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**Agenda Item 2: Fostering aviation growth and air connectivity through investments in infrastructure, human capital and partnerships
2.1: Integrating civil aviation into national development and investment plans**

**A STATE POLICY FOR AIR CONNECTIVITY: NATIONAL PLANNING, CROSS-
GOVERNMENT COORDINATION AND MARKET CONTESTABILITY IN BRAZIL'S
CONECTAR AGENDA**

(Presented by Brazil)

EXECUTIVE SUMMARY

Brazil's Conectar Agenda is a multi-year State policy that brings air connectivity into the country's broader economic planning and organizes, under a single instrument with its own governance, the actions of the several institutions whose decisions determine it. Its first axis is devoted to market contestability — the active pursuit of greater competition and lower fares as the route to wider connectivity and to broader access to air transport across the population.

This paper describes that axis and the measures through which it is being pursued: regional integration, advanced through the Memorandum of Understanding establishing the basis for a South American Air Transport Liberalization Agreement (ALAS); legal certainty on the unbundling of ancillary services; convergence of consumer litigation toward international parameters; a competitive cost and tax environment; and simplified access to certification and to scarce infrastructure. Particular attention is given to the diversity of business models. Brazil is among the largest aviation markets in the world by seat capacity and the only one among the largest without a single ultra low-cost carrier operating in its territory — a model that elsewhere has been the principal instrument for bringing lower-income travellers into the market.

Brazil offers this experience as a contribution to the Conference's consideration of how competition, affordability and access can be advanced together, and of why doing so requires coordinated action across several institutions of the State.

1. INTRODUCTION

1.1 Brazil liberalized fares in its domestic market progressively from 2001 and created its civil aviation authority in 2005. The results were substantial: domestic passenger numbers more than tripled over the following two decades, average real fares fell markedly, and air transport overtook road transport as the principal mode of interstate passenger movement. Air travel ceased to be the preserve of a few and became an instrument of territorial integration.

1.2 That trajectory has not run its full course. Brazil continues to record fewer air journeys per inhabitant than comparable economies in the region, and access remains concentrated in higher income brackets. The Conectar Agenda, a multi-year State policy for air connectivity, was built to address this, and its first axis is devoted to market contestability. This paper describes that axis and the measures through which it is being pursued.

1.3 Brazil presents this account as information because the matters it addresses connect to work already under way in the South American Region. Since 2022, at ICAO's request, the Organisation for Economic Co-operation and Development (OECD) has applied its Indicators on the Governance of Sector Regulators to civil aviation authorities of the ICAO South American and North American, Central American and Caribbean regions, and the South American Regional Office has carried that work forward through the Region's Meeting of Civil Aviation Authorities (RAAC): at RAAC/18 (São Paulo, February 2025) the Secretariat presented a second phase aimed at strengthening the independence, accountability and transparency of civil aviation authorities of the Region.

1.4 The competition assessment on which part of the Conectar Agenda draws was conducted by the same organization, in the same period and under the same broad approach to regulatory quality. The questions addressed here therefore belong to a family of regulatory-quality matters already present on the Region's technical agenda, and Brazil's proposal for extending that work to the policy-making function is set out in the working paper it presents under Agenda Item 3.1.

2. DISCUSSION

The Conectar Agenda: an instrument of planning and coordination

2.1 The Conectar Agenda comprises thirty-eight measures organized in three axes — market contestability, reduction of operating costs, and regulatory stability and legal certainty. It was built jointly by the Ministry of Ports and Airports and the Ministry of Development, Industry, Trade and Services, with the support of the civil aviation authority (ANAC), the air navigation authority (DECEA) and of thirty-six private entities representing operators, airports, industry, tourism and academia.

2.2 The premise of the first axis is that competition, affordability and access are a single policy problem. Lower fares are not pursued as an end in themselves, nor through price intervention, but as the expected result of a market in which more operators, and more kinds of operator, can enter and compete. The measures below are the instruments through which that axis is being pursued.

2.3 The Agenda is not a statement of intentions. It is anchored in a technical cooperation agreement between the two proposing ministries, with a term of seventy-two months and its substantive content annexed to the instrument, so that material revision requires formal collective deliberation. It is governed by a strategic inter-ministerial committee, monitored through a public platform of sectoral indicators and a consultative forum with the private sector, and executed through a work plan with defined actions, assigned responsibilities and verification milestones. It is, in that sense, the instrument through

which air connectivity is brought into Brazil's wider economic planning, and through which the actions of the institutions concerned are prioritized and coordinated over time. That governance architecture is the object of the voluntary pilot Brazil proposes under Agenda Item 3.1.

The evidentiary basis: two independent diagnoses

2.4 The measures of the first axis were not defined in isolation. Two independent diagnoses, conducted by different institutions and with different methodologies, mapped the barriers to competition in Brazilian air transport. The first is the competition assessment conducted in 2022 by the OECD in cooperation with Brazil's competition authority, which reviewed the sector's regulatory stock and issued recommendations concentrated in five areas: access to fuel supply infrastructure at airports on transparent, objective and non-discriminatory terms; the harmonization of airport concession models and the treatment of the control of competing airports by a single entity or by related entities; freedom to unbundle ancillary services, identified as a pro-competitive measure facilitating the entry of low-cost operators; review of slot allocation rules at coordinated airports, with attention to the advantage conferred on incumbents by historical rights; and flexibilization of nationality requirements for aviation personnel.

2.5 The second is a public consultation conducted between 2025 and 2026 by Brazil's Ministry of Finance, which gathered formal contributions from carriers, airport operators, sector associations, technical bodies and specialists. Its central conclusion was that the Brazilian market is formally open but operationally and economically demanding: the competition observed derives largely from rivalry among a few established operators rather than from a broadly contestable environment, and the contemporary barriers to entry are not formal legal restrictions but institutional, economic and operational conditions — access to and use of essential infrastructure, the cost and risk of operating, and the predictability of the business environment. The consultation identified regulatory and tax unpredictability, rather than the level of taxation alone, as an autonomous deterrent to investment, and documented the withdrawal of foreign operators that had considered entering the market over the preceding decade.

2.6 Each of the five areas identified by the OECD is addressed by a measure of the Conectar Agenda, distributed across its three axes, and the conditions identified by the Ministry of Finance correspond to the axes themselves. The convergence between two independent diagnoses and the Agenda subsequently built by the sector's own institutions indicates that the measures respond to barriers externally identified rather than internally assumed.

Regional integration

2.7 Wider competition on international routes is pursued through regional integration. Building on the 2023 Brasília Consensus, a Memorandum of Understanding establishing the basis for a South American Air Transport Liberalization Agreement (ALAS) was signed in Asunción on 14 July 2026 by Argentina, Brazil, Chile and Paraguay, and was joined by Bolivia and Uruguay on 22 July 2026, bringing to six the number of participating States. The arrangement relies on reciprocity rather than on supranational institutions. This is the most advanced of the Agenda's measures; regional liberalization models are examined in detail in the working paper presented by Brazil under Agenda Item 3.2.

Diversity of business models

2.8 A distinct measure of the same axis addresses the range of business models available in the domestic market. Brazil is among the largest aviation markets in the world by seat capacity, and the only one among the largest without a single operator in the ultra low-cost model. Low-cost carriers hold a small share of intra-regional traffic in Latin America and the Caribbean, against roughly half in Europe and in South-East Asia.

2.9 The relevance of this gap is distributive. International experience indicates that the low-cost model is the principal instrument through which air travel reaches lower-income travellers and lower-density routes that full-service carriers do not find viable. In Brazil, air travel remains concentrated in the highest income brackets, while the brackets that a low-cost model typically brings into the market account for a marginal share of passengers. Brazil records that its interest here is in the range of models the market can accommodate, not in the promotion of any particular model or operator: the policy objective is that a traveller for whom the current fare structure is out of reach should have an operator whose economics are built to serve them. The Agenda accordingly provides for the development of a regulatory framework for the model, including benchmarking against other jurisdictions and regulatory impact analysis.

Connectivity in low-density and remote regions

2.10 The distributive question has a territorial dimension, and Brazil sets it out at some length because it engages the integration of civil aviation into national development planning directly. Discussion of structural dependence on air transport has, in this Organization, been organized principally around landlocked developing countries and small island developing States. Both categories are defined by the geography of the State. Regions inside large continental States can present the same economic condition without falling within either: a State that is large, coastal and middle-income does not qualify, however severe the isolation of part of its territory, and the populations concerned are observed through a national aggregate in which they disappear.

2.11 In the Brazilian Amazon, air transport is not a matter of convenience or of time saved. For many municipalities it is the only logistical link with the rest of the country. Roads that would connect them do not exist and, given the environmental cost of building them through standing forest, ought in most cases not to be built. The rivers that serve as the region's historical transport network operate on a seasonal cycle of navigability, and a journey that takes hours by air can take days by water and, in parts of the year, cannot be made at all.

2.12 The economic consequence is the one relevant here. Where air transport is the only mode, the fare is not a price the traveller may decline in favour of an alternative; it is the cost of access to medical care, to higher education, to public administration and to markets. Demand is correspondingly inelastic while the population's capacity to pay is low — a combination that does not attract commercial operation and that a fare-based market cannot resolve on its own. Routes of this kind are thin, seasonal, expensive to operate and served, if at all, by small aircraft at aerodromes with limited infrastructure. The Agenda addresses them through a dedicated line of work comprising three instruments: an essential air services framework, private investment in regional airports, and direct public investment.

2.13 Brazil's recent experience has produced a result worth recording, because it locates precisely the boundary between the second instrument and the first. Under the Ampliar Programme, regional aerodromes are incorporated by amendment into airport concession contracts already in force, with the associated investment obligations — an extension of the practice, described in the information paper Brazil presents under Agenda Item 2.2, of aggregating loss-making aerodromes with profitable ones inside a single contract. In the first round, nineteen aerodromes were offered. Thirteen were taken up with investment obligations attached. Six received no proposal at all, and four of those — Barcelos, Itacoatiara and Parintins, in the State of Amazonas, and Itaituba, in the State of Pará — lie in the region described above.

2.14 Brazil reports that result deliberately. A programme that attracts investment to thirteen aerodromes and none to six has not failed; it has drawn a line. It establishes, from observed behaviour rather than from assumption, the point at which the aggregation of profitable and unprofitable assets ceases to be sufficient — the point at which an aerodrome is not merely unprofitable but unprofitable by a margin no

plausible cross-subsidy inside a commercial contract will close. Beyond that line the instrument must change in kind rather than in degree: improving the terms of a concession, extending its duration or enlarging the cluster will not reach markets of this character, because the deficit is not a matter of contractual calibration. What is required is an instrument that does not depend on commercial viability at all. That is why Brazil's policy carries an essential air services framework alongside the other two instruments, and not instead of them.

2.15 Brazil records one further observation. States are, understandably, more inclined to publish the results of schemes that worked than those that did not. In this field the negative result is the more informative one: it is what identifies the boundary of the market, and it cannot be inferred from the successes. Brazil publishes its six unsuccessful aerodromes in that spirit.

2.16 The coalition supporting the Agenda reflects that dependence. The National Confederation of Commerce in Goods, Services and Tourism (CNC) is among its formal supporters, and its state federation in Amazonas (Fecomércio-AM) provides the channel through which the matter reaches the productive sectors of the region. That federation convenes the Business Council for Tourism and Hospitality of Amazonas (CETUR-AM), installed in 2025 as a permanent forum of the tourism, hospitality and events sectors of the state. Through this structure, the constituencies whose activity depends directly on-air access take part in the discussion of connectivity, cost and infrastructure — which are, for them, conditions of business rather than matters internal to the aviation sector.

Cargo markets

2.17 Contestability is not only a passenger market question. Brazilian air cargo is concentrated in a small number of hubs, and the performance of cargo terminals — clearance and dwell times, storage and cold chain capacity, interoperability between concessionaires and the several public agencies operating in the terminals — is not currently subject to contractual performance indicators in airport concession contracts. The Agenda provides for the development of such indicators, alongside measures on the facilitation of air trade, on the understanding that capillarity in cargo infrastructure is a condition both for competition in that market and for the participation of regions outside the main hubs in international supply chains.

Unbundling as a structural condition of the model

2.18 The separation of ancillary services from the base fare is not a pricing choice within the ultra low-cost model; it is its financial architecture. Audited results of the largest European operator of the model show ancillary revenue approaching a third of total revenue, and across global low-cost carriers that share is several times higher than among Brazilian carriers. It is this composition of revenue that allows the base fare itself to be set at levels the incumbent model cannot match.

2.19 The economic point is that the cost of carrying checked baggage is real regardless of how it is charged. Bundling it into every fare does not make it free: it distributes the cost uniformly across all passengers, including those travelling without it, which operates regressively against the most price-sensitive traveller — the very segment the model is designed to serve. Where an operator cannot charge separately, the competitiveness of its base fare disappears, and the model ceases to be viable against incumbents that already hold scale, slots and brand recognition.

2.20 Brazilian regulation has permitted unbundling since 2016, subject to full transparency requirements at the point of sale, so that the consumer contracts with knowledge of what the fare includes. Legal certainty, however, remains incomplete: a legislative veto on the matter is still pending consideration,

and a bill on baggage disaggregation is under examination in the Senate. Resolution of this question is a measure of the Agenda's first axis.

Consumer protection and litigation

2.21 Brazil's approach to consumer protection in air transport rests on four elements applied together: robust protection of the passenger; proportionality between the obligation imposed on the carrier and the harm actually suffered; alignment with the Montreal Convention, which conditions compensation on proof of damage; and effective action against abusive and predatory litigation practices, which divert consumer protection from its purpose. Brazil considers these four elements to be complementary rather than competing, and a framework that secures all four to protect passengers more durably than one that secures only the first.

2.22 Applied to Brazilian conditions, that approach responds to a specific difficulty. Consumer litigation in air transport in Brazil is disproportionate in volume by comparison with other jurisdictions and has grown at a pace unrelated to the growth of operations, without being explained by service performance or by any weakness in the protection framework. Its effect falls hardest on entrants offering basic services with optional add-ons, whose margins cannot absorb it, and it is in that capacity — as a condition of entry and therefore of contestability — that the matter belongs in the present paper.

2.23 Brazil is addressing the question through convergence toward international parameters and through digital and institutional instruments that resolve disputes before they reach the courts. The legislative and jurisprudential developments, the phenomenon of intermediaries that acquire claims and file them on an industrial scale, and the instruments Brazil has developed in response are described in the information paper and the working paper presented by Brazil under Agenda Item 3.3.

Cost and tax environment

2.24 Competition on fares presupposes a cost base on which low fares can be built. Unit costs for Brazilian carriers stand materially above those of low-cost operators internationally. Aviation fuel is the single largest component of operating costs and rose sharply during the price shock of the first half of 2026; a majority of carriers' costs are denominated in foreign currency against revenue predominantly in local currency; and the sector operates on thin net margins, leaving little capacity to absorb cost shocks without passing them to fares.

2.25 Tax measures compound this. Withholding tax on aircraft leasing contracts rises to 15 per cent in January 2027, applied to one of the sector's largest cost items; a tax on financial operations was raised in 2025; a selective tax reaches aircraft and parts; and the consumption tax reform raises the burden on domestic air transport. The Agenda's second axis is directed at this environment, on the premise that a cost structure of this order is incompatible with a business model that depends on structurally low costs to offer structurally low fares.

2.26 Two clarifications are useful here, both of which connect this paper to others Brazil presents. The first is that the treatment of domestic air transport under the consumption tax reform is a distinct question from the treatment of international air transport, which is governed by ICAO's *Policies on Taxation in the Field of International Air Transport* (Doc 8632) and is addressed in the working paper Brazil presents under Agenda Item 3.4. The second is that the transitional cost of the cleaner-energy transition should be read against this cost structure as a whole rather than in isolation: as set out in the working paper Brazil presents under Agenda Item 4.2, the fare reduction available from reform of the fiscal and structural cost drivers described above is several times larger than the increment attributable to the SAF

transition, so that the combined effect on the average fare is a net reduction. Acting on the cost structure is therefore what allows a State to carry the transition without reducing affordability.

Certification and access to scarce infrastructure

2.27 Simplification of certification for new operators and review of slot allocation rules at coordinated airports, including the treatment of historical rights, are carried in the Agenda in direct response to the recommendations noted above, together with measures on professional training, on regional airport investment and on the development of tourism routes.

Why the Agenda is interinstitutional

2.28 The measures described above cut across the competences of several institutions — the civil aviation authority, policy ministries, tax and trade authorities, the legislature and the judiciary. No single institution can deliver them alone, and none can be delivered by regulation of the aviation sector considered in isolation. That is the reason for the architecture set out at the outset: a State policy with its own instrument and governance, rather than the regulatory programme of any one authority. The lesson Brazil draws, and offers here, is that where the determinants of connectivity are distributed across government, the policy instrument must be distributed in the same way — and must carry the planning, prioritization and monitoring capacity to hold those parts together over time.

3. CONCLUSION

3.1 Brazil's experience indicates that competition, affordability and access to air transport advance together, and that pursuing them requires acting simultaneously on international market access, on the range of business models the domestic market can accommodate, on the cost and tax environment, and on legal certainty. The process leading to ALAS shows what South American States can achieve collectively on the first of these. The Conectar Agenda organizes the remainder into a single policy, with substantially complete coverage of the barriers that two independent diagnoses had identified, and with a governance capable of sustaining that policy across the years ahead. Brazil shares this experience as a contribution to the Conference's consideration of how civil aviation can be integrated into national development planning, and of how the cross-government coordination this requires can be organized, financed and sustained across administrations.

— END —