



INTERNATIONAL ROUTES: AI MAY LOSE SPECIAL PRIVILEGE

Home → [INTERNATIONAL ROUTES: AI MAY LOSE SPECIAL PRIVILEGE](#)

February 2012

International routes: AI may lose special privilege

AI's monopoly over bilaterals, or international flying rights under the bilateral air service agreements may come to an end. The Ministry of Civil Aviation ("**MoCA**") has scrapped with the special "Right to First Refusal" privilege enjoyed by the state-owned carrier almost a decade after private domestic airlines were allowed to fly overseas. This would free up foreign flying rights and routes typically reserved for Air India which were not being utilized and which could not be operated by the private carriers. The carrier has, until now, enjoyed exclusive rights over foreign routes due to its historic monopoly over international routes, meaning private airlines could operate only when AI said it would not operate on them. Under the new arrangement, allocation of the traffic rights will be done well in advance up to a maximum limit of five schedules considering the demands, capacities, operational plans and other relevant factors. The concept of "code sharing" under the new arrangement will also be promoted.

PSA's view: Bi-lateral air service agreements have always held exclusive rights of important stakeholders and significantly for the national carriers. The hording of rights by AI at the exclusion of the private parties unfortunately didn't work for either the national carrier, for the private carriers and nor for Indian economy since while the routes remained non-operated, foreign airlines with bilateral options continued to operate the routes carrying Indian passengers. While, always a difficult decision, this step will free up significant air traffic routes and rights with international countries and enable airlines such as Jet Airways, IndiGo, SpiceJet, to expand their overseas operations. This will also give an opportunity to AI to synergize its efforts towards consolidation and ensuring it operates the profit-making rights and routes. The MoCA should also ensure that any carrier not operating the particular air traffic rights for a destined period would have to surrender the rights.

HAL prepares to manufacture Rafale combat aircraft

HAL is getting ready to progressively manufacture the Dassault Rafale combat aircraft that have been chosen by the Indian Air force for its US\$ 10.4 billion order for 126 aircrafts. HAL has signed Memorandum of Understanding with Dassault and Snemca to produce some of the designated parts of the aircrafts. HAL is designated lead production agency for the airframe, aero-engine and systems integration of the aircrafts. Out of the 126 aircrafts, 18 aircrafts will be directly supplied by Dassault Aviation and 108 aircrafts will be built at

HAL plant in three phases. In the next four years, the deliveries of the aircrafts would commence from HAL to the Indian Air Force as per the agreed schedule.

PSA's view: It is a huge project for HAL that will generate huge business for them. Considering that a lot of time has been invested by the Indian Air Force in shortlisting Dassault Rafale for this project, it would be the utmost priority of HAL to launch and deliver the aircrafts within the stipulated time period.

New National Air Cargo Policy

With air freight traffic in India projected to grow over five times in the next two decades, the MoCA is giving shape to a new National Air Cargo Policy which is being prepared by the Airports Authority of India (“**AAI**”) to meet the situation. A working group committee has been set up on air cargo by the Civil Aviation Economic Advisory Council to complete the report and a framework to address all the issues, taking into account the realities of the air cargo industry.

PSA's view: According to media reports, air cargo traffic in and out of India is projected to grow over five times in twenty years. The media reports suggest that Mumbai airport leads in air cargo operations, which is closely followed by Delhi and Chennai airports respectively. Considering, the growth potential of this segment, it is prudent for the AAI to formulate new set of guidelines for planning and development to cater to the needs of the growing air cargo operations.

De-registration of aircraft by DGCA for non-payment of lease rentals

The DGCA last month de-registered 2 aircraft of the Kingfisher airlines leased in from KfW's leasing arm due to default in payments which led to the termination of the lease agreement. The de-registration was on the basis of affecting the de-registration power of authority at the request of the lessor and accepted by the DGCA leading to de-registration from the Indian registering authority.

PSA's view: This is significant respite and lays down certain regulations on the manner in which lessors and financiers can re-possess aircraft leased into India. There have been few instances of re-possession in the history of DGCA and the continuing assistance of DGCA in line with the Cape Town Convention would only be beneficial to the leasing industry since these steps are often eyed carefully by reputed lessors worldwide.

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