

Liberalising Air Transport in ASEAN

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83
MILLION
PASSENGERS
IN 2018

259
AIRCRAFT

19,049
ALLSTARS

NETWORK

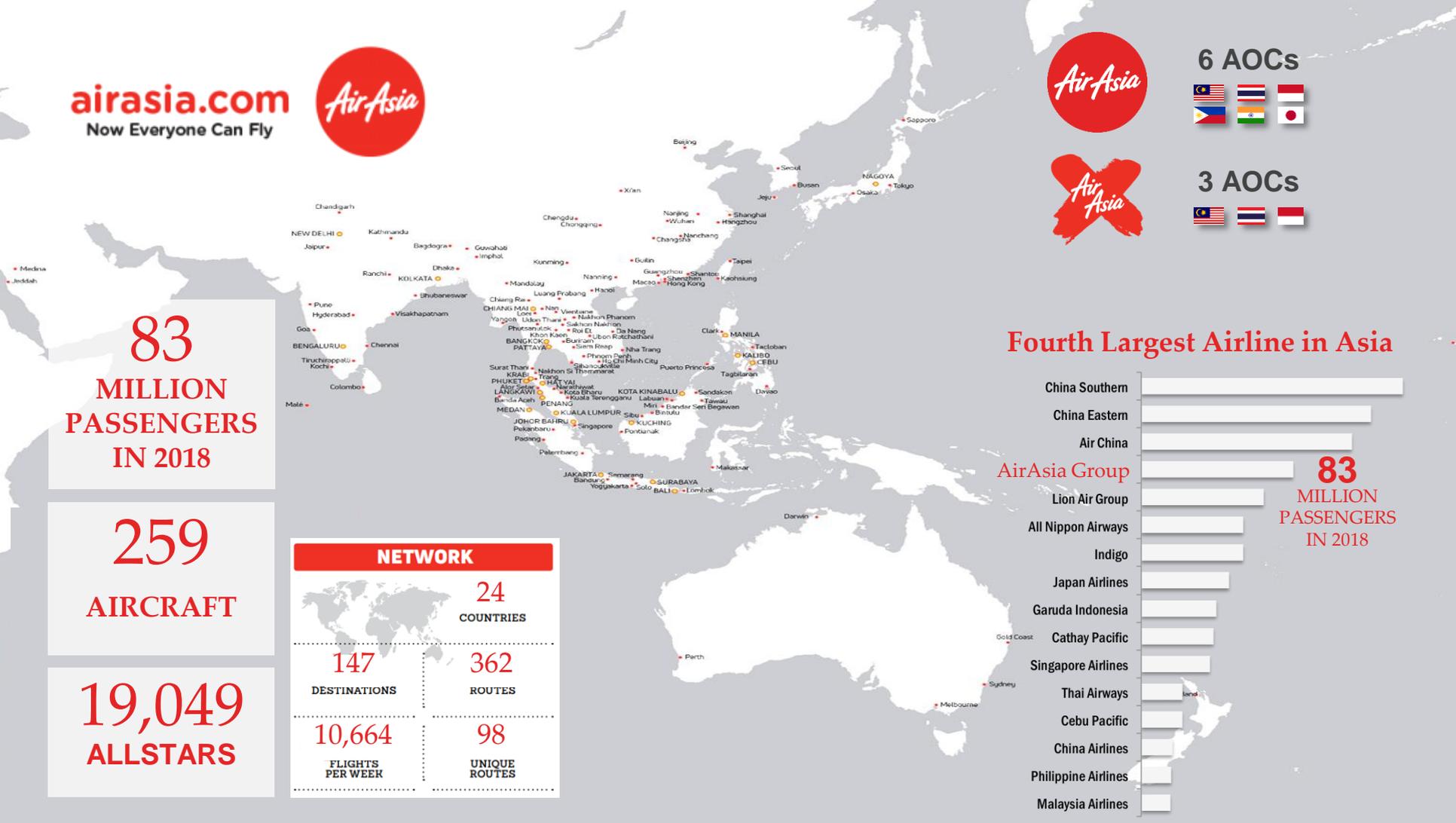
147
DESTINATIONS

10,664
FLIGHTS PER WEEK

24
COUNTRIES

362
ROUTES

98
UNIQUE ROUTES



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Low-Cost Carriers (LCC) Have Improved Connectivity in ASEAN

Low Fares



LCCs are now responsible for over one in every four seats being flown

- LCCs command 48% of airline seat capacity* in ASEAN, second highest in the world, after South Asia at 51%
- LCC capacity has been growing at a 9-year CAGR of 16.2%, and has almost quadrupled in size from c.58 million seats in 2008 to c.224 mil

New Destinations



LCCs are constantly adding new routes to their network every year

- ASEAN is now a LCC market, where c.52% of seat capacity within the region is already captured by LCCs. Growth trend to continue as LCCs add more routes to their network e.g. Ho Chi Minh City to Brisbane (Vietjet), Bangkok to Kota Kinabalu (AirAsia) etc.
- Intra-ASEAN tourism is driven by middle-class ASEAN citizens, to make up 65% of the population by 2030

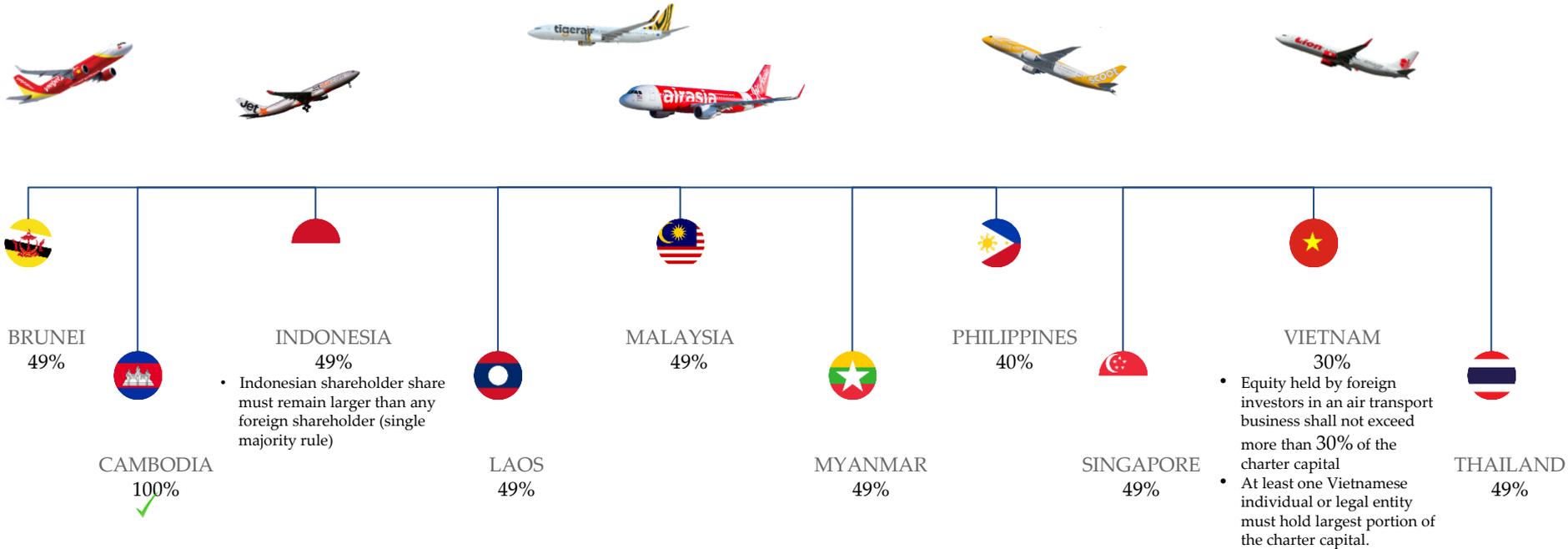
Fast and Efficient



Air connectivity is vital as region has limited land connectivity

- In 2016, a total of 115.6 million tourists flew into ASEAN countries, where 40% travelled within ASEAN, creating a strong market for travel and tourism
- Intra-ASEAN travel will contribute to one-third of the passenger traffic by 2036 due to booming demand in Tier 2 cities (c.1 million population)

Airline Foreign Ownership Restrictions in ASEAN



Updates on liberalization efforts in ASEAN Member States

Malaysia



Further liberalization of traffic rights and nationality requirements urged

- The Malaysian Aviation Commission (MAVCOM) recommended that liberalisation of air traffic rights and nationality requirement should be seriously considered as part of the Economic Master Plan for the Malaysian Aviation Sector.

Philippines



Removal of air transportation from public utilities scope

- PH Constitution requires public utilities to be 60% owned by Filipinos
- Senate Bill 1754 aims to narrow the definition of public utility to only include public services that are a natural monopoly and consequently free air transportation from the Constitutionally-mandated foreign equity restrictions

Thailand



Expansion of the definition of a Thai National who can apply for an aircraft registration

- Thailand govt is formally considering the expansion of the definition of a Thai National who can apply for an aircraft registration to include Thai mutual funds, Thai provident funds, govt agencies, limited or public limited cos which are 51% or more owned by a govt agency

International transport liberalization in ASEAN is underway

International transport liberalization can be measured by the level of relaxation of these two main regulatory impediments:

- 1) Market access
- 2) Ownership and Control Restrictions

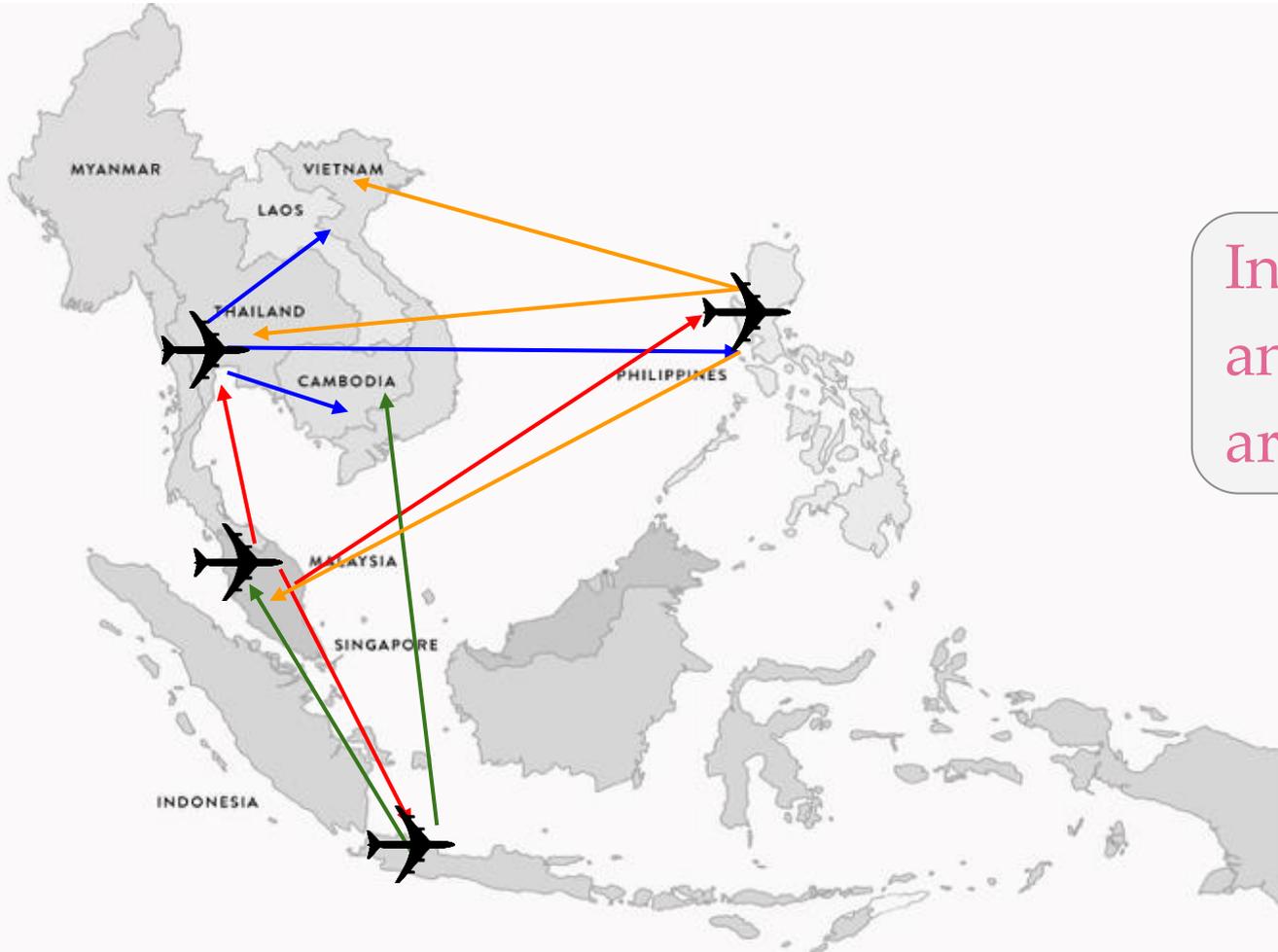
ASEAN Single Aviation Market

Goals:

- Liberalize air transport services in ASEAN
- Create a single and integrated market for the airline industry (Implementation Framework for the ASEAN Single Aviation Market, 2011)

What does this mean:

1. Market access:
 - Multiple designation
 - Operational flexibility
 - No limitation on capacity, frequency and aircraft type
 - Unlimited third, fourth and fifth freedom rights*
2. Relaxed ownership and control requirements



Intra-ASEAN: 3rd and 4th freedoms are now fully open



Operational flexibility:
ASEAN agreements allow the exercise of 5th freedoms within ASEAN in any combination or order and without any directional or geographic limitation.

Domestic Code Sharing and Co-terminal Rights Approved

The two additional protocols approved by the ASEAN Member States are under the ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services.

PROTOCOL 3: Domestic Code Share Rights Between Points Within the Territory of Any Other ASEAN Member States



PROTOCOL 4: Co-Terminal Rights Between Points Within the Territory of Any Other ASEAN Member State

There shall be no exercise of cabotage rights at all times



ASEAN Community Carrier (ACC)

A Vehicle for Airline Ownership Liberalization in ASEAN

ASEAN Community Carrier allows airlines to be substantially owned and effectively controlled by ASEAN interests (cumulatively), while designating country maintains regulatory control

- Concept approved by all 10 member states in 2009
- Enables ASEAN carriers to attract capital and management expertise from across ASEAN
- With majority ownership and control, incentivise ASEAN investors to establish new airlines / invest in existing airlines, especially in less developed member states

ASEAN COMMUNITY CARRIER:

1. *Subject to the acceptance by a Contracting Party receiving such application*
2. *Incorporated and has its principal place of business in the territory of the Contracting Party that designates the airline*
3. *Substantially owned and effectively controlled by one or more ASEAN member states and/or its nationals*
4. *Contracting Party designating the airline maintains effective regulatory control.*

(Source: ASEAN Multilateral Agreement on Air Services, 2009; ASEAN Multilateral Agreement on the Full Liberalization of Passenger Air Services, 2010)

Key Challenges in Implementing the ACC

1. Destination party has the right to reject or accept

- If State A designates an airline as a “Community Carrier”, State B may choose to reject or accept
- Airline needs to seek designation as an ASEAN Community Carrier from each member state

2. Domestic airline ownership and control restrictions

Domestic law in most member states needs to be amended to allow ASEAN nationals to cumulatively own at least the majority of the shares of an ACC

3. Bound by “Nationality Rule” clause in bilateral ASAs between member states and between each member state and other non-ASEAN countries

Most ASAs have a “Nationality Rule” clause which require airlines designated by State A to be majority owned by State A’s nationals, which needs to be removed completely or amended to recognise ASEAN Community Carrier as a “national” both within and outside ASEAN

4. Lack of prioritization by ASEAN member states

The intra-ASEAN liberalization of the ownership and control restrictions or the establishment of ASEAN community carriers are neither identified nor mentioned in the ASEAN Kuala Lumpur Transport Strategic Plan 2016-2025.



THANK
YOU