

Airlines Perspective : Liberalization & Safeguard



Table of Contents

- 1. Status of Air Services Agreement in Korea**
- 2. Status of Open Skies (Liberalization) in Korea**
- 3. Safeguard**
- 4. Proposal 1: Strong 3rd/4th Traffic Demand**
- 5. Proposal 2: Fair Competition Environment**
- 6. Conclusion**

1. Air Services Agreement in Korea

○ Air Services Agreement with 103 countries in effective

| Region | |
|----------------------------|--|
| Asia (40 countries) | (Scheduled) Japan , China, Hong Kong, Mongolia, Taiwan, Malaysia, Thailand, Vietnam, Cambodia, Myanmar, Sri Lanka, Maldives , Singapore, Philippines, Indonesia, India, Nepal, Uzbekistan, Israel, UAE (Non-Scheduled) Macau, Laos, Ukraine, Azerbaijan, Belarus , Brunei, Bangladesh, Pakistan, Kazakhstan Kyrgyzstan, Turkmenistan, Tajikistan, Saudi Arabia, Iran, Kuwait, Jordan, Iraq, Oman, Bahrain, Qatar |
| Oceania (5 countries) | (Scheduled) Australia, New Zealand, Fiji, Palau (Non-Scheduled) Papua New Guinea |
| Americas (12 countries) | (Scheduled) USA, Canada (Non-Scheduled) Mexico, Brazil, Chile, Peru, Ecuador, Paraguay, Bahama, Guyana , Argentina |
| Europe (28 countries) | (Scheduled) Spain , UK, France, German, Italy, Netherland, Switzerland, Austria, Czech, Croatia, Turkey , Russia (Non-Scheduled) Belgium, Scandinavian 3(Denmark, Norway, Sweden), Greece, Luxemburg, Portugal, Finland, Hungary, Poland, Serbia, Romania, Bulgaria, Iceland, Malta, Latvia |
| Africa (18 countries) | (Non-Scheduled) Kenya, Tunisia , Gabon, Liberia, Djibouti, Nigeria, South Africa, Sudan, Algeria, Morocco, Egypt, Ethiopia, Seychelles, Guinea, Cape Verde, Mauritius, Rwanda, Zimbabwe |

2. Status of Open Skies in Korea

○ Open Skies with 27 Countries (3rd/4th Traffic or 3rd/4th/5th Traffic) : 14 countries with Schedule Services

With Schedule Services

(2018 Scheduled Service)

| County | Traffic Subject to Open Skies | Effective from | # of Route | # of Carrier |
|-----------|--|----------------|------------|--------------|
| Japan | 3/4 (Excluding GMP, HND) | 2007 | 51 | 13 |
| Vietnam | 3/4 | 2006 | 12 | 10 |
| Thailand | 3/4 | 2006 | 8 | 8 |
| Malaysia | 3/4 (Limited up to 8-Carrier) | 2007 | 7 | 7 |
| Cambodia | 3/4 | 2010 | 3 | 5 |
| Myanmar | 3/4 | 2010 | 7 | 1 |
| Macao | 3/4 | 2011 | 4 | 6 |
| Laos | 3/4 | 2011 | 2 | 5 |
| Sri Lanka | 3/4 | 2007 | 3 | 1 |
| Maldives | 3/4 | 1986 | 3 | 1 |
| USA | 3/4/5 | 1998 | 13 | 8 |
| Canada | 3/4/5 | 2008 | 2 | 2 |
| Mexico | 3/4 (Limited up to 2-Carrier per route) | 2008 | 1 | 1 |
| Spain | 3/4 | 2011 | 2 | 2 |

Without Schedule Services

| County | Traffic Subject to Open Skies | Effective from |
|------------|-------------------------------|----------------|
| Ukraine | 3/4 | 2010 |
| Azerbaijan | 3/4 | 2006 |
| Belarus | 3/4 | 2009 |
| Brazil | 3/4/5 | 2010 |
| Chile | 3/4/5 | 2001 |
| Panama | 3/4/5 | 2012 |
| Peru | 3/4 | 2002 |
| Ecuador | 3/4/5 | 2011 |
| Paraguay | 3/4/5 | 2012 |
| Bahama | 3/4/5 | 2016 |
| Guyana | 3/4/5 | 2016 |
| Kenya | 3/4 | 2007 |
| Tunisia | 3/4 | 2009 |

3. Safeguard : Proposal Overview

Experiences from Open Skies in Korea demonstrate Needs for Proper Safeguard

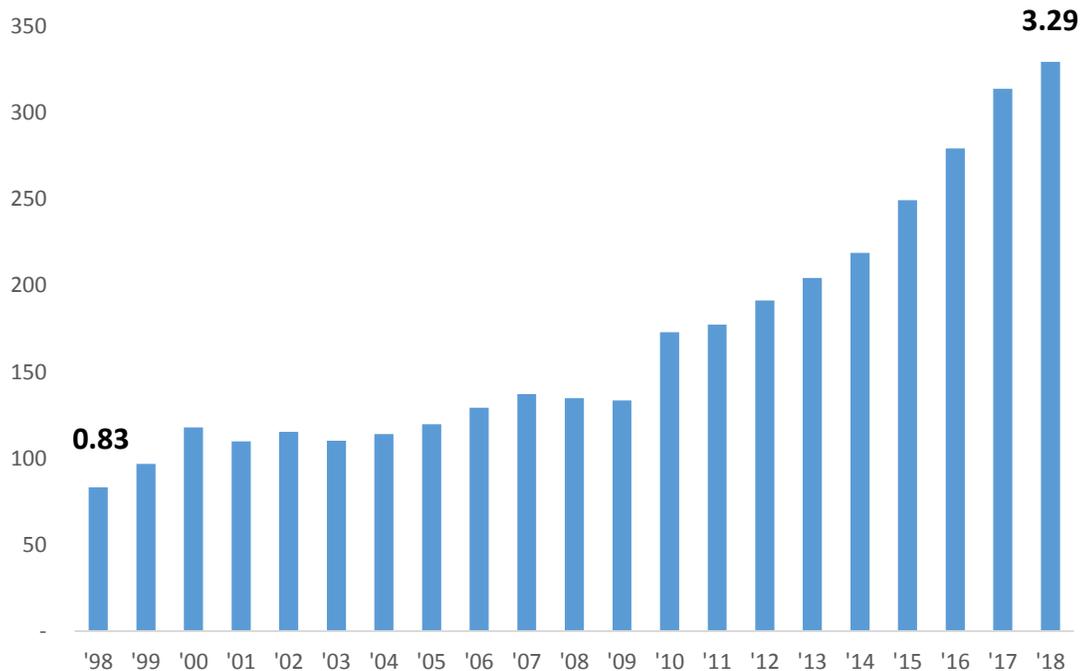
- **Strong 3rd/4th Traffic Demand Base**
 - to minimize risk arising from excessive 6th traffic flow
- **Prerequisite of creating fair competition environment**
 - to continue protecting competitive environment from unfair government subsidy

4-1. Proposal 1: Sufficient 3rd/4th Traffic Demand

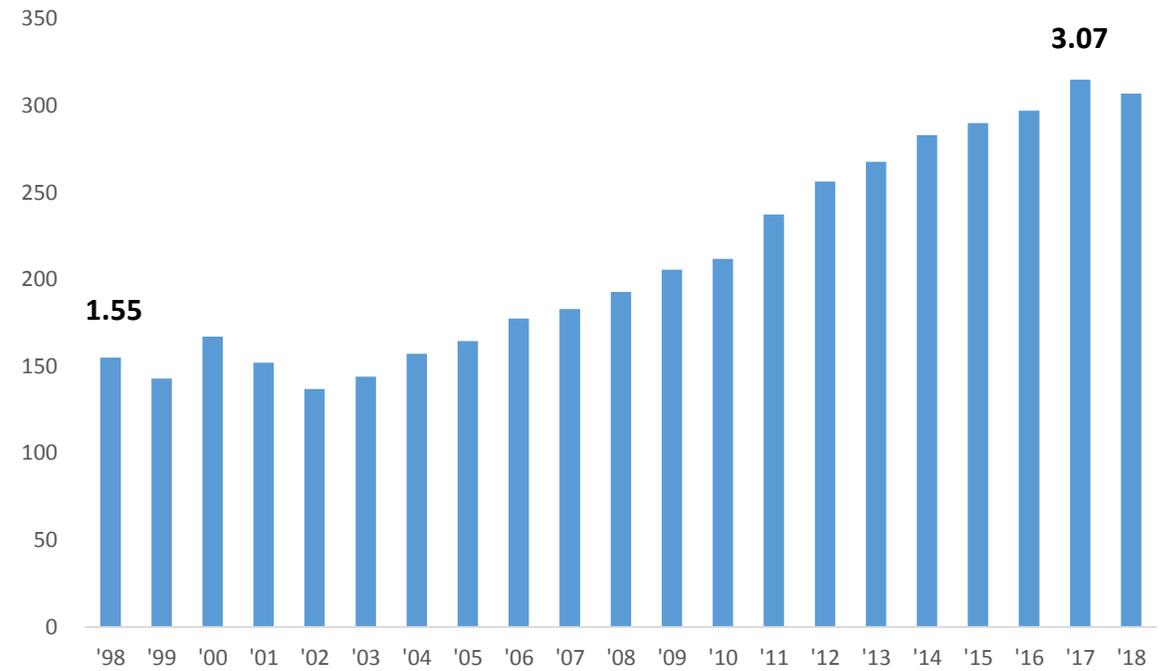
○ Strong 3rd/4th traffic demand drives optimal supply & demand growth in positive circle

Case 1 : KOR – USA Open Skies (2008)

Demand (Passenger in Million)



Supply (Seats in Million)

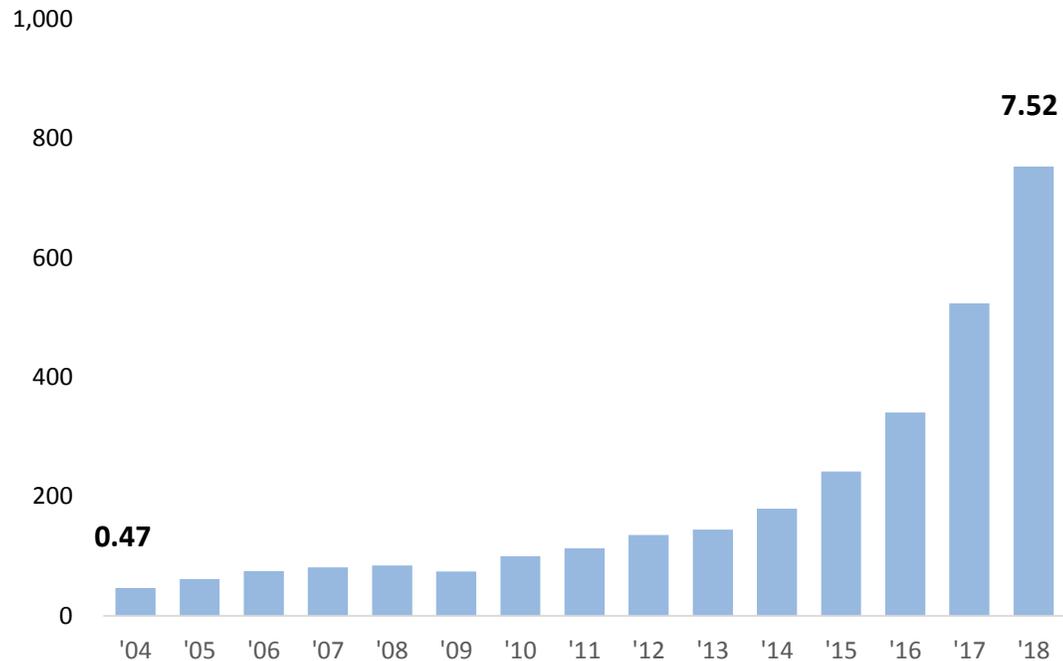


* US Travel & Tourism Statistics, KAC, IATA DDS

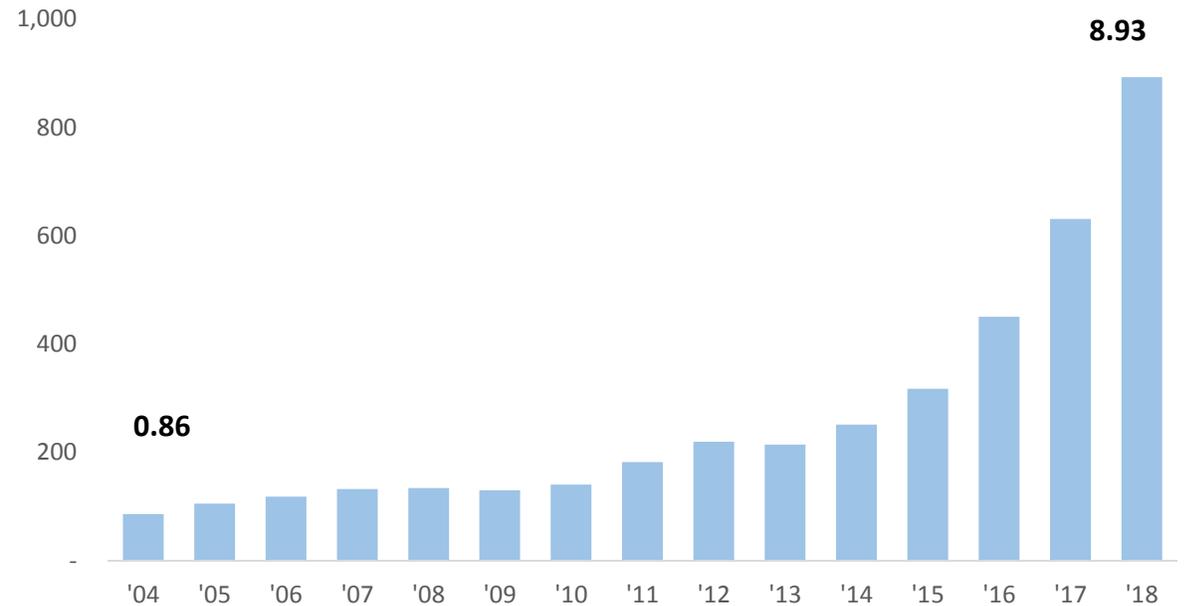
4-2. Proposal 1 : Sufficient 3rd/4th Traffic Demand

Case 2 : KOR – Vietnam Open Skies (2008)

Demand (Passenger in Million)



Supply (Seats in Million)



* 출처: KAC, IATA DDS

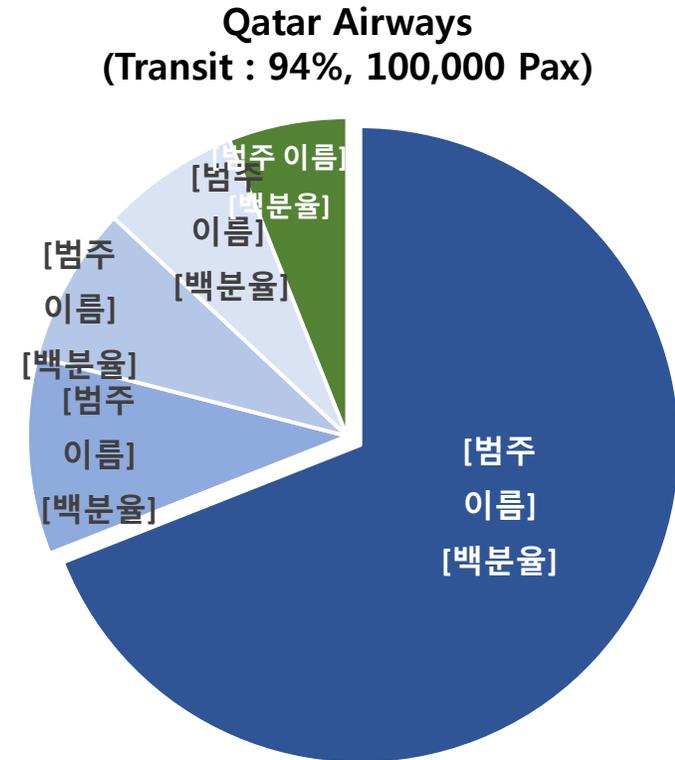
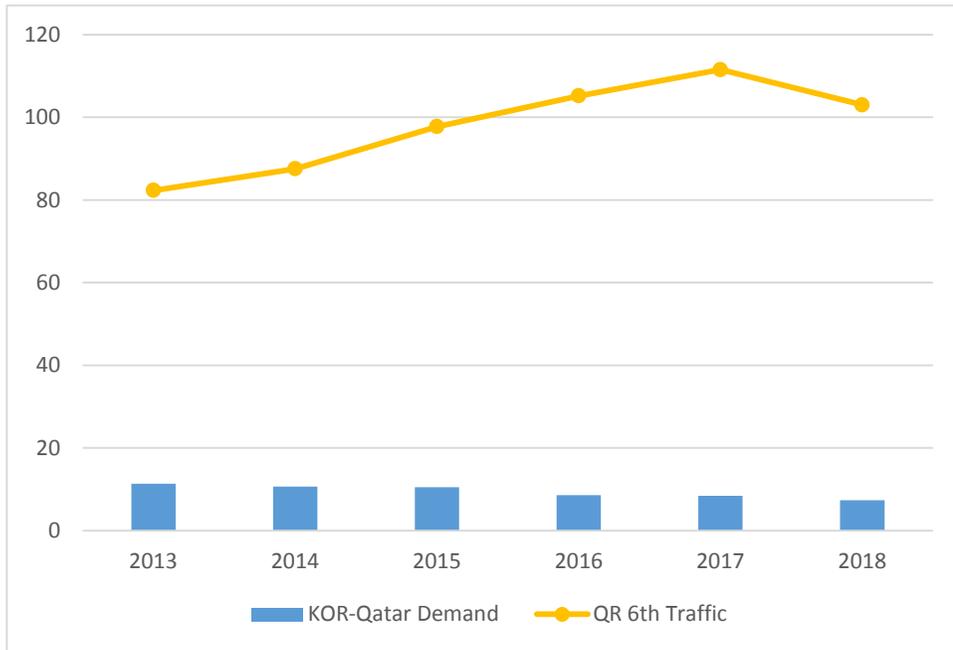
4-3. Proposal 1 : Sufficient 3rd/4th Traffic Demand

○ Insufficient 3rd/4th traffic demand creates growth-imbalance driven by 6th traffic demand

Case 3: KOR – Qatar

● Growth of Qatar Airway's 6th traffic dominates while KOR-Qatar traffic is declining

(Pax : 1,000)



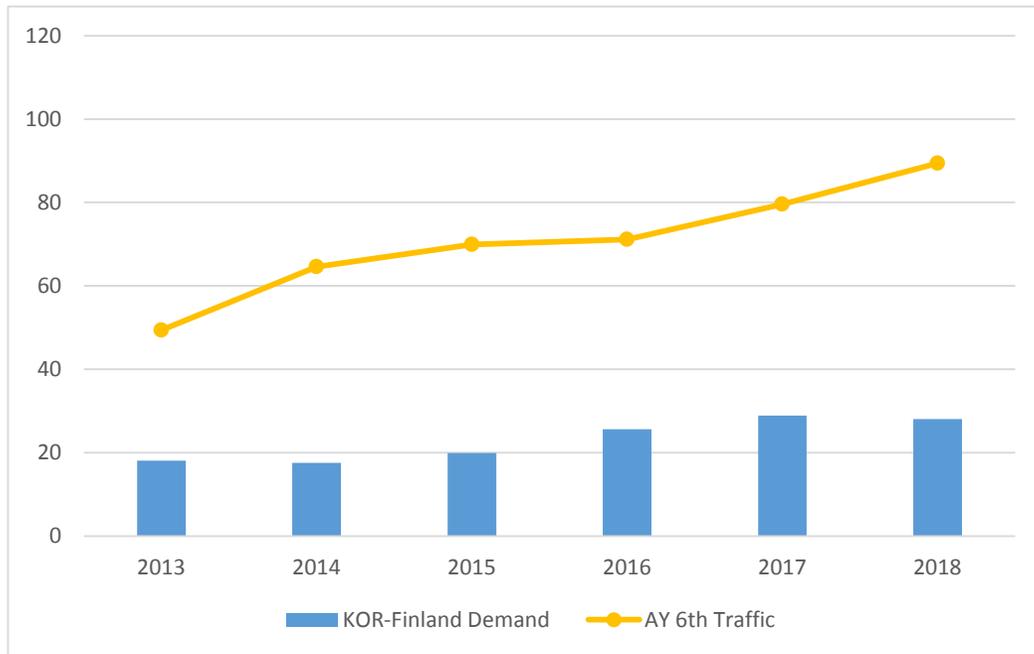
* IATA DDS, 2018

4-3. Proposal 1 : Sufficient 3rd/4th Traffic Demand

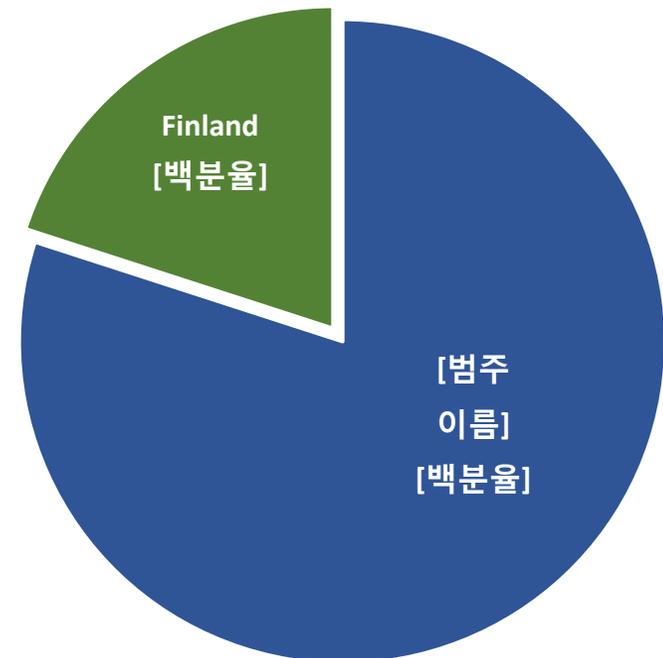
Case 4: KOR-Finland

- Slow KOR – Finland demand growth / Strong increase of Finnair 6th traffic

(Pax : 1,000)



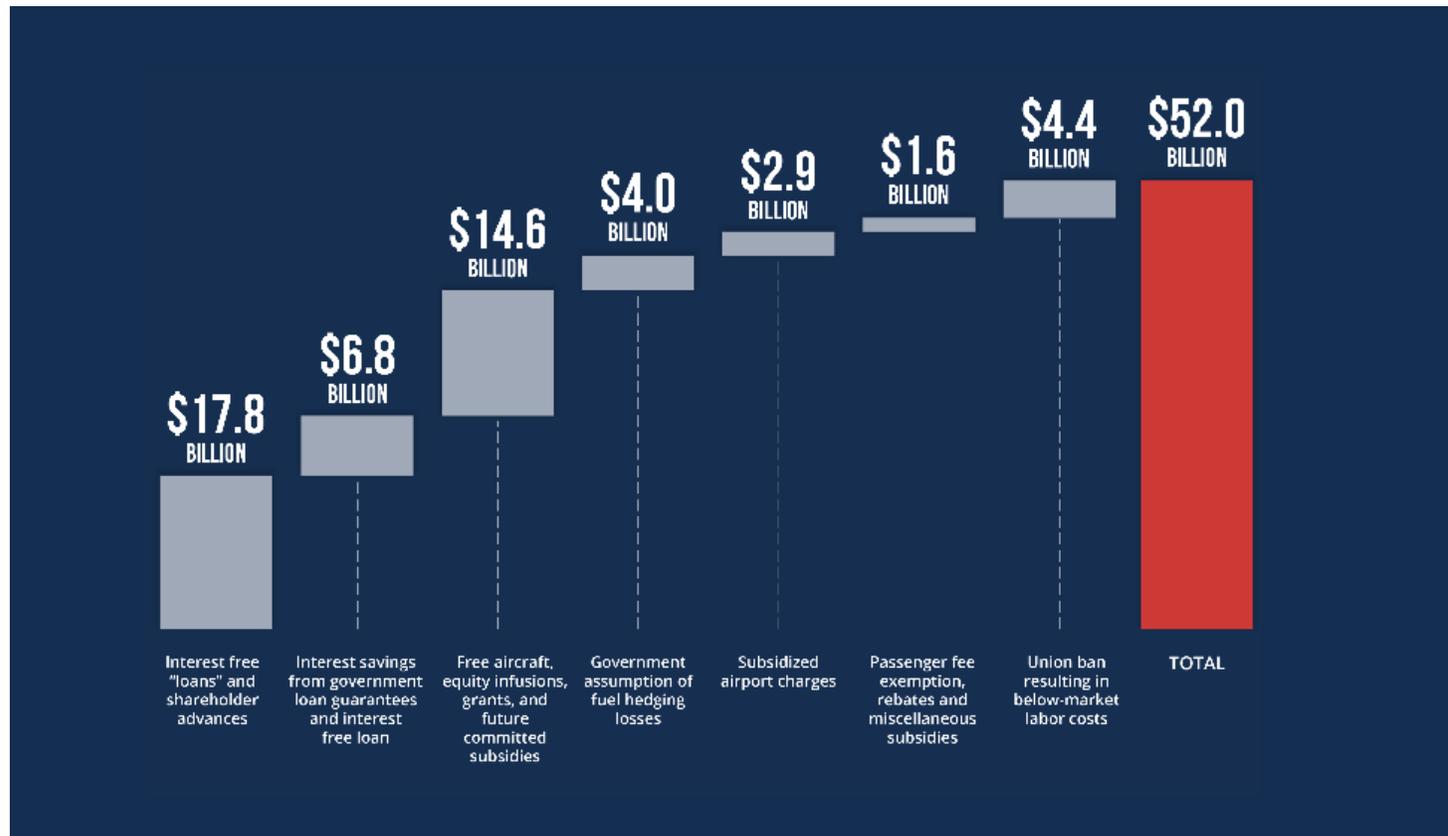
Finnair
(Transit : 80%, 90,000 Pax)



5-1. Proposal 2 : Fair Competition Environment

○ Unfair competition environment weakens industry competitiveness & harms consumer welfare

- US carriers estimate the value of unfair government subsidy totaling \$52 billion (since 2004)



5-1. Proposal 2 : Fair Competition Environment

Negative Impact 1 : Suspension of Route

| Country | Examples of Route Suspension |
|-----------|--|
| US | <ul style="list-style-type: none">• Middle East and India Routes<ul style="list-style-type: none">- DL: ATL/BOM (2009), NYC/AMM (2011) ATL/DXB (2016)- AA: CHI/DEL (2014)- UA: WAS/DXB (2016), WAS/KWI (2016) |
| Europe | <ul style="list-style-type: none">• Asia, Africa, Middle East Routes<ul style="list-style-type: none">- AF: MAA, HAN, PNH, AUH, DOH, JED etc.- LH: 20 routes in Southeast Asia and Africa since 2015 |
| Australia | <ul style="list-style-type: none">• QF : Europe Routes<ul style="list-style-type: none">- ROM (2003), PAR (2004), FRA (2013) |
| Korea | <ul style="list-style-type: none">• KE : Africa and Middle East Routes<ul style="list-style-type: none">- NBO (2014) 및 RUH, JED (2017) |

5-1. Proposal 2 : Fair Competition Environment

Negative Impact 2 : Job Loss

| Country | Description |
|---------------|---|
| Europe | <ul style="list-style-type: none">• Since 2000, EU Aviation industry has seen job reduction of about 80,000 jobs (18.5% of Industry) <p>* Resource : EU Aviation report</p> |
| USA | <ul style="list-style-type: none">• Per Route, Job reduction estimated at 1,500 jobs• About 1.2 million people in the risk of losing jobs <p>* Resource : www.openandfairskies.com</p> |

6. Conclusion

- **Air Services Agreement provision reflecting Safeguard**
 - Ceiling to prevent growth imbalance by excessive 6th traffic flow
 - Banning of government subsidy & Strengthening of accounting transparency
- **Developing regulatory sanction by aviation authority in case of Safeguard violation**

Thank You