open sky 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.

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 (year wise) is as follows:

2004	:	41,080 seats per week for each side
2005	:	84,964 seats per week for each side
2006	:	74,540 seats per week for each side
2007	:	34,115 seats per week for each side

(up to July)

### 3. OTHER MEASURES

3.1 Apart from liberalisation 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.
- (c) The tariff regime has been completely deregulated leaving the determination of fares and rates to the market forces.
- (d) Both the State-owned airlines – Air India and Indian have been merged into one airline named Air India so as to fully leverage the assets, capabilities and infrastructure available with the two existing airlines.

#### 4. **AERODROME INFRASTRUCTURE**

4.1 In order to accommodate enhancement in the capacity – international as well as domestic – India has taken a number of steps to modernize and upgrade the existing airports and develop greenfield airports. The International airports at Delhi and Mumbai have been transferred to Public Private Partnership with a view to attracting investment for modernisation and upgradation and greenfield International airports at Bangalore and Hyderabad are nearing completion and are likely to be commissioned around March 2008. Another 35 major airports will be modernized in the near future. This will not only help in spreading the growth in traffic across the country but will also go a long way in reducing congestion at the metro airports including International airports.

#### 5. **CONCLUSION**

5.1 With the above policy decisions, 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.

5.2 It may be pertinent to mention that this phenomenal growth in air traffic – both domestic and international – has been managed with impeccable safety record. There has been no major accident in India to any aircraft engaged in scheduled air transport service during the last three years. This was achieved through proactive safety measures and effective oversight functions performed by the regulatory authorities and safety related initiatives taken up by service providers alike. Thus India on one hand has liberalised the regime in air transport resulting in unprecedented growth and on the other has managed and addressed effectively the concerns regarding safety and security associated with the growth.

6. The Assembly is requested to take note of the contents of this paper.