

Advancing the ASEAN Single Aviation Market

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Executive Summary

This Brief IDEAS urges Association of Southeast Asian Nations (ASEAN) Member States to embrace an Open Skies Policy to facilitate the movement of passengers and cargo across the region and materialise the vision of an ASEAN-Single Aviation Market (ASAM).

It recommends the national governments to:

- 01 Revise institutional arrangements for effective implementation of ASAM;
- 02 Reduce the number of barriers in connectivity between Member States to benefit from ASAM;
- 03 Ensure the effectiveness and full implementation of the fifth freedom;
- 04 Harmonise regulations in the interest of safety and efficiency;
- 05 Dedicate an expert group to facilitate discussion for the establishment of an ASEAN Community Carrier which would report to the ASEAN Senior Transport Officials Meeting (STOM) and ASEAN Transport Ministers Meeting (ATM);
- 06 Adopt a proposed implementation schedule for these measures; and
- 07 Commit to provide required resources for implementation of the proposals

Introduction

Open skies, like open borders, facilitate exchange by keeping costs low and quality high through competition. This Brief IDEAS argues for an open skies policy for ASEAN. The Brief provides a basic overview of the levels of freedom of the air, an update on the inter-state aviation agreements in ASEAN, and policy recommendations to advance the ASEAN Single Aviation Market in light of a recently held high-level roundtable organised by Institute for Democracy and Economic Affairs (IDEAS) and the Economic Research Institute for ASEAN and East Asia (ERIA).

Freedom of the Air

The Open Skies policy characterises the degree of freedom available for movement of persons and cargo by air within or across countries. According to the International Civil Aviation Organization, there are nine freedoms of the air which applies to commercial aviation. The terms ‘freedom’ and ‘right’ are a shorthand way of referring to the type of international services permitted between two or more countries. The degree of freedom ascends from the first to the ninth freedoms.

The first freedom is the right to fly over a foreign country without landing. The second is the right to refuel or carry out maintenance in a foreign country without embarking or disembarking passengers or cargo. The third is the right to fly from one’s own country to another. The fourth freedom is the right to fly from another country to one’s own.

The fifth freedom is the right to fly between two foreign countries on a flight originating or ending in one’s own country. The sixth is the right to fly from a foreign country to another while stopping in one’s own country for non-technical reasons. The seventh is the right to fly between two foreign countries while not offering flights to one’s own country. The eighth is the right to fly inside a foreign country, continuing to one’s own country. Finally, the ninth freedom is the right to fly inside a foreign country without continuing to one’s own country.

Type of international services permitted between two or more countries

1 First Freedom



The right to fly over a foreign country without landing.

2 Second Freedom



The right to refuel or carry out maintenance in a foreign country without embarking or disembarking passengers or cargo.

3 Third Freedom



The right to fly from one’s own country to another. The fourth freedom is the right to fly from another country to one’s own.

4 Fourth freedom



The right to fly from another country to one’s own

5 Fifth Freedom



The right to fly between two foreign countries on a flight originating or ending in one’s own country.

6 Sixth Freedom



The right to fly from a foreign country to another while stopping in one’s own country for non-technical reasons.

7 Seventh freedom



The right to fly between two foreign countries while not offering flights to one’s own country.

8 Eighth Freedom



The right to fly inside a foreign country, continuing to one’s own country.

9 Ninth Freedom



The right to fly inside a foreign country without continuing to one’s own country.

¹ The FTSE Bursa Malaysia KLCI Index comprises of the largest 30 companies by full market capitalization on Bursa Malaysia’s Main Board.

Aviation Market in ASEAN

The ASEAN Single Aviation Market (ASEAN-SAM), also known as the ASEAN Open Sky Agreement or Policy, is the region's major aviation policy, which supports the establishment of the ASEAN Economic Community (AEC). ASEAN SAM was proposed by the ASEAN Air Transport Working Group (ATWG) and supported and endorsed by the ASEAN Senior Transport Officials Meeting (STOM) and the ASEAN Transport Ministers (ATM) respectively during 13th ASEAN Summit in November 2007.

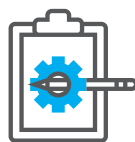
The objectives of ASEAN-SAM are to:



Develop a unified and single aviation market among ASEAN Member States in Southeast Asia;



Become a key component of the road map for the establishment of the ASEAN Economic Community (AEC); and



Replace existing unilateral, bilateral and multilateral air services agreements among member states which are inconsistent with its provisions.

ASEAN-SAM aims to fully liberalise air travel between Member States, allowing ASEAN countries and airlines operating in the region to directly benefit from the growth in air travel around the world. It frees up tourism, trade, investment, and service flows between Member States, and all carriers from ASEAN through unlimited third, fourth and fifth freedom operations within the region.

“ASEAN-SAM aims to fully liberalise air travel between Member States in the ASEAN region, allowing ASEAN countries and airlines operating in the region to directly benefit from the growth in air travel around the world.”

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Progress

Much progress has been made over the past years under the leadership of the ASEAN Transport Ministers supported by the ASEAN Senior Transport Officials Meeting and the ASEAN Air Transport Working Group (ATWG). Despite the agreement to implement the ASEAN Open Skies policy in 2016. There are still major milestones to be met if the region is to reap the economic benefits of a single aviation market. Focusing on the common good of an economic community and to gain efficiencies throughout the entire system, it is necessary to shape the landscape for the implementation of aviation policies across the region.

Towards this end, the IDEAS and ERIA organised a roundtable on 9th May 2017 with aviation experts, high-level industry representatives and Ministry of Transport officials, to discuss and provide recommendations for advancing the ASEAN Single Aviation Market. Malaysia's Transport Minister, Dato' Seri Liow Tiong Lai delivered the concluding remarks.

The discussions and many of the roundtable's recommendations were consistent with the plans and proposals outlined in the AEC, ASAM, Master Plan on ASEAN Connectivity 2025 (MPAC) and the Kuala Lumpur Transport Strategic Plan (KLTSP).

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Dato' Seri Liow Tiong Lai

Recommendations

The IDEAS-ERIA roundtable developed the following recommendations for consideration of the ATM:

a) **Proposals for advancing the ASEAN Single Aviation Market (ASAM)**

i. Revise the institutional arrangements for effective implementation of ASAM

The proposals for advancing the ASAM require deeper discussions on technical and regulatory matters. **This is best undertaken by the Directors General (DG) of the Department of Civil Aviation (DCA) of ASEAN Member States.** It is recommended that the DGs meet at least four times a year to deal with the harmonisation of regulations as well as work towards the eventual establishment of a Regional Safety Oversight Organisation (RSOO) for ASEAN, to act as the grouping's aviation regulatory body. The DG meetings can be supported by dedicated working groups throughout the year.

ii. Reduce barriers to connectivity

There should be a reduction of barriers to connectivity if the ASEAN region is to benefit from ASAM. A first step, to be carried out by an ASEAN-based think tank or research institution, would be to compile a list of relevant policies, which may be considered as barriers or counter-productive to connectivity. Focal points in ASEAN Member States could be assigned to work with the ATWG to reduce the barriers to connectivity in the region.

ASEAN must ensure the effectiveness and full implementation of the fifth freedom.

Implementation has already started but must be supported and sustained. ASEAN members have developed a common understanding on the fifth freedom and the benefit of its full implementation. It is now necessary to allocate more resources, and specify clear timelines, to overcome the challenges to the full implementation of the fifth freedom. It is also hoped that the same spirit of commitment can be extended to initiate dialogue on the 6th and 7th freedoms at a later date.

iii. Harmonise regulations

Regulations should be harmonised in the interest of safety and efficiency. Mutual recognition of license and certification for personnel (pilots, engineers, air traffic controllers) and technical equipment throughout ASEAN such as aircraft and airworthiness certificates of equipment, is key to safety and efficiency

The ATWG should work on the recommendations of the **ASEAN Air Transport Integration Project (AATIP)**, specifically the ones related to Mutual Recognition Arrangements (MRAs) for technical personnel; as well as the measures to support the attainment of a safe, secure and sustainable ASEAN Single Aviation Market based on high regulatory standards. **There should be regular updates provided to the ATM.**

Ultimately, the monitoring of the implementation of the MRAs and regulations should come under the purview of the Regional Safety Oversight Organisation (RSOO) for ASEAN.

iv. Building an ASEAN Community Carrier

The ASAM allows for the establishment of an ASEAN Community Carrier. However, the process towards this goal requires deeper discussions covering both technical and legal matters. This should be assigned to a dedicated expert group, which would report to STOM and ATM.

b) **Proposed implementation schedule for these measures:**

It is proposed that these recommendations be addressed in three phases:

- i. 1st Phase – by December 2017: establish the DG of DCA meeting to take forward the process of harmonising safety and technical regulations; begin process of establishing RSOO;
- ii. 2nd Phase – by December 2019: barriers to connectivity significantly reduced to enable the full and effective implementation of the fifth freedom; RSOO set up; MRAs in place;
- iii. 3rd Phase – December 2020: RSOO fully functioning, and ASEAN Community Carrier in place.

c) **Required resources for implementing the proposals:**

The proposals would require commitment and resources to ensure that the timelines are met. The DGs of DCA would need the support of a dedicated expert team to meet regularly to work through the technical details for the full implementation of ASAM. STOM and ATM should also access the expertise of academics and think tanks to support this effort.

Open skies facilitate the movement of passengers and cargo by bringing the prices down through competition. It is hoped that the ASEAN Transport Ministers consider and approve the proposals for advancing the ASEAN Single Aviation Market by minimising reducing barriers to connectivity, harmonising regulations and, ultimately enable the development of an ASEAN Community Carrier.



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