

Aspects of Governmental Regulation of Civil Aviation Within Integration: Experience of Russia

Darkhan Katyshev and Ardak Utepov

Academy of Public Administration under the President of the
Republic of Kazakhstan, Astana, Kazakhstan

Abstract: The article discusses urgent problems of governmental regulation in the field of air transportation within liberalization of CIS countries. Current state of civil aviation is analyzed and the problems of development of air transportation in Russia and CIS. New challenges for development of air transportations can be provided by such integrated associations as Customs Union, Single Economic Space and Single Transport Area. At present the issues of improvement of key aspects of development of aviation, including their governmental regulation, are of particular importance, since creation of Single Sky, as well as membership of Russia in WTO influence directly on operational conditions of air transportation market. The main tool to implement the state policy is establishment and improvement of regulatory framework of transportation complex. It has been revealed that current governmental regulation and legislative environment does not create favorable conditions for development of air transportation. This article discusses the most important scopes of improvement of regulatory framework as a basis of governmental regulation of air transportation of Russia, which corresponds to modern conditions of economic management.

Key words: Liberalization • CIS countries • WTO • Legislative environment

INTRODUCTION

Modern international economic relations are characterized with increase in availability and interrelation of national economies, sharp development of international product markets. One of key factors, integrating the economy of CIS-countries, is aviation. Under conditions of globalization of world economy air transportations are of vital importance in order to expand possibilities of access to global markets [1].

Currently the strategic priority of state policy is establishment of efficient mechanisms of regulatory environment for development of civil aviation [2], creation of conditions for development of international market of air transportation in CIS countries.

An important task is creation of unrestricted flow of products between the CIS countries, elimination of administrative barriers for development of air transportation competitiveness [3].

DISCUSSION

In recent decades the role of civil aviation in economy of Russia and CIS countries increased sustainably. Passenger turnover between Russia and CIS countries in 2007-2012 increased in 1.86 times and reached 14049.27 million passenger-kilometers (Fig. 1).

The development of cargo air transportation is less dynamic, in the last 5 years it develops unsteadily, demonstrating growth and downfalls (Fig. 2).

According to information from the CIS Statistic Committee [5] the scope of mutual trading of the Commonwealth countries in 2012 equaled to USD 255.6 billion, that is, about 21.94 % of total external turnover (Table 1).

Russian Federation is a member of Customs Union with Republic of Byelorussia and Republic of Kazakhstan. The Customs Union between Russia, Byelorussia and Kazakhstan was officially established in 1995, however, it actually started to operate on January 1, 2010, when

Table 1: External trade of CIS in 2008-2012

Issues	2008	2009	2010	2011	2012
External turnover, USD billion	1153.8	713.1	933.6	1245.5	1164.8
Mutual trade, USD billion	248.4	157.6	203.7	281.9	255.6
including export	123.3	78.7	103.6	143.1	130.4
including import	125.1	78.9	100.1	138.8	125.2
Specific portion of mutual external trade in total external turnover, %	21.53%	22.10%	21.82%	22.63%	21.94%

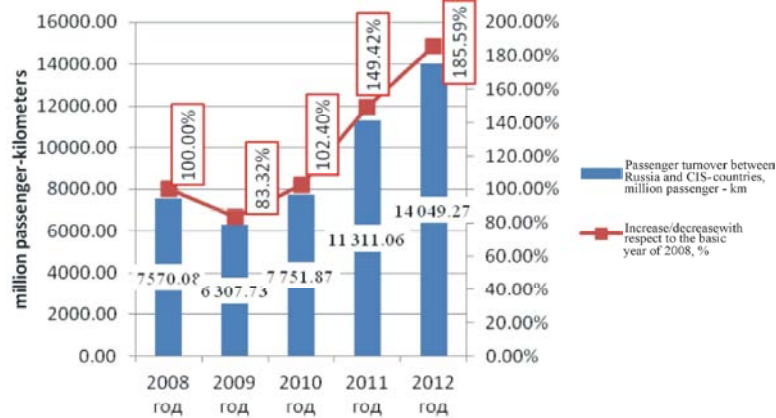


Fig. 1: Dynamics of passenger turnover between Russia and CIS countries [4]



Fig. 2: Динамика грузооборота России со странами СНГ

Common Customs Tariff (rates of import customs duty applied for import into any participating country) and unified measures of non-tariff regulation were validated. Customs Code of Customs Union became valid, customs formalities in internal boundaries of the Customs Union were annulled, common customs territory was created. It should be noted that there exist exclusions from common rules and certain goods should be declared within transition in the Customs Union.

In 2008 with assistance of the CIS Executive Committee and with participation of the CIS transportation departments the Priority trends of cooperation between the CIS countries were developed for transportation activities for the period up

to 2020 [6]. The heads of the governments signed the Convention on Transfrontier Cooperation, as well as Agreement on Council for interregional and transfrontier cooperation.

In 2009 in Yalta the Agreement on coordinated development of international transport corridors (ITC) in the territory of CIS countries was signed. This agreement [7] regulates common issues of ITC: the definition of ITC has been given, the purposes of development of ITC are stated. The parties declare their attempts to execute certain common actions on development of ITC, unification of their technical parameters, improvement of customs legislation, development of mixed transportations and so on.

In 2012 the Coordination Committee for Transport Corridors of CIS was established. The activities of this Committee should involve assistance in arrangement of mutually profitable terms for removal of restrictions in international communications in order to provide free transportation of goods and passengers in the CIS countries, as well as to attract additional transport flows and create backgrounds for coordinated and balanced operation and interaction of subsystems of legislative, resource and logistic database of international transport corridors.

2012 was the starting year of operation of Single Economic Space (SES) of Kazakhstan, Byelorussia and Russia - a next stage of Eurasian economic integration. For Russia and other states participating in SES, the development of cooperation and integration in the framework of unification is the main priority.

SES is a close integrated cooperation, which envisages free flow of services, labor force and capital. It is necessary to search for contact points with respect for each principal issue both at the level of governments of three countries and at level of supra-national Eurasian Economic Commission, which acquired certain national authorities of the countries participating in Customs Union and SES [8].

SES started to operate after validation of 17 interstate agreements, which form regulatory basis of union, two of them refer directly to air transportations:

- Agreement on unified principles and rules of competitiveness was signed in Moscow on December 9, 2010 and ratified by Russian Federation on July 11, 2011 [9];
- Agreement on unified principles and rules of technical regulation in Republic of Byelorussia, Republic of Kazakhstan and Russian Federation was ratified by Russia on June 15, 2011 [10], which on December 31, 2012 validated technical requirements to automobile and aviation gasoline, diesel and marine fuel.

On December 16, 2011 the Protocol about Russia membership in WTO was signed. Due to ratification of Treaty on Operation of Customs Union (CU) by Russia in the framework of multilateral trading system Russia undertook obligation on provision of fulfillment of WTO requirements at the level of CU. The Treaty on Operation of CU in the framework of multilateral trading system declares that from the date of joining the provisions of Marrakech Agreement establishing WTO, as they are defined in the protocol including obligations undertaken

as conditions of participating in WTO and covering certain legal relations, become a part of legal system of CU [11].

According to estimations, participation of Russia in WTO should lead to increase in transit flows of goods and passengers, expand possibilities for domestic providers of transport and logistics services to entry foreign markets.

However, currently the access to markets with regard to provision of complete route and operational rights is decelerated by numerous factors, including airport capacity and insufficient level of infrastructure.

Active establishment of SES requires for specific steps, the most urgent subject is stepwise liberalization of air traffic. According to the WTO requirements the process of further liberalization of the existing laws should start at least in 5 years after the entry and maximum period of transition should not exceed 10 years.

At present the governmental regulation of air transportation of the SES countries is performed through liberalization of international air traffic. For instance, on September 23, 2011 in Almaty, Republic of Kazakhstan, as a result of negotiations between aviation authorities of Kazakhstan and Russia, an agreement was reached on liberalization of air transportation market and removal of all existing restrictions:

- From IATA Summer Season 2012: at all contractual lines except for Moscow-Astana, Moscow-Almaty, Saint Petersburg-Astana and Saint Petersburg - Almaty Алматы
- From IATA Summer Season 2014; at contractual lines Moscow-Astana, Moscow-Almaty, Saint Petersburg-Astana and Saint Petersburg - Almaty [12].

In 2012 Republic of Kazakhstan introduced significant alterations in transportation laws in order to improve quality of services and to eliminate administrative barriers. Concerning liberalization of air traffic market, the law of Republic of Kazakhstan, dated July 10, 2012 "On alterations and amendments to certain laws with regard to decrease in number of permissions and optimization of control and supervising functions of state agencies" cancelled tenders for distribution of internal air lines among Kazakhstan air companies.

The system of governmental regulation of air transportation market of Russia, taking into account regulations at interagency level, does not succeed to adapt adequately the institutional structure of civil aviation activity to modern conditions of rapidly growing market.

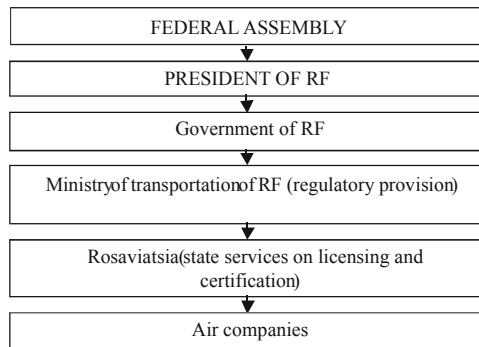


Fig. 3: System of governmental regulation of air transportation market in Russia

In recent decade the system of governmental regulation of air transport of Russia was reorganized several times: new agencies were created, functions and authorities were redistributed. Currently the system of governmental regulation of air transport includes Ministry of Transportation of Russia (regulatory management) and Rosaviatsia (state services in the field of mandatory certification and licensing). The existing system of governmental regulation of air transportation in Russia is illustrated in Fig. 3.

In Russian Federation there is one more agency which renders services on mandatory certification of international categorized aerodromes, aircrafts, ground-based aviation utilities, namely: Interstate Aviation Committee (IAC). It is not included in the structure of federal organs of executive bodies [13], it is not an authorized agency, but provides governmental in the field of civil aviation.

One of the most important elements of activity of Russian Ministry of Transportation is preparation of federal laws regulating some aspects of transport operation. In 2012 году President of Russian Federation adopted and signed 13 federal laws, including 2 federal laws directly related with civil aviation:

- July 5, 2012, No. 49-ФЗ "On alterations of Article 333.33, Part Two, Tax Code of Russian Federation". The law determines the amount of state due for state registration of civil aircrafts, including ultralight aviation of general purposes;
- July 28, 2012, No. 129-ФЗ "On alterations of Air Code of Russian Federation" (concerning implementation of international standards for training of aircraft personnel).

Ministry of Transportation of Russian Federation performs a set of actions aimed at provision of fair

competition and antitrust policy of regulatory aspects of competitive policy in accordance with international standards.

Concerning governmental regulation of natural monopolies in the field of civil aviation there is valid federal law No. 147-ФЗ dated 17.08.1999, "On natural monopolies", covering regulation of activity of natural monopolies, which can include major operators and airport operators and in individual cases air carriers as well.

Main methods of regulation of subjects of natural monopolies are as follows [14]:

- Price regulation (by setting of tariffs or their ultimate level);
- Establishing of serviceable consumers and/or establishing of minimum level of their provision in the case of impossibility to satisfy completely their demands in goods produced (supplied) by subject of natural monopoly.

FAS of Russia makes provisions aimed at decrease in costs of airport services, including those resulted from competitiveness at local markets. Tariff regulation of services of natural monopolies in airports is efficient at solution of problems arising due to uncontrolled growth of costs of ground services, however, it does not solve the problems related with development of transport infrastructure, revenue increase for services due increase of slot numbers (time intervals, when an aircraft should perform takeoff or landing) [15]. Therefore, expansion of open access to market of ground services of air transportations should be estimated from two points of view [16]:

- Decrease in operational costs of air companies;
- Improvement of service quality for airport consumers and support of development of air transport.

Despite certain improvements in the field of regulation of air transportation market in Russia, it should be acknowledged that the problems, related with establishment and operation of federal executive bodies, authorized agencies in the field of air transportation and governmental regulation, are not solved up till now.

The central regulation of air laws is the Aviation Code of Russian Federation. The core model in the existing Aviation Code was borrowed and constructed according to Soviet principles. In its essence and content it presents wide administrative powers to branch legislator, which are not balanced with full responsibility

for consequences of adopted governmental solutions. As a result, Russian suppliers of air services, carriers and airports, should fight for survival and not to operate appropriately.

In the two recent decades the system of governmental regulation of air transportation in Russia varied several times, hence, regulatory provisions should be varied too. Decrees of President of RF as subordinate legislations should not contradict with federal laws and governmental decrees should not contradict with federal laws and decrees of President of RF. However, it should be recognized that interaction of regulatory documents and their hierarchy do not exist at present. Herewith, one of the key problems is application of ambiguous terms and definitions in regulatory documents.

During 20 years the branch legislator replenished the existing legislation with new regulatory documents. As for now, there are more than 8 thousand of such documents, which creates significant problem for monitoring of efficiency of governmental regulation in the field of air transportation. In particular, without distinct understanding of what has been done for regulation of this or that aspect in the past, the branch legislator adopts documents, which comply inadequately or do not comply at all with previous ones. Numerous users of regulatory documents undergo significant difficulties. This situation could be avoided by means of classifying system of air legislation. Creation of such system would make it possible to perform wide range judicial diagnostics of overall air legislations and to determined approaches to its highly required improvements, especially after entry of Russia to WTO.

Thus, it is possible to conclude as follows:

- In the integration field of CIS up to 2008 the interaction was characterized by slow regulatory creation, though promoting formation of regulatory base and unification of trade agreements, as well as development of conditions for transfer to new stage of integration relations.
- The problems of post-crisis reanimation of economic systems of the CIS countries forced the leaders of integration, Kazakhstan, Byelorussia and Russia, to return to accelerated unification in the frames of the Customs Unions and then in the format of Eurasian Economic Space.
- The CIS countries, participants in SES, possess significant air transportation potential, however, presently its competitive advantages in the field of air traffic are not implemented completely.

- The main factors of development of air transportation in the SES countries are as follows: fair competition, conclusion of "neighbor" agreement about air communications based on liberalization principles. Long-term conceptual plan of liberalization of international air transport should be developed and adopted. Herewith, the SES countries should continue their liberalization of access to market in such a way and at such rates, which correspond to their demands.
- Currently Russian air legislation does not fulfill completely the functions of regulator of market relations in the field of air transportation, which becomes obvious after entry of Russia into WTO. Up till now a distinct and clear mechanism of application of standards and recommended ICAO practice does not exist.
- An important role in improvement of interrelation between national and international regulatory documents of air law can be played by classification system of air legislation of Russia.

CONCLUSIONS

It should be noted that implementation of air transportation potential of the SES countries, of Russia in particular, is beyond the scope only of transportation problems. It will effect positively both on performances of transportation systems of the SES countries and on macroeconomic indices, which is stipulated by cumulative effect of development of air transportation. Finally, it will encourage the processes of economic integration of the CIS countries and implementation of complete potentials of Customs Union.

Taking into account positive experience of integrated associations of foreign countries, a practical step in development of air transportation potential (with account for establishment of CU and SES) should consist of expansion of cooperation of the CIS countries in the field of civil aviation and utilization of air space, as well as implementation of mutual programs.

In order to achieve the highlighted targets it is necessary to provide consolidated and coordinated activity of regulation bodies of Russia (Rosstandart, Ministry of Transportation of Russian Federation) and the SES countries aimed at comprehensive analysis of the situation with regulatory basis and at development of cooperative scenario for creation of unified national regulatory basis according to ICAO principles.

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