INDIAN CARRIERS WARY ON PLANS TO LIBERALISE AND AUCTION BILAT-ERAL FLYING RIGHTS

News / Airlines

Indian airlines are fiercely debating proposed policy changes which they fear could result in Arabian Gulf carriers being given an unfair advantage to expand in the country.

The areas of India's draft -civil aviation policy which have raised concerns include plans to liberalise and auction bilat-eral flying rights and raise the cap on foreign direct investment in Indian carriers, which is currently restricted to 49 per cent.

Gulf airlines, including Emirates, flydubai and Air Arabia, have been very vocal in the past about the fact that they are being held back from expanding in India because of limitations on seats and have called for bilat-eral rights to be relaxed.

But they have opted not to wade into the fresh debate so far.

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“India is an important market for flydubai and we work within the bilateral agreement discussed at a government level,” flydubai simply said in statement, without expanding further.

Ghaith El Ghaith, the chief executive of flydubai, speaking last year at the Arabian Travel Market in Dubai, highlighted that the carrier could “double in size” if India had a “more liberal approach”.

“All Indian carriers are deeply worried about the bilateral rights given to Gulf carriers,” said Satish Modh, who has a background in the aviation sector and is now the director of the VES Institute of Management Studies and Research in Mumbai.

The Federation of Indian Airlines (FIA), a lobbying group which represents a few major Indian carriers, is opposing the proposal in the draft aviation policy to auction bilateral rights, India’s Business Standard newspaper reported last week.

“Every country, including the US and Singapore, zeal-ously guards its bilateral traffic rights,” Ajay Singh, chairman of the budget Indian carrier SpiceJet, told the publication. “With auctioning of these, India will put its airlines at a disadvantage.”

The FIA is also reportedly raising concerns about plans to scrap the “5/20 rule” in India – a requirement that Indian airlines should have been operating for five years and have a fleet of least 20 planes before they can fly abroad – arguing that the proposed changes would benefit newer carriers.

Tata Sons, which launched two new airlines in India, namely Vistara with Singapore Airlines and AirAsia India in partnership with Malaysia’s AirAsia, on Wednesday hit out and said that the rule needed to be abolished.

“The 5/20 rule has thus far principally benefited only foreign airlines, who have captured 70 per cent of the international traffic with India, taking Indian jobs and revenue with them,” Tata said. “This has also resulted in poor utilisation of bilateral air traffic rights by Indian operators.”

Gulf airlines have also been facing pressure in Europe and the United States as their competitors in those markets have been trying to get governments to restrict their market access.

Adel Ali, the group chief executive of Air Arabia, at a conference in Mumbai last year said that the Sharjah-based low-cost carrier had experienced “stagnation” in India, having exhausted its allocation of seats.

Essa Sulaiman Ahmad, the vice president, India and Nepal, for Emirates, at the same conference said: “The reality of it is that India should open up and it’s not only to Emirates, it’s to everyone,”

Emirates has an economic impact of $848.6 million on India’s economy and if it was allocated more seats, the car-rier would generate further jobs, tourists and foreign exchange earnings for the country, according to a report published in November by India’s National Council of Applied Economic Research, which was commissioned by Emirates.

Etihad Airways, which in 2013 bought a 24 per cent stake in India’s Jet Airways, in a statement said it had “provided, in a spirit of partnership and long-term commitment to the develop-ment of both India’s aviation sector and its economy, constructive suggestions and recommendations on relevant aspects” of India’s draft civil aviation policy.

“Etihad Airways looks forward to the finalisation of this vital civil aviation policy by the government

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of India," the airline added.

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