

Open Skies Policy as pursued by the Kingdom of Bahrain

1. Background

Air transport is the main artery that links the Kingdom of Bahrain to the rest of the world in view of the insular geography of the Kingdom. Special attention has therefore been given to this vital sector out of Bahrain's belief that the air transport industry leads the process of economic development and is a catalyst for trade and tourism and an instrument for social and cultural development. This is a natural outcome of the economic openness policy and adoption of free economics based on fair competition.

2. Deregulation

The Kingdom of Bahrain adopted the policy of open skies officially on 17 October 2001. All world airlines have been invited to operate to and from Bahrain without any restrictions as to number of flights or aircraft types. Some 69 air transport agreements and memoranda of understanding were concluded with other countries, of which more than 20 are based on foundations and principles of open skies. Bahrain also undertook to comply with the provisions of the special annex on air transport services in GATS, including:

- * Air transport services selling and distribution.
- * Aircraft maintenance and repair (excluding line maintenance).
- * Computer Reservation Systems (CRS).

The World Trade Organization has been advised that all these sectors have been opened without restrictions.

3. Effects and Developments

Statistics have shown that upon announcement of the open skies policy, there has been growth of traffic in the various sectors. Airlines have been able to attract a broad segment of passengers. It reached its peak on the Bahrain/Dubai sector which recorded a 26% increase in 2002 and 15% increase in 2003, Bahrain/Doha (14% in 2002), Bahrain/Cairo (24% in 2002 and 7% in 2003), India (27% in 2002 and 24% in 2003) London (6% in 2002).

4. Despite fierce competition between other airlines and Gulf Air, the national carrier, the market share of the latter was unaffected. This was due to the fact that airlines have attracted new passengers offering new services that encouraged air travel.