

MODULE VI

GLOBAL TRENDS IN AIRLINE MANAGEMENT

- ✓ INTERNATIONAL AIR TRANSPORT ASSOCIATION
- ✓ INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO)

ICAO'S ACTIVITIES ACROSS THE SUSTAINABLE DEVELOPMENT AGENDA

- ✓ **Social & Economic Pillars**
- ✓ **Environment Pillar**
- ✓ **Technology & Operations**
- ✓ **Coordinating International Policy**
- ✓ **State Action Plans**
- ✓ **International Air Transport and Its Regulations**

ICAO and the Convention on International Civil Aviation (the "Chicago Convention")

- ✓ Status of ICAO
- ✓ SARPs
- ✓ Notification Obligations
- ✓ Enforcement
- ✓ International Cooperation and Information Sharing
- ✓ The Universal Security Audit Programme

LOW COST CARRIERS



What is a
low-cost
carrier?

- ✓ In airline business, we have a traditional model referred to as 'Legacy Carrier/Conventional' and the Low-Cost Carrier.
- ✓ It is essentially a '*business model*' also known as 'no frills'
- ✓ An airline that offers low fares without traditional services.
- ✓ 'No-frills' is the term used to describe any service or product for which the non-essential features(or frills) have been removed.
- ✓ Work on the principle of 20:80
- ✓ Legacy airlines
 - Multi-class (First, Business and Economy)
 - Complimentary in-flight services.

A typical Low-Cost Carrier business model practices include

- ✓ A single type of aircraft (say, Airbus320 or 'Boeing 737)
- ✓ A single passenger class
- ✓ A simple fare scheme(typically fare increases as the aircraft fills up, which rewards early reservations-Yield Management)
- ✓ Unreserved seating (encouraging passengers to board early and quickly)
- ✓ Short flights and fast turnaround times (allowing maximum utilization of aircraft)
- ✓ Flying to cheaper/less congested airports
- ✓ Simplified routes, mostly point-to-point
- ✓ Emphasis on direct sales of tickets(on line)
- ✓ Employees working in multiple roles and simple dress code
- ✓ 'Free' inflight catering and other 'complimentary' services are eliminated, and replaced by optional paid-for in-flight food and drink

LCC- New Thrust Areas



Differential
Strategy

Competitive
Strategy

Selection of aircraft

- ✓ Operational Effectiveness
- ✓ Awareness Build Up
- ✓ Low Cost Leadership
- ✓ Core Competence

Factors in a Successful Alliance

- ✓ Focus on core business activities; passengers/cargo operations.
- ✓ Improve pricing structure; ticket selling procedure.
- ✓ Adapt to the current and future market , without the flexibility this will form a threat to future success.
- ✓ Maximize synergy in aligning ways of work, processes and procedures, together the total must be more than the sum of the parts.
- ✓ Even when all is well, focus on operations and cost.

BILATERAL AIR TRANSPORT AGREEMENTS

- ✓ A bilateral regulation is a regulation undertaken jointly by two parties or, most typically by two states in international civil aviation.
- ✓ The main objective is the conclusion, implementation or continuance of some kind of intergovernmental agreement or understanding concerning air services between the territories of the two parties.



Why Bilateral Agreements?

- a) Article 1 of the Chicago Convention which states that states have complete and exclusive sovereignty over above their territory**
- b) Agreement on the requirement for special permission or other authorization to operate schedule international air services over or into the territory of a contracting state**
- c) Lack of success of efforts to establish a multilateral regulatory regime for the commercial aspects of international air transport**

The Bermuda I Agreement of 1946 between UK & USA

This agreement was the result of a compromise between the two broad approaches to the regulation of international air services that had emerged at the Chicago Conference and been left unresolved.

- A. At one extreme it was held that there should be no regulation of capacity or tariffs nor narrow definitions of routes.
- B. The opposite view was that capacity should be pre-determined, tariffs regulated by an international agency and routes specified.
- C. Under the compromise agreement, tariffs were to be established by the Airlines through IATA, subject to the approval of both parties. Capacity was to be determined by the Airlines and routes were specified

TYPICAL PROVISIONS OF BILATERAL AIR TRANSPORT (SERVICES) AGREEMENTS

- Preamble
- Definitions article
- Grant of rights article
- Fair and equal opportunity article
- Designation and authorization article
- Revocation or suspension of operation article
- Capacity article
- Tariff article
- Statistics article
- Commercial operations article or commercial opportunities article
- Airworthiness article
- Aviation security article
- Customs duties and taxes article
- User charges article
- Application of laws article
- Consultation article
- Settlement of disputes article
- Termination article or denunciation article
- Multilateral agreement article
- Registration article
- Entry into force article
- Signature provisions

EMERGING TRENDS - ISSUES RELATED TO BILATERAL AND OPEN SKIES

❖ International Practices and Recent Developments

❖ Birth of Bilateral Air Services Agreements

MULTILATERAL AGREEMENTS

- OPEN SKIES
- ICAO'S APPROACH TO LIBERALIZATION
- AIR SERVICES AGREEMENTS AND GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)
- Bilateral Agreements and Slot Allocation

Thank You