



WORKING PAPER

WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

Montréal, 18 to 22 March 2013

Agenda Item 2: Examination of key issues and related regulatory framework

Agenda Item 2.1 : Market access

INDONESIA'S PERSPECTIVE ON LIBERALIZATION OF MARKET ACCESS

(Presented by Indonesia)

EXECUTIVE SUMMARY

This working paper presents Indonesia's views on issues relating to the liberalization of market access, and some recommendations for possible work by ICAO in this respect.

Action: The Conference is invited to agree to the recommendations presented in paragraph 3.

References: ATConf/6 reference material is available at www.icao.int/meetings/atconf6.

1. INTRODUCTION

1.1 Indonesia wishes to support ICAO with its theme for the Sixth Air Transport Conference: Sustainability in Air Transport. The theme can be regarded as having two aspects, the first being how to enable major airlines to further expand, and the second one how to sustain small airlines in an open and competitive environment. Indonesia is of the opinion that particular concern should be given to the sustainability and development of the small airlines. It is part of the responsibility of Governments to develop and sustain its national airlines which are not considered as major or strong airlines. In this regard, market access means also increased access for small airlines.

1.2 Liberalization of market access has been viewed as potentially spurring economic development, especially in supporting the tourism and trade sectors. On the other hand, in negotiating market access, Government has the function to also facilitate the sustainability of the national airline industry as a domestic economic, social and politic development factor, while facing the difference of air transport development among Member States.

1.3 Liberalization policy of market access is something that needs a long preparation and adjustment for States, taking into account the interest in developing the national civil aviation industry, infrastructure and human resources readiness, availability of financial resources, suitable regulations, etc. Airlines with strong financial and operational performance and supported by a world-wide network will

be the beneficiaries of this policy while airlines with weak financial and operational performance, and a less developed network will be directly and adversely affected by it.

2. **INDONESIA'S PERSPECTIVE**

2.1 Indonesia has more than 200 airports, 29 of them being international airports, served by 21 national scheduled air carriers for a passenger market of around 114 million in the year 2011 which amounts to almost 50% of the market of the 10 ASEAN States.

2.2 Balancing demand and supply in a high-growth environment is always difficult, taking into account the fact that taking a market value reciprocity approach as well as an apple to apple approach is impossible in the case of differences in the number of points and of market values the States might have. The most important aspect is in this regard that the cabotage principle in all likelihood is impossible to be removed.

2.3 Noting its national interest, the potential market and the large number of national airlines, Indonesia has taken a stages-approach in liberalizing its market, taking also into account the fact that in ASEAN, the ASEAN Multilateral Agreement on the Full Liberalization of Cargo and Passenger Services has been concluded.

2.4 Based on this experience, even in the context of a binding liberalization agreement in the framework of ASEAN, airline face difficulties to enter another State due to the complexity of national procedures to be complied with. State barriers for foreign air carrier permits are still an issue that has to be solved along with an initiative to establish a multilateral agreement on market access. Common standards should be pursued to render liberalization policy applicable in a fair and equitable way.

2.5 Slot allocation is another issue that has to be treated in line with principles of transparency, non-discrimination and accountability. Infrastructure and human resources development should be gradually developed.

3. **RECOMMENDATIONS**

3.1 The Conference is invited to :

- a) recommend that ICAO not only focus on market access liberalization, but also to provide guidance for a stages-approach in liberalizing the market;
- b) recommend that ICAO develop a common standard for entry requirements of foreign air carriers, with a view to eliminate unnecessary entry barriers; and
- c) recommend that ICAO develop a common standard for slot policy and encourage States to implement a transparent, non-discriminatory and accountable slot policy.