Clear take-off on Asean Open Skies

By ALAN TAN K K EJIN

The Association of South-east Asian Nations is hoping to achieve a single aviation market for the region by 2025. This move is often referred to as Asean Open Skies. The idea is that airlines will operate without restrictions throughout the region. Yet, the reality is more complex. The barriers to entry are still substantial because it requires that airlines can freely operate without limitations. It is only in limited cases that airlines are able to fly from one country to another. In Indonesia, for example, there are so-called "ritable" - rights to operate in other countries that are limited. For instance, Singaporean carriers can fly to Thailand under the "third freedom" to transport passengers from Singapore to Europe via Thailand. However, this is the "third freedom" granted to Singapore by both Thailand and Malaysia. All these rights are granted by states to each other through bilateral negotiations, often with flight and capacity limits.

Indonesia stays out

The challenge for "open skies" is that Indonesia, the region's largest economy, has not accepted the relevant agreements. Hence, operations between Singapore and Indonesia remain governed bilaterally, with limits for both sides. For some years, Singaporean carriers had reached their limits and could not launch new flights into Indonesia. Recent negotiations have added additional capacity, largely because the Indonesian carriers have only now reached their limits and agreed to expansion.

Who does Indonesia prefer to re-arrange the mutual agreements to open up before completely?

The benefits for Indonesia are obvious - more tourism and shorter travel times for travelers, increased business and tourist arrivals, and positive effects for foreign investment and airport and ancillary services. Yet, Indonesian policy is that since national airlines have their governments' approval to invest in foreign destinations.

For now, Indonesia is unique in this area. Carriers from China to Vietnam do not have to restrict their foreign routes. The concern relates mainly to the "third freedom" operations, with Indonesia being the only country that refuses to grant them. The concerns are primarily related to the "third freedom" rights with capacity limits and flight restrictions.

Seventh freedom and domestic flights

The story doesn't end there. A true single aviation market such as in Europe allows carriers to connect two international points outside their home country.

However, this is not permitted by the Asian agreements. As a result, airlines cannot fly between Singapore and other countries as if they were connected. Each carries separate flights in and out, with the benefit being a better overall service.

How does Malaysia explain AirAsia's hub in Thailand?

According to the agreements, if a company wants to operate in Thailand, it must be a Thai company. This means that a company from Singapore can only operate under a Thai company. AirAsia, for example, operates under flag carrier AirAsia X, which is a Thai company.

The China challenge

At present, Asean airlines are only partially open. They are only partially open to competition. Asean countries that have implemented third and fourth freedom rights for both sides. That means Asean airlines can now operate unlimited flights to China, except from Hong Kong, Macau and Taiwan, where they are excluded.

At first glance, this seems lucrative for Asean airlines. They can now fly unlimited flights to any Chinese port, subject only to few restrictions in congested airports such as Beijing. Over time, though, there will be a notable disadvantage. That is because Asean airlines can only operate in China from their own territory. The agreement only allows third and fourth freedom rights, a