Beyond the Liberalization of Air Transport: Doing Business Environment and Regulatory Frameworks

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Background: Liberalization in Latin America & Caribbean

- Sustained efforts at the national and regional level to liberalize air transport recently

  - Focus is mostly on 3^{rd} , 4^{th}, 5^{th} freedom traffic rights, on a bilateral basis

  - Examples are Fortaleza Agreement, Andean Community Pact, LACAC Agreement, CARICOM MASA

  - But…no superseding clauses in multilateral agreements (bilateral ASAs still apply), uneven legal commitment (signature and ratification), limited scope (3^{rd} and 4^{th}, 5^{th} subject to authorization)

However, reality on the ground suggests positive effects of air liberalization may be neutralized or cancelled by burdensome regulation, unfriendly business practices

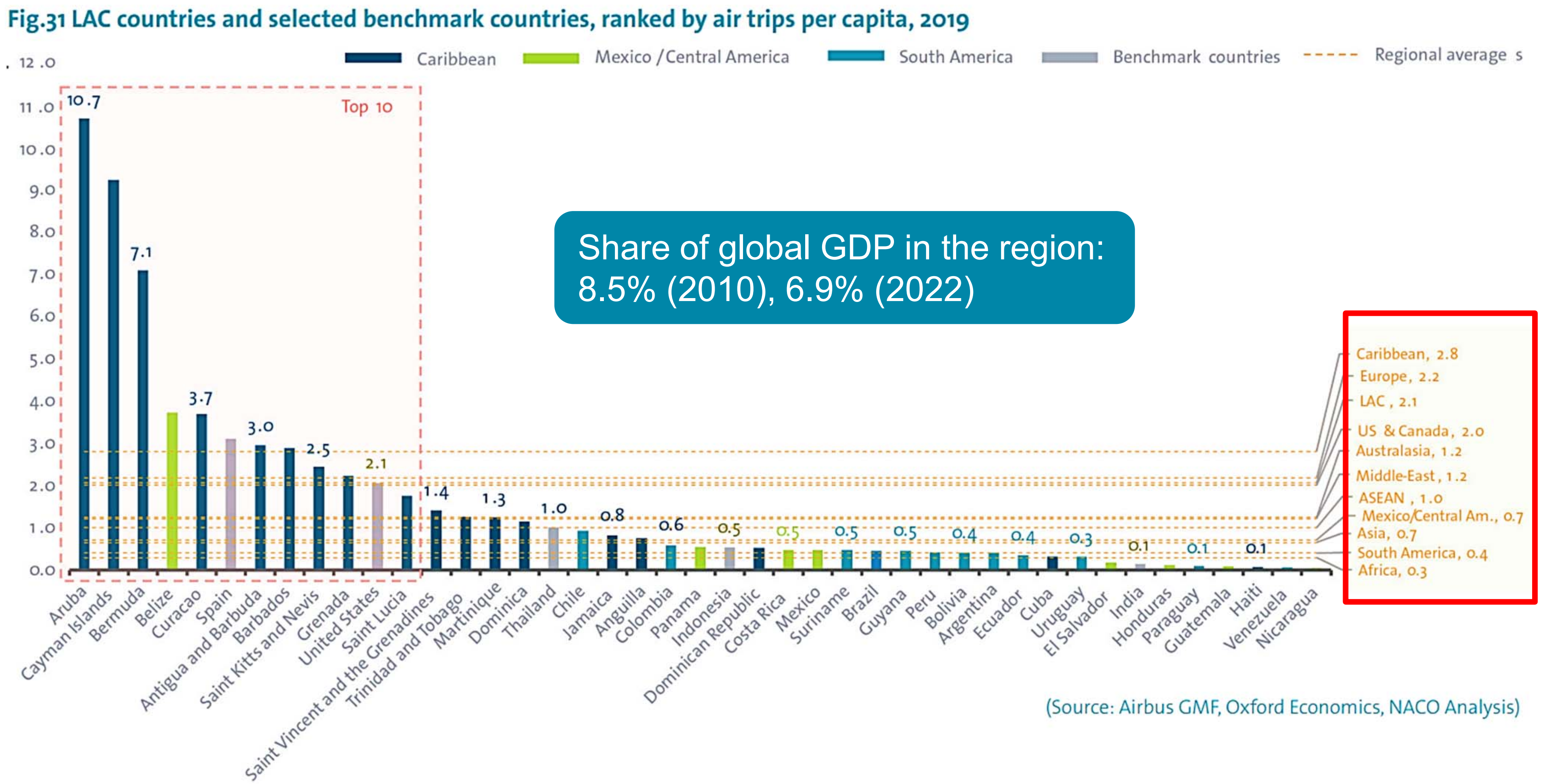
- Higher costs across ecosystem (financial, commercial, operational, administrative)
- Financial/commercial uncertainty
  Regulatory/legal unpredictability
- Effects on air connectivity, benefits of aviation, customer experience, destination reputation

Despite efforts to liberalize air transport in Latin America & the Caribbean, unfriendly business and regulatory environment can neutralize or even cancel positive effects

Burdensome Authorization Licensing Processes	Unilateral Government Action	Conditional Traffic Rights
Inconsistent Appication of Slot Allocation Rules	Limited or Lack of Airport Capacity	Costly Regulatory Regimes
Lack of Coordination between Government Authorities	Lack of Awareness on the Value of Aviation	Technical knowledge of aviation regulators

(Source: NACO Analysis)

Propensity to fly: Latin American & Caribbean v. other regions



Share of global GDP in the region:
8.5% (2010), 6.9% (2022)

(Source: Airbus GMF, Oxford Economics, NACO Analysis)

Role of Low-Cost Carriers (LCCs) in fostering intra-regional connectivity

Fig.41 LCC seat capacity in LAC region, evolution by market (million one-way seats), 2010-2023

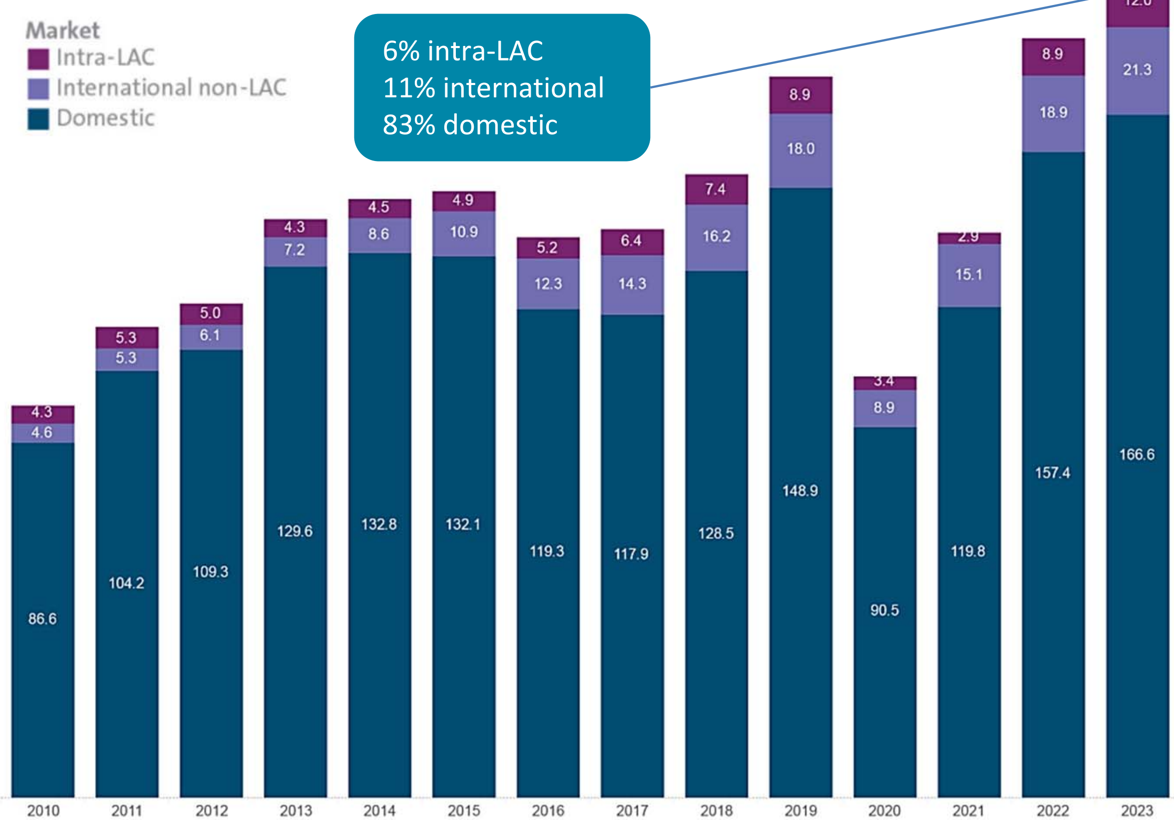
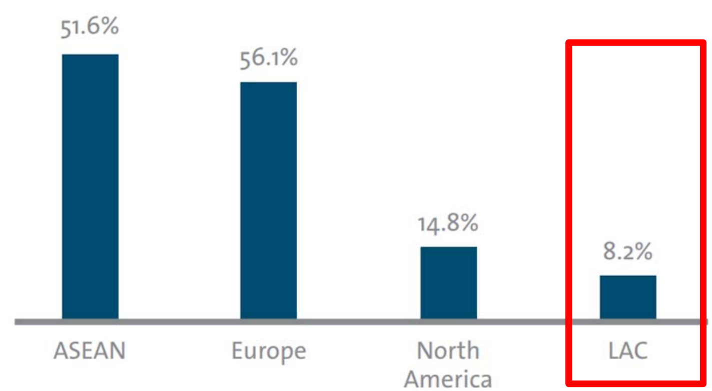


Fig.40 Comparison of LCC capacity deployed in intra-regional routes, selected world regions, 2019

(Cirium, NACO Analysis)

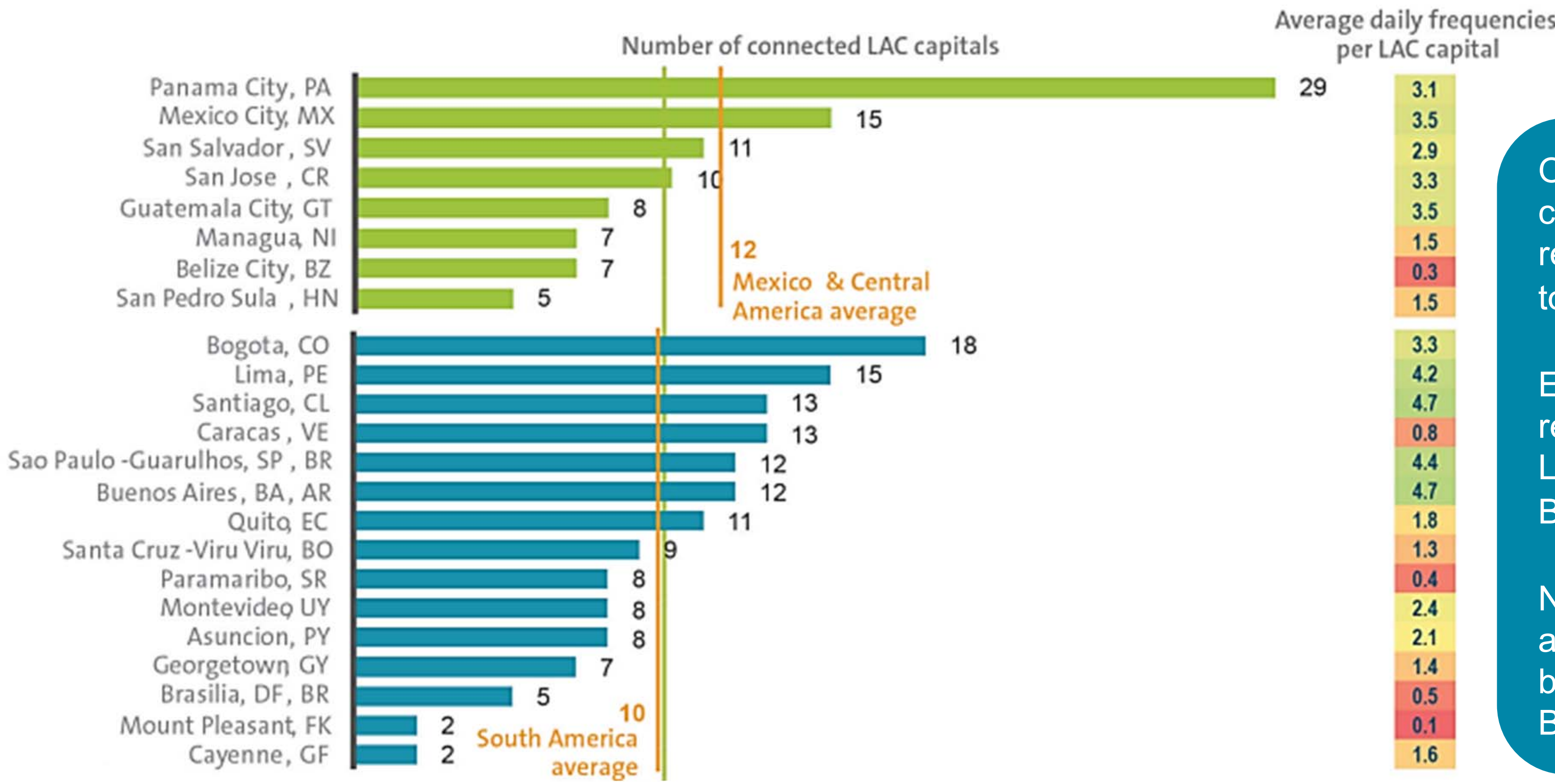


(Source: Cirium, NACO Analysis)

Capacity deployed by LCCs in the region lags behind other regions

Low levels of air connectivity between capital cities

Fig.46 Intra-LAC capital city connectivity (by number of capital cities served and average daily frequencies per LAC capital), 2019



On average, each capital city in the region is connected to 10 capital cities

Examples of restricted routes: LIM-EZE, LIM-SCL, BOG-EZE, PTY-EZE.

Notable examples of air connectivity between capitals: BSB, PTY, LIM, MEX

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