



**WORKING PAPER**

**ASSEMBLY — 40TH SESSION**

**ECONOMIC COMMISSION**

**Agenda Item 32: Economic Regulation of International Air Transport – Policy**

**LIBERALIZATION OF AIR CARGO**

(Presented by Brazil with the support of Chile)

**EXECUTIVE SUMMARY**

This paper shares the experience of Brazil in the deregulation of its air transport industry and advocates for the development of a specific multilateral agreement for all cargo air services.

**Action:** The Assembly is invited to:

- a) recognize the benefits of the liberalization of all cargo air services; and
- b) request the Council to continue the work on the development of an international agreement to facilitate further liberalization of air cargo services, taking advantage of the work done by the ATRP.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective — <i>Economic Development of Air Transport</i> .
<i>Financial implications:</i>	Not Applicable.
<i>References:</i>	Doc 10075, <i>Assembly Resolutions in Force</i> (as of 6 October 2016) Doc 10078, <i>Report of the Economic Commission of the 39th Session of the Assembly</i> A40-WP/16- EC/1, <i>Progress report on the development of international agreements on the liberalization of market access, air cargo and air carrier ownership and control</i> A40-WP/22-EC/7, <i>Consolidated statement of continuing ICAO policies in the air transport field</i> <i>Report of the Fifteenth Meeting of the Air Transport Regulation Panel (ATRP/15)</i>

**1. INTRODUCTION**

1.1 The Assembly Resolution A39-15 requested the Council to continue the development of a specific international agreement to facilitate further liberalization of air cargo services. The Air Transport Regulation Panel (ATRP) under the Air Transport Committee (ATC) has been assigned to conduct this work. At the 217th Session of the Council, the ATC expressed concern that the Panel remained divided on the issue of air cargo services with no prospects of making significant progress in the short term and, therefore, decided that the Panel ceases the work related to the development of an international agreement to facilitate further liberalization of air cargo services.

## 2. DISCUSSION

### 2.1 AIR TRANSPORT DEREGULATION IN BRAZIL

2.1.1 Air transport is an important factor supporting globalization and the means of national integration by excellence in countries with continental dimensions such as Brazil. Over the past three decades, the Brazilian airline industry has undergone a gradual process of deregulation, which ended a series of government-imposed restrictions on fares, routes, schedules, foreign ownership, and aircraft capacity. The breakthrough in regulatory framework contributed to aviation's rapid response to the progress in the country's socioeconomic profile, allowing the inclusion of more than 80 million passengers.

2.1.2 The most recent move to unlock the industry was the abolition of statutory restrictions on foreign ownership of domestic air carriers. The expected benefits include lower cost of capital, diversified financing options, new entrants and increased competitiveness, uptake of management expertise and new technologies, and stronger integration with international operation. It is important to highlight that, despite the nationality of the investments, all Brazilian airlines maintain the obligation to follow national labour, fiscal and environmental laws and are subject to the Brazilian Civil Aviation Authority (ANAC) regulation and oversight.

2.1.3 Considering the distinct features of all cargo air services, the Brazilian government is issuing guidelines to negotiate the exchange of 7th Freedom traffic right for air cargo services in future air services agreements negotiations. The main objective of the new guideline is to promote the growth of cargo operations, still underexploited. Since 2000, the number of passengers transported in Brazil grew 212%, while air cargo traffic registered an increase of only 75% in the same period.

### 2.2 LIBERALIZATION OF AIR CARGO

2.2.1 Air cargo services play an important role on the promotion of economic development and world trade. The current constraints imposed by limited freedoms under traditional agreements hamper logistics efficiency and cargo operations.

2.2.2 The grant of 7th Freedom traffic right is especially important for cargo traffic given its "one-way" directional nature. Bearing in mind that the effective exercise of 7th Freedom traffic right relies on a network of agreements, a multilateral arrangement is the most effective approach to push further liberalization of air cargo services.

2.2.3 The Air Transport Regulation Panel in its meetings considered a Supplemental Agreement on the Liberalization of Air Cargo Services in International Air Transport, but as a result of the difference in views among members, the Panel decided that more work is required to achieve consensus.

2.2.4 Nevertheless, the Air Transport Committee, in its 217th Session, decided that the ATRP should cease its work on the development of an international agreement to facilitate further liberalization of air cargo services, despite the Panel's request to the ATC to provide guidance on the future work of the Panel on the development of an international agreement to facilitate further liberalization of air cargo services.

2.2.5 In this sense, Brazil proposes the continuity of work for the development of a flexible and pragmatic multilateral agreement for all cargo services, which allows for reservations. The agreement can be initially signed by willing and ready parties and open for subsequent accession by others. States that wish to maintain flexibility to liberalize at a pace and in a manner appropriate to their needs and circumstances can choose to continue with the existing bilateral exchange of rights, signing on to the multilateral agreement only when they are ready.

### 3. CONCLUSION

3.1 In light of the Brazilian deregulation process and considering:

- a) the benefits of liberalizing air cargo transport market to aviation stakeholders and the wider economy as well as consumers;
- b) that the multilateral approach to international air cargo liberalization is consistent with the *ICAO Long-term Vision for International Air Transport Liberalization*; and
- c) the progress on liberalizing arrangements allowed by a specific, simple and pragmatic agreement for air cargo services.

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