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AIRLINE COMPETITION

-- Note by India --

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This document reproduces a written contribution from India submitted for Item IX of the 121st meeting of OECD Competition Committee on 18-19 June 2014.

More documents related to this discussion can be found at http://www.oecd.org/daf/competition/airlinecompetition.htm.

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1. The document is submitted in response to a call for papers contribution for a committee roundtable on 'Airline Competition' at the forthcoming OECD Competition Committee meeting in June, 2014. The views expressed in the document have been researched and analyzed by the officers of the Competition Commission of India and do not represent the views of Government of India.

Abbreviations

DGCA	Director General of Civil Aviation
TAFI	Travel Agents Federation of India
TAAI	Travel Agents Association of India
IATO	Indian Association of Tour Operators
IATA	International Air Transport Association
CCI	Competition Commission of India
O&D	Origin and Destination
CCA	Commercial Cooperation Agreement
AERA	Airports Economic Regulatory Authority of India
SHA	Share Holders Agreement
MRTP	Monopolies and Restrictive Trade Practices

Executive Summary

2. The paper examines the key competition issues arising in the India's Airline sector. The paper briefly provides a historical overview and discusses the functioning of the Airline sector in India. The paper analyses the present market structure and attempts to identify the anti-competitive issues within the relevant market in India. It also attempts to assess several practices and conducts of the airline operators that might source anti-competitive concerns. The paper further discusses the cases dealt by Competition Commission of India (CCI) in the airline sector. Finally, the paper emphasizes the advocacy efforts of CCI to encourage fair and effective competition in Airline sector in India.

1. Introduction

3. In an increasingly globalised economy, air transport is a vital element of the country's transport infrastructure. The sector plays an integral role in the development of the economy by facilitating the growth of business, tourism, with significant multiplier effects across the economy.

4. The Airline sector in India has witnessed unprecedented growth in recent years, with aviation coming within the reach of common people. India is now among the countries witnessing the highest growth in air passenger traffic and is currently the 9th largest aviation market with around 121 million domestic and 41 million international passengers.[1] Presently, more than 85 international airlines operate to India and 5 Indian carriers connect over 40 countries.[2]

5. In the recent past, Government of India has taken substantial pro-competitive policy measures to transform the civil aviation sector in India. These include the decision to allow 49 per cent direct investment by the foreign carriers in domestic airlines and direct import of Aviation Turbine Fuel (ATF) by Indian carriers and liberalization of the process of acquisition of aircraft by the scheduled, non-

[1] E- release, Press Information Bureau, Government of India

[2] Ibid. Available at: http://pib.nic.in/newsite/erelease.aspx?relid=94309

scheduled airlines.[3] Furthermore, to give a big boost to international air travel, the Government has taken substantial steps to liberalize and grant traffic rights to Indian carriers to fly to several new destinations across the globe.

6. Innovative business practices devised by airlines have also increased the competitiveness in the sector. While many provisions in the Airline regulatory framework and airlines business practices are pro-competitive, still there are certain regulatory provisions and airlines business practices that limit competition within the industry.

7. The present paper aims to examine the important competition issues arising in the India's airline sector. The study attempts to analyze and identify certain restrictive provisions within the airline regulatory framework. The paper also emphasizes how the issues related to cartel, abusive behaviour and mergers in the Airline sector have been dealt by CCI under the Competition Act, 2002.

2. India's airline sector

8. Since 1912, when the first scheduled flight took off, the Indian Airline industry has witnessed a significant growth in passenger and cargo traffic. Rapidly expanding air transport network and opening up of the airport infrastructure to private sector participation have fuelled the growth of the India's Airline industry.

2.1 Historical Overview

9. The history of civil aviation in India began in December 1912 when the Indian State Air Services in collaboration with UK based Imperial Airways introduced the first International 'Delhi-Karachi-London' flight from India. Three years later, the first Indian airline, Tata Sons Limited started a regular airmail service between Karachi and Madras without any patronage from the government.[4] In 1932, Tata Sons Limited introduced 'Tata Airlines' to provide Air Mail services on the Karachi, Ahmedabad, Bombay, Bellary, Madras routes.

10. During 1930's, the Indian aviation market witnessed significant developments. In 1934, the Indian Aircraft Act was enacted to provide better provisions for the control of the manufacture, possession, use, operation, sale, import and export of aircraft. Later, in 1946, Tata Airlines changed its name to Air India. Later, Air India signed an agreement with the Government to operate international services under the name 'Air India International Ltd'.[5]

11. From 1950's to 1990's the Indian Aviation industry was under state control as the Airline industry was nationalised in March 1953. In 1994, following the repeal of the Air Corporation Act, private airlines were permitted to operate scheduled services and a number of private players including Jet Airways, Air Sahara, Modiluft, Damania Airways, NEPC Airlines and East West Airlines commenced domestic operations.[6]

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3 Report of the Committee constituted for examination of the recommendations made in the Study Report on Competitive Framework of Civil Aviation Sector in India , June, 2012, Ministry of Civil Aviation, Government of India

4 Ministry of Statistics and Programme Implementation, Write up on Civil Aviation Sector http://mospi.nic.in/Mospi_New/upload/statistical_year_book_2011/Sector-4-Service%20sector/Ch-23-Civil%20aviation/Civil%20avaition-Writeup.Pdf

5 Press Information Bureau - 100 Years of Civil Aviation in India - Milestones

6 Ibid

12. The year 2003 saw the ushering in the entire Low Cost Carriers' in the country when Air Deccan started its services. In 2008, the path breaking Greenfield Airports Policy of the Government was announced that dispenses with the need for mandatory approval for setting up new airports. To regulate the economic aspects of airports, the Parliament passed the Airports Economic Regulatory Authority (AERA) Act and the AERA was set up.

2.2 Functioning of the Airline Sector and Market Structure

13. This section highlights the present market structure and functioning of the India's Airline Sector. For easy understanding, the section is divided into four sub-sections:

- Types of Services
- Regulatory Authorities in India
- Market Structure
- Market Share of the Airlines

2.2.1 Types of Services

14. Airline sector in India is administered by the Ministry of Civil Aviation. The services of the India's airline sector can be broadly divided into the three main categories:

- Scheduled air transport service
- Non-scheduled air transport service
- Air cargo service

15. Scheduled air transport service is an air transport service undertaken between two or more places and operated according to a published timetable. It includes domestic and international airlines. Whereas, non-scheduled air transport service consists of charter operators and air taxi operators. In this service, the operator is not permitted to publish time schedule and issue tickets to passengers. Lastly, the Air cargo service includes air transportation of cargo and mail. It may be on scheduled or non-scheduled basis.

2.2.2 Regulatory Authorities in India

16. The civil aviation sector of India has gradually developed and evolved over the period of time. In order to guide the market participants, the Government of India has expeditiously responded to the growing needs by making new or amending the existing regulatory frameworks.

17. The key regulatory authorities in the India's airline industry are:-

- Director General of Civil Aviation
- Airports Authority of India
- Airport Economic Regulatory Authority

18. **Director General of Civil Aviation (DGCA):** The DGCA is responsible for implementing, controlling, supervising airworthiness standards, safety operations and crew training in India. This directorate also investigates aviation accidents.

19. **Airports Authority of India (AAI):** In 1995, Government established 'Airports Authority of India' (AAI) to manage all national and international airports and administer every aspect of air transport operation through the air traffic control.

20. **Airports Economic Regulatory Authority (AERA):** The Airports Economic Regulatory Authority of India (AERA) was established in 2008 to regulate tariff for aeronautical services rendered at major airports in India. The authority also monitors airports performance standards.

2.2.3 Market Structure

21. The market structure of the sector has changed over the last few decades. The sector has evolved from a market, tightly controlled by the government with two air carrier service providers to a relatively competitive regime.[7]

22. Post deregulation, the civil aviation industry in India has an oligopolistic structure. The key market characteristics of India's aviation sector are as follows:

- The industry is dominated by a small number of large firms (see market shares below)
- Players of the industry i.e. the airlines sell either identical or differentiated products (the only differentiation here being in service quality and frills offered)
- The industry has significant barriers to entry (which holds true both with respect to regulations and huge capital investment required).

2.2.4 Market Share of the Airlines

23. The Directorate General of Civil Aviation (DGCA) publishes the market share of scheduled domestic airlines in the Indian skies. An overview of the market share (for the year 2013) of the different operators in the scheduled airline services is mentioned below:[8]

- **Indigo:** The airline became operational in August, 2006. The airline currently has a market share of 29.5% of the Indian skies.
- **Jet Airways (India):** Jet Airways started its operations in 1993. Jet Airways (India) has secured the second place. Along with its subsidiary Jet Konnect, this company has a share of 22.5% of the Indian skies.
- **Spice Jet:** Spice Jet is an Indian low-cost airline owned by the Sun Group of India. The airline began its operations in May 2005. The company has has secured the third spot in the list published by the DGCA. At present, the airline has a market share of 19.8%.
- **Air India** (Domestic): Air India stands at 19.1% of the Indian skies as far as market share is concerned.
- **Go Air:** Go Airlines has a market share of 9.0% of the Indian skies.

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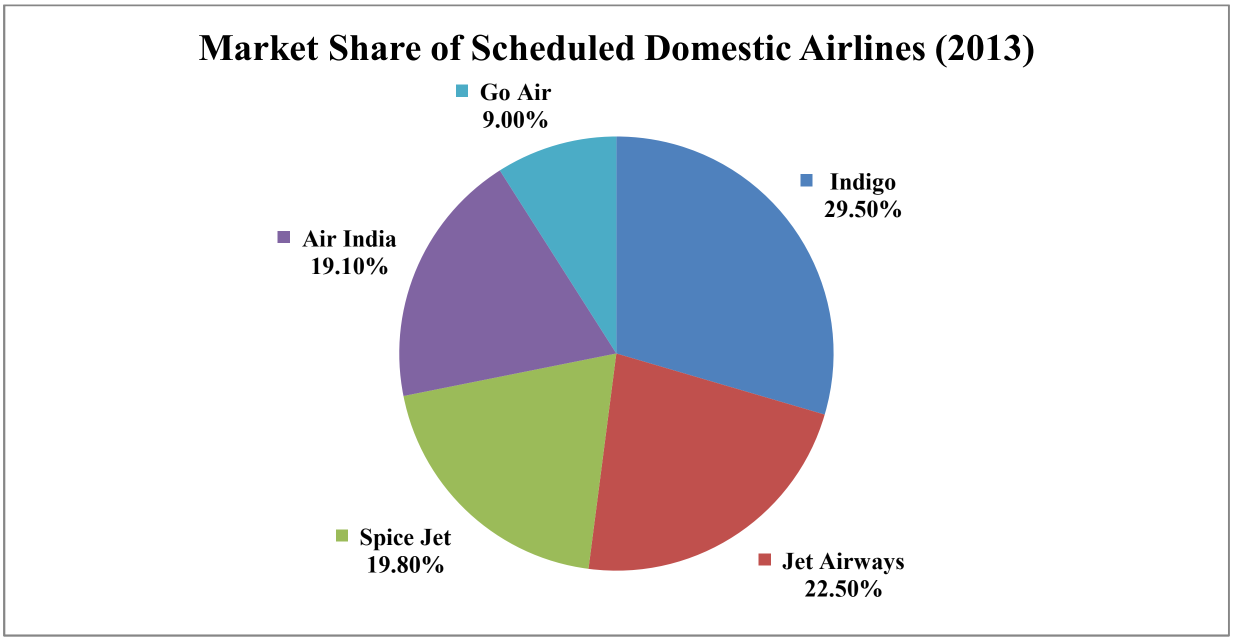
7 Expert Report, Research Study of the Civil Aviation Sector in India, Nathan Economic Consulting India Pvt. Ltd.

8 DGCA report, Market Share of Scheduled Domestic Airlines

Figure 2: Percentage distribution of the market share of scheduled domestic airlines



Source: DGCA Report[9]

3. Competition issues in the India's airline sector

24. An analysis of nature of competition in the airline industry starts with identification of set of services the industry provides. The Airline industry, inter alia, includes Airports, Scheduled and Non-scheduled domestic passenger airline sector, cargo airlines, helicopter services, seaplane services, ground handling services, maintenance and repair organisations, flying training institutes and technical training institutions.

25. The Competition Act, 2002 prohibits anticompetitive agreements and abuse of dominant position by enterprises and regulates combinations (acquisition, acquiring of control, and Merger & Acquisitions), which cause or are likely to cause an appreciable adverse effect on competition within India.

3.1 Competition Issues related to the provisions of Airline Regulatory Framework

26. There are few regulatory provisions in the domestic air transport sector which may raise competition concerns in the sector; however these provisions may have different justifications, such as safety, security etc.

- Fleet and Equity Requirements:
- Slot Allocation
- Route Dispersal Guidelines

9 Market Share of Scheduled Domestic Airlines, DGCA report available at: http://dgca.nic.in/reports/Market.pdf

3.1.1 Fleet and Equity Requirements:

27. India's Civil Aviation Requirement (CAR) Section (3) Part II prescribes the minimum requirements for grant of permit to operate Schedule Passenger Air Transport services. As per DGCA requirements, a scheduled service operator that applies to provide services using the aircraft with a take-off mass of 40000 kg or more must have a minimum number of 5 aircrafts with start-up equity requirement of INR 500 Million. For each addition of up to five aircraft, additional equity investment of INR 200 Million is required. Airlines operating with aircraft with take-off mass not exceeding 40,000 kg must purchase at least 5 aircrafts with start-up equity requirements of INR 200 Million. For each addition of up to five aircrafts, additional equity investment of INR 100 Million is required.[10]

28. Similar set of requirements are prescribed, if a domestic carrier wishes to start international air carrier services. To start operation in the international segment, an operator is required to purchase at least 20 aircrafts and must possess at least 5 years of domestic scheduled transport experience.

29. The costly fleet and equity requirement may be perceived to limit the ability of suppliers to compete in the airline sector.

3.1.2 Route Dispersal Guidelines

30. All aviation routes in the country are divided into three categories. Category I includes the popular and extensively serviced routes i.e. large Indian city, metro hubs. Category II routes includes areas that are remote, relatively small and unpopular service routes. These routes connect stations in the North-Eastern region, Jammu and Kashmir, Andaman and Nicobar, and Lakshadweep whereas Category III routes comprise all routes other than those in Category I and II.

31. According to the policy, any operator which operates scheduled air transport services on one or more than one routes under Category I, is required to deploy on Category II routes at least 10% of the capacity it deploys on Category I routes. Moreover, the operator has to deploy on Category III routes at least 50% of the capacity it deploys on Category I routes.[11]

3.1.3 Slot Allocation

32. A slot is the permission given by the coordinator for an aircraft to arrive or depart at a coordinated airport at a particular time on a particular day. Slot is a key asset for the airlines in the air space sector. Slots are allocated to airlines twice a year, for summer season and winter season, where each season is a period for six months. These slots are allocated according to International Air Transport Association (IATA) scheduling guidelines.

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10 Civil Aviation Requirement Section 3 - Air Transport Series 'C' Part II. Available at: http://www.dgca.nic.in/cars/d3c-c2.pdf

11 Issues for consideration in Civil Aviation Policy http://civilaviation.gov.in/cs/groups/public/documents/newsandupdates/moca_001396.pdf

33. Key guiding principles[12] of slot allocation process, as followed in India are –

- Slots are only allocated for planning purposes by a duly appointed coordinator
- IATA's Worldwide Slot Guidelines (WSG) guidelines establish grandfather rights for runway slots, which permit airlines to use those slots in the future which they have already used in the past.
- Airlines lose grandfather rights if they do not operate them for at least 80% of the time of the respective flight period (use-it-or-lose-it)—one flight period is six months
- Slots may be freely transferred or exchanged between airlines, or used as part of a shared operation, subject to the provisions of these guidelines and applicable regulations
- Slots may not be withdrawn from carrier to accommodate new entrants. From the pool of available slots, new entrants access to only 50% of the slots.

3.2 Anti-Competitive Issues relating to the Conduct/Business Practices of Market Players:

34. While many of the innovative business practices devised by airlines are evidence of healthy competitive behaviour, there may be practices which can raise competitive concerns. This section attempts to assess the following key issues related to business practices and conducts of the airline operators that might source anti-competitive concern.

- Pricing
- Loyalty Programs
- Multi-Contact
- Code Sharing Agreement

3.2.1 Pricing

35. Airlines follow a dynamic pricing strategy depending on when a flight is booked or on the principle of supply and demand on a particular route at a point of time. Moreover, the dynamic pricing strategy has led the prices in this industry to range from excessively high to extremely low.

36. Given the oligopolistic structure of the airline market, the possibility of collusive price fixing arrangements cannot be ruled out. Furthermore, the airline industry features a high degree of transparency over prices and volumes. All of an airline's future fares are instantaneously available over computer reservation systems.

37. Another issue which recently caused uproar in the Indian airline industry is related to the sale of abnormally low airline ticket prices. Experts alleged that airlines providing these prices were involved in predatory pricing which was aimed at driving competitors out of the market or to create barriers for new entrants. In one of such cases, India's Director General of Civil Aviation (DGCA) asked Chennai-based low-cost carrier SpiceJet to stop selling tickets at rock-bottom fares.

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12 Ibid.

38. The Competition Act, 2002 empowers CCI to prohibit collusive price fixing arrangements. If a dominant enterprise abuses its position by charging 'unfair' or 'discriminatory' prices, CCI can intervene to prohibit the practice and levy penalties.

3.2.2 Loyalty Programs

39. Airlines design sophisticated pricing schemes to reward loyalty. For example, most airlines have set up frequent-flyer programs (FFPs) that offer registered travellers free tickets or free class upgrades after a certain number of miles have been accumulated. Many economists and policy analysts seem to believe that loyalty-rewarding pricing schemes, like frequent flyer programs, tend to reinforce a firm's market power and hence are detrimental to consumer welfare.[13] For example, eight competition authorities around the world have conducted formal investigations in relation to loyalty programmes in the field of air transport including Finland, Germany, Ireland, Italy, Spain, Norway, Sweden and the European Commission.[14] However, only the Swedish and the Norwegian competition authorities have intervened against loyalty programmes in relation to FFPs. The two authorities found that alleged airline had abused its dominant position by applying lucrative loyalty incentives for domestic flights, as this made it harder for other carriers to start or to maintain competitive services on domestic routes.

40. Although many Indian airline operators do provide such loyalty programs, however, as of now, no issue has been reported before the Commission.

3.2.3 Multi-Contact

41. Firms often compete against one another in many markets. This multiplicity of contact has raised concerns among economists that anticompetitive outcomes are more likely to be realized in the markets in which these firms compete due to mutual forbearance.[15] Thus, the number of markets in which firms meet is a factor influencing the likelihood of oligopolistic coordination. Carriers with multimarket contact may cooperate in setting fares and are prone to engage in other collusive agreements.

3.2.4 Code Sharing Agreement

42. A code-sharing agreement is an agreement between two or more air carriers whereby the carrier operating a given flight allows one or more other carriers to market this flight and issue tickets for it as if they were operating the flight themselves.[16] A seat can be purchased on one airline but is actually operated by a cooperating airline under a different flight number or code. Code-sharing agreements between airlines may go beyond a mere sharing of the designator codes and may be supplemented by other elements of cooperation: e.g. coordination of the frequent flyer programmes, route and schedule planning, coordination of marketing, sales and distribution networks, joint pricing, sharing of facilities and services at airports, integration and development of information systems etc.[17] Although code-share agreements provide airlines several opportunities, since they are horizontal agreements they may have some harmful effects on competition.

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13 Ramon Caminal, Adina Claici, Are loyalty-rewarding pricing schemes anti-competitive? International Journal of Industrial Organization 25 (2007) 657–674.

14 Loyalty programmes in civil aviation, European Competition Authorities.

15 Federico Ciliberto, Jonathan W. Williams (September 2013); Does Multimarket Contact Facilitate Tacit Collusion? Inference on Conduct Parameters in the Airline Industry.

16 European Competition Authorities, Code-sharing agreements in scheduled passenger air transport.

17 Ibid.

43. In one of such cases, a code-sharing agreement between private airlines Jet Airways and Kingfisher came under scrutiny of CCI as the informant alleged that the pact could lead to formation of cartel. The two companies made a pact for common fuel management, ground handling, network rationalisation and cross-crew use. The two airline rivals also joined hands for cross sales and staff training.

44. CCI ordered an investigation into the alliance and examined the agreements/arrangements entered into between Jet Airways and Kingfisher Airlines. However, CCI found that none of these agreements were either determining the airfares or limiting the supply or allocating the market. As CCI didn't find any violation of Competition Law in its investigation, the matter was subsequently closed.

4. Cases

45. This section deals with the cases dealt at CCI in the Airline Sector under the different provisions of the Competition Act, 2002.The cases have been classified into two categories: Cases related to Cartels and Abuse of Dominance and Cases related to Mergers and Acquisitions

4.1 Cases related to Cartels and Abuse of Dominance

46. As discussed in the previous section, India's airline sector is characterised with an oligopolistic form of market structure. Given the characteristics of the oligopolistic market, where collusion, anti-competitive agreements, entry and exit barriers etc. may be suspected; the likelihood of anti-competitive practices in the industry is quite high.

47. CCI has been reviewing and closely watching the practices prevailing in the airline sector. The Commission has investigated a number of cases in the aviation sector under the lens of Section 3 and Section 4 of the Act. Section 3 of the Act deals with 'Anti-competitive agreements', whereas section 4 deals with 'Abuse of Dominant position'.[18] Till date, the Commission has investigated 19 cases in airline sector. Out of 19 cases, 18 cases have been disposed of by the Commission as Commission didn't find sufficient evidences in most of the cases. However in one case, relating to ticket booking segment the Commission found the cartelization of travel agents and penalized them for breach of section 3 of the Act.

48. *Uniglobe Mod Travels Pvt. Ltd v. TFAI, TAAI, IATA and others*[19]- In this case, CCI found that foreign airlines, such as Singapore Airlines etc. and Domestic Airlines such as Jet, Kingfisher etc. had issued notices to the travel agents to move from the "commission" based model of remuneration to "transaction" based model. The "commission" based model ensured a set 2% to 5% "commission" on the sale of each ticket. However the travel agents were reluctant to adopt the new model and through their respective associations formed an agreement to boycott the decision and subsequently stopped booking ticket for these Airlines. This particular action forced the domestic Airlines operators to revoke their decision of switching to transaction based model but the foreign Airlines continued with their guidelines of adopting the new mechanism of "remuneration". The travel agents association after the decisions of the Domestic Airline operators continued with the booking of seats for these Domestic Airlines but they refrained from booking tickets for the foreign airlines. The informant in the above case, a travel agent, boycotted the agreement, which resulted into his expulsion from the association on account of non-adherence to the terms and conditions laid down by the associations. The informant alleged that the travel agents entered into an anti-competitive agreement amongst themselves.

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[18] As per Competition Act, 2002

[19] *Uniglobe Mod Travels Pvt. Ltd v. TFAI, TAAI, IATA and others*, Available at: http://www.cci.gov.in/index.php last accessed on 8/05/2014

49. The Commission investigated the actions of the Travel Agents Association and found them in contravention to the Section 3(1) and 3 (3) (b)[20] of the Act. This was based on the premise that three fourth of the tickets were booked through agents, establishing the fact that they hold substantial market power. The Commission directed them to refrain from indulging into such anti-competitive practises in future and penalized three associations namely TFAI, IAAI, and TAAI with 1 Lakh Rupees each.

50. The parties approached Competition Appellate Tribunal[21] (COMPAT) against the decision made by CCI. The COMPAT upheld the Commission's order.

4.2 Cases related to Mergers and Acquisitions

51. Jet Airways (India) Limited ('Jet') is an airline primarily engaged in the business of providing low cost and full service scheduled air passenger transport services within and to/from India. Etihad Airways PJSC ('Etihad') is the national airline of UAE, based in the emirate of Abu Dhabi. Etihad is primarily engaged in the business of international air passenger transportation services.

52. Jet and Etihad filed a joint notice with CCI for the acquisition of 24 per cent equity stake and certain other rights in Jet by Etihad pursuant to an Investment Agreement ('IA'), a Shareholders' Agreement ('SHA') and a Commercial Cooperation Agreement ('CCA'). The Parties entered into a composite combination comprising inter alia the IA, SHA and the CCA with the common/ultimate objective of enhancing their airline business through joint initiatives. The Commission found that the relevant market for the purpose of assessment of the combination is the market for international air passengers.

53. For the purpose of defining the relevant market, the Commission held origin & Destination (O&D) approach to market definition as an appropriate starting point for the competition analysis in air transport cases. As regards the other overlapping O&D pairs between different call points in India and other foreign destinations, the Commission observed that there are 38 routes to/from India to other destinations, where both Etihad and Jet fly and there is at least one competitor on the route. Of these, only for 7 routes, Jet and Etihad have a combined market share of greater than 50 percent. Of these 7 routes, on 3 routes either Jet or Etihad has a market share of less than 5 per cent. Thus, post transaction change in market share is marginal for the combined entity and the deal does not alter the competition dynamics.

54. The Commission, vide majority order dated November 12, 2013, approved the combination under sub-section (1) of section 31 of the Act. However, CCI observed that the approval is granted pursuant to the underlying competition assessment based upon the information provided by the Parties, in the notice given under section 6(2) of the Act (as modified and supplemented from time to time). The approval should not be construed as immunity in any manner from subsequent proceedings before the Commission for violations of other provisions of the Act.

4.3. Suo-Moto Cases

55. CCI has undertaken two suo-moto probes regarding anticompetitive practices in the Airline sector. After forming *prima facie* opinion, the Commission ordered Director General (DG), CCI (the investigation arm of CCI) to investigate into the matter. However, in both the cases no infringement of the Act was found by the DG, hence the said cases were closed under Section 26(6) of the Act.

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20 Refer Section 3, Competition Act, 2002

21 Competition Appellate Tribunal (COMPAT) is an appellate body to hear and dispose off the appeals against the decisions made by the Commission.

- **Suo-Moto Case 1: Federation of Indian Airlines (FIA) & Others[22].**

  It was alleged that all the airlines under the banner of Federation of Indian Airlines[23] decided to charge a minimum fair of INR 500 to improve their bottom lines. As a result, this led passengers to pay a minimum of at least INR 2025/- for even short distances. It was further alleged that this minimum increase in the fare imposed on the consumer distorted the competition in the industry. Further, it was also reported that the FIA with a view to enforce the minimum fare decided to take action against those airlines that did not co-operate with its decision.

  In its investigation, the Commission scrutinised the traffic sheets submitted by the airlines. The Commission found that airlines were charging different basic minimum fare for different sectors. It also gathered that contrary to the allegation, in many sectors the airlines were charging minimum basic fare below INR 500. On perusal of the minutes of FIA meetings, CCI didn't find any evidence which could indicate that FIA took any decision with regard to charging of basic minimum fare by domestic airlines. The Commission closed the matter.

- **Suo-Moto Case 2: *Domestic Airlines*[24]**

  The Commission took cognizance of the media reports regarding charging of exorbitant fares by the domestic Airline operators during one of festive seasons in India (October- December) in 2010.

  An extensive investigation was conducted into the matter. Upon investigation, the Commission did not find any evidence to support the contention of cartelisation by the domestic airline companies during the said period. The Commission closed the matter citing that the observed price parallelism in the airline market was owing to certain characteristics such as seasonality of market demand, differences in business model of airline operators and dynamic pricing.

5. CCI's advocacy initiatives

56. Section 49 of the Competition Act, 2002 mandates the CCI to undertake advocacy for promoting competition in different sectors of the economy.

57. The Indian Airline sector is being regulated by the Directorate General of Civil Aviation and Ministry of Civil Aviation, Government of India. In order to create a competition culture in the airline sector, the Commission has strived to increase the coordination and create interface amongst the regulators. In a series of meetings held with the airline regulatory authorities, the Commission has endeavoured to endorse policies wherein a balance between the competition and regulation is created to enhance the efficiency of the sector. The Commission's competition advocacy efforts have primarily focused on sectoral regulatory frameworks in which competition and competitive principles can produce better outcomes for consumers consistent with important regulatory goals.

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22 See Commission 's order: http://www.cci.gov.in/menu/OrderFedration170311.pdf

23 The Federation of Indian Airlines (FIA) is an apex industry body which has been formed by the scheduled carriers in India. Kindly see: http://www.fiaindia.in/ for details.

24 See Commission's Order at: http://www.cci.gov.in/May2011/OrderOfCommission/SuomotoDomesticMain10jan2012.pdf

6. Conclusion

58. The Civil Aviation Sector in India has witnessed exceptional growth over the years. Liberalisation of the sector, and pro-competitive policies have positively altered the industry market structure. Stimulating the entry of new market players, liberalisation has made a positive impact on competition which has further led to multiple catalytic benefits. These benefits include increased air service levels and lower fares, which in turn has stimulated trade, employment and economic growth.

59. The paper also examined the innovative business practices followed by the airline operators which include pricing, code sharing agreements, loyalty programs etc. Based on the analysis of the Commission's orders, it may be observed that most of the cases filed before CCI related to pricing. Only one case related to code-sharing agreement between private airlines came under the lens of CCI. However, CCI found no violation and closed the matter.

60. As regards Combinations, the combination between two mega air carriers (Jet & Etihad) was one of the most important cases that CCI dealt in the Airline sector. CCI, in the said combination scrutiny looked into different facets of the Competition and approved the deal as the proposed combination was not likely to have appreciable adverse effect on competition in India.

61. CCI continues to strive towards the goal of promoting competition through enforcement of the competition rules, as well as through competition advocacy. To ensure competition enforcement, the Commission has laid down its priorities in the careful scrutiny of all the cases relating to airline sector. Furthermore, the Commission has also aggressively pursued competition advocacy to promote a more open and competitive environment in the Airline sector. These pro-competitive initiatives have played a major role in bringing forward the necessary degree of liberalisation to ensure a competitive market in the airline industry. The recent growth witnessed in the airline industry owing to several pro-competitive policy measures clearly indicate that the culture of competition is slowly but definitely finding its ground in India's Airline sector.

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