



Agenda Item 8A: Other Matters (Connectivity)

SUBSIDIZED FLIGHT PROGRAM – BREAKING ISOLATION

(Working Paper presented by Peru)

SUMMARY

This working paper shares Peru’s experience in implementing the Subsidized Flight Program. Under Law No. 29159, the Ministry of Transport and Communications has been implementing the Promotion and Development Program – Subsidized Flights, which allows for the connection of isolated areas in Peru, such as Loreto, Ucayali, and Amazonas, through safe air transportation at prices below commercial levels. The program has yielded benefits by reducing travel times for residents of isolated areas and providing access to flights at lower fares with a transformative and inclusive connectivity approach, thus permanently helping to break the isolation of these communities.

As part of this program, the Ministry of Transport and Communications has implemented an action mechanism to quickly address various emergencies that may affect connectivity in these areas by modifying the program’s legal framework. In this regard, this working paper provides a brief overview of the program, the legal framework modifications, and our experience in implementing the new action tool. The ultimate goal of this working paper is to share this experience and exchange similar cases with the region to strengthen this action tool.

References:	<ul style="list-style-type: none"> ✓ Resolution A41-27: https://www.icao.int/Meetings/a41/Documents/Resolutions/a41_res_prov_es.pdf ✓ Resolution A41-13: https://www.icao.int/Meetings/a41/Documents/Resolutions/a41_res_prov_es.pdf ✓ RAAC/12 - Report on Agenda Item 6 del Orden del Día: https://www.icao.int/SAM/Documents/2011/RAAC12/RAAC12_INF.FINAL.pdf
ICAO Strategic Objectives:	<ul style="list-style-type: none"> • Economic development of air transport

1. Introduction

1.1 In Peru, air transport is a public service of national interest and necessity, aimed at meeting passenger, cargo, and mail transportation needs from an origin to a destination. In this context, the State must ensure the provision of this service and oversee its proper functioning.

1.2 In line with the above, Peru has declared the provision of regular air transport services to isolated areas without private air transport offerings as a public necessity and utility. The objective is to contribute to their sustainable socioeconomic development, improve the quality of life for the population, combat poverty, and integrate the country.

1.3 Connectivity is often associated with economic growth, metrics, indicators, and traffic, which is a valid correlation. However, we can also view air connectivity from another perspective—one that plays a crucial role in the social development of isolated areas and serves as a transformative element for lives and communities.

1.4 With this approach, we present Peru’s Subsidized Flight Program, which has been implemented in the regions of Loreto, Ucayali, and Amazonas. This program operates through route packages, connecting various beneficiary (isolated) localities with some connecting airports (more developed cities), providing users with significantly lower fares than those available in the commercial market.

2. Discussion

2.1. To date, this program has benefited more than 84,000 residents of isolated areas. In 2024 alone, the program has transported 26,213 passengers through 1,191 round-trip flights. The fares paid by these residents are approximately 70% lower than market prices.

2.2 In the program’s beneficiary areas, river transport is the most common mode of transportation. Thanks to the program, travel times have been significantly reduced. For example, traveling from Gueppi to Iquitos by river takes 18 days, whereas by air, it takes only one hour.

2.2. Additionally, the subsidized flight program has expanded the air market, generating significant passenger traffic growth to and from the beneficiary localities. In Loreto, passenger numbers increased from 54 (before the program) to 10,050 in 2024. In Ucayali, they rose from 2,177 to 9,905 passengers. In San Martín, the numbers increased from 621 to 6,258 passengers.

2.3. Subsidized flights follow fixed frequencies on each route. Each route operates under an established schedule, detailing flight itineraries and departure dates.

2.4. The main beneficiaries include teachers, students, and individuals traveling for work, among others, with priority given to residents of the beneficiary localities. According to in-person surveys conducted in February 2024, 74% of program passengers reported being satisfied with the subsidized flights.

2.5. This approach to connectivity as an integrative, transformative, and inclusive tool has yielded positive outcomes, providing accessibility, reduced travel times and costs, national integration, and economic stimulation, effectively breaking isolation and connecting these communities with the rest of the country.

2.6. While the program has successfully achieved its goal, climate change and other global challenges could disrupt the connectivity we have worked hard to establish. Aviation authorities must be prepared to provide innovative and timely solutions to prevent communities from becoming isolated once again.

2.7. Water Crisis and Connectivity Issues

In September 2024, Peru’s National Meteorology and Hydrology Service (SENAMHI) issued an alert regarding the hydrological behavior of Amazonian rivers, predicting severe impacts on Loreto. Consequently, the region was declared in State of Emergency.

The water crisis had severe repercussions on river connectivity, endangering lives and health—especially in isolated localities, where river transport is the main mode of movement. Air travel became the only available alternative, but high private airline fares made it inaccessible during the emergency.

Fluvial connectivity was severely impacted during the water crisis. Vessels were unable to navigate rivers due to critically low water levels, disrupting passenger and cargo flows in the region. Additionally, the population in these areas could not afford commercial airfares, rendering air transport an inaccessible alternative during the emergency.

The offer of Program seats and the budget for subsidizing this offer, in accordance with its previous legal framework, is set only through contracts, for a period of one year. Under these conditions, subsidized flights could not meet the transportation needs of the population arising from emergency situations, given that the legal, budgetary and administrative conditions would not exist to increase the number of flights to attend to this emergency.

2.8. Mechanism to Address the Water Crisis

Through Supreme Decree No. 095-2024-PCM, the Peruvian government declared Loreto in a State of Emergency due to imminent water shortages, allowing for the implementation of exceptional, immediate, and necessary measures. Within this framework, the Ministry of Transport and Communications (MTC) issued Ministerial Resolution No. 585-2024-MTC/01.02, which modified the Regulations for the Subsidy Delivery System under the Co-financing System to accommodate emergencies affecting connectivity in beneficiary localities.

Ministerial Resolution No. 585-2024/01.02 included the following provision:

"Article 4.- The Ministry of Transport and Communications may sign addenda to existing air transport service contracts entered into under Law No. 29159, its Regulations approved by Supreme Decree No. 013-2008-MTC, and its complementary provisions. This measure aims to temporarily increase the minimum seat availability and corresponding subsidies in cases where connectivity to beneficiary localities is affected due to a State of Emergency declared under Law No. 29664, which establishes the National Disaster Risk Management System (SINAGERD), and its Regulations approved by Supreme Decree No. 048-2011-PCM. The signing of these addenda, as stated in the preceding paragraph, requires prior technical justification from the General Directorate of Civil Aviation (DGAC) and must be subject to available budgetary resources."

Following this legal amendment and to address the water crisis in Loreto, Addendum No. 01 to Contract No. 005-2024-MTC/10 (15.10.24) was executed, increasing seat availability for Package 1: Loreto. As a result, the number of transported passengers rose from 1,086 in the first month of operations to 1,815 in the second month, while flights increased from 63 to 126 round trips per month. Reduced (subsidized) fares remained unchanged: S/60 for El Estrecho–Iquitos, S/105 for Caballococha–Iquitos, S/55 for Colonia Angamos–Iquitos, and S/110 for Gueppí–Iquitos.

This regulatory amendment allowed for the temporary expansion of subsidized flights during the emergency period and ensured that similar expansions could be implemented in future emergency situations.

Additionally, it simplified administrative procedures for temporary expansions through contract addenda, maintaining a low budgetary impact.

The Subsidized Flight Program, through legal modifications, proved to be an effective alternative for connecting remote, vulnerable populations that, due to the water crisis, could have been left isolated without fluvial or air connectivity.

2.9. Conclusions

The Subsidized Flight Program demonstrates how air connectivity plays a crucial role in the social development of isolated areas, acting as a transformative element for communities.

The Subsidized Flights Program is a tool that serves to break the isolation of communities in difficult-to-access areas, providing users with benefits in terms of costs, times, connectivity, among others. Likewise, it can act in emergency cases to replace other modes of transportation to connect isolated communities, since it has the legal framework for this purpose.

3. Suggested Actions

3.1. The RAAC18 Meeting is invited to:

- a) Take note of the information in this working paper.
- b) Urge states to evaluate the relevance of implementing similar programs to benefit populations in isolated areas.
- c) Urge all states to share similar experiences of connectivity of isolated areas.
- d) Urge all states to share similar experiences in order to enrich knowledge and learning of action measures in the face of various emergencies that may affect their connectivity, such as the case raised.
- e) Consolidate information or statistical data on isolated areas of the SAM region.