

WORLDWIDE AIR TRANSPORT CONFERENCE: CHALLENGES AND OPPORTUNITIES OF LIBERALIZATION

Montreal, 24 to 29 March 2003

Agenda Item 1: Preview

- 1.1: Background to and experience of liberalization**
- 2: Examination of key regulatory issues in liberalization**
- 2.2: Market access**

LIBERALIZING AIR CARGO AND TOURIST CHARTER OPERATIONS

(Presented by India)

SUMMARY

This paper highlights the measures taken by India in liberalizing air cargo and tourist charter operations. The present bilateral agreements are unsuitable for development of the air cargo operations. It is therefore proposed that States should liberalize market access for air cargo and tourist charter operations.

Action by the Conference is in paragraph 4.

1. INTRODUCTION

1.1 Air cargo operations play an important role in the development of foreign trade and economy of a country. Earlier, air cargo services used to be by-products of scheduled passenger flights, with cargo carried through the unused baggage hold capacity. This is, however, no longer the case as an increasing proportion of high value commodities are transported by air. Air transport service agreements are ill suited to air cargo services. So far States have focused their attention on passenger transport operations and very little has been done for liberalization of air cargo operations. Similarly, liberalization in tourist charter operations also takes care of the specific needs of air travelers and helps in the growth of tourism in the country. While liberalization of the entire air transport sector may take a long time, liberalization of the air cargo and tourist charter operations could be the short-term goal. In fact, liberalization of cargo and tourist charter services could help in achieving a similar goal for the entire transport sector.

2. POLICY FOLLOWED BY INDIA

2.1 Air Cargo Operations

2.1.1 India recognized the benefits of liberalizing the air cargo operations. Nearly 40 per cent of India's exports by value are by air. India has, therefore, been following for over a decade a unilateral open sky policy for air cargo operations. Any operator, including any foreign operator, can operate any number of flights by any type of aircraft to any airport having customs and immigrations facilities without any bilateral agreement. The operators are free to charge rates according to the demand and supply situation. There is no requirement of complying with the national ownership criteria by the operators. Operators are, however, required to meet the operational, safety and security requirements. ICAO in its ATConf/5-WP/10 has given a specific example of India for unilateral liberalization of air cargo services for opening its airports to all cargo services by all carriers without requiring bilateral reciprocity. This open sky policy has helped all the concerned agencies as mentioned below:

- a) Most importantly the consumer, i.e. the exporter/importer who is assured of the capacity available for supplying the products to the buyers as per the time schedule. The rates are competitive because there is no restriction on entry of new carriers, and as a result there are a number of carriers in the field;
- b) The State is benefited because there is efficient movement of cargo, which helps in economic growth. In the case of India, there is now no backlog of export cargo at the airports, which was the situation prior to the introduction of the open sky policy. This has helped in the growth of exports.
- c) The operators are able to plan and commit their capacity in advance without having to go through the process of getting rights to operate the services.

2.2 Tourist Charter Operations

2.2.1 India has recently liberalized its air transport policy relating to international tourist charter operations as well. Like air cargo operations, operators can operate any number of international tourist charter flights by any type of aircraft to the designated international airports without any bilateral agreement. The operators can carry even Indian passport holders to certain airports of tourist interest. Indian passport holders are also allowed to travel on these flights from countries which do not have scheduled air transport services to India. A tourist charter flight can transport the tourists on domestic sectors also within India. The initial place of arrival and the final place of departure from India, however, have to be a designated international airport. Foreign aircraft operators can market the charters through their computer reservation system and direct sales through the Internet. Since free movement of cargo is permitted under open sky policy, carriage of cargo is also permitted on tourist charter flights. The operators can operate charter flights on a regular basis like scheduled flights, and the slots are also cleared well in advance. Detailed guidelines for such operations are laid down in Aeronautical Information Circular (AIC) No. 2 of 2003.

3. RECOMMENDATIONS

3.1 ICAO in its ATConf/5-WP/10 has pointed out that the air cargo industry considers the present regulatory regime, based on bilateral agreements, as a major hindrance to the optimal efficiency and economic operation of air cargo services. The paper recommends accelerated liberalization and regulatory reforms for air cargo operations in view of the potential economic development benefits possible from such reforms, and considers the possibility of market access for all cargo operations without the requirement of bilateral reciprocity.

3.2 The United States in its ATConf/5-WP/49 also suggests that States should consider implementing a cargo-only open skies agreement, provided that doing so would not inhibit liberalization of the passenger sector. The Organization for Economic Co-operation and Development (OECD) in ATConf/5-WP/59 highlights the need to remove outdated regulatory restrictions that are impeding air cargo operations. The paper suggests possible approaches for resolution of the key issues under either bilateral or multilateral approaches to facilitate air cargo liberalization.

3.3 While we agree with the approach contained in the aforementioned papers to liberalize the air cargo operations, we feel they have not gone far enough and recommend that the path set by India of a unique unilateral declaration of open skies for cargo operations should be taken as a model for other nations to follow. Based on the successful experience of following liberal policy in respect of air cargo operations, India recommends States should unilaterally declare open sky policy for air cargo operations.

4. ACTION BY THE CONFERENCE

4.1 The Conference is invited to note the open sky policy for air cargo operations and very liberal policy for tourist charter flights followed by India.

4.2 States should unilaterally liberalize market access for all cargo services without the requirement of bilateral reciprocity, which will set the pace for liberalization in other areas of the transport sector also.

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