



WORKING PAPER

ASSEMBLY — 40TH SESSION

ECONOMIC COMMISSION

Agenda Item 32: Economic Regulation of International Air Transport — Policy

**BENEFITS OF IMPLEMENTING A LIBERAL AIR TRANSPORT
POLICY IN LIGHT OF THE RECOMMENDATIONS OF THE SIXTH WORLDWIDE
AIR TRANSPORT CONFERENCE (ATCONF/6) AND THE DECISIONS
OF THE 38TH AND 39TH SESSIONS OF THE ASSEMBLY**

(Presented by the Dominican Republic)

EXECUTIVE SUMMARY

This working paper presents the results of the Dominican Republic's implementation of an air transport policy with a liberal approach, which highlights ICAO's efforts to assist States in implementing the Organization's Standards and Recommended Practices (SARPs).

Action: The Assembly is invited to:

- a) urge ICAO to include activities in its future work and work programme for the next triennium that will continue to encourage the development of public air transport policies and the creation of capacity, thereby promoting air transport liberalization and strengthening the *No Country Left Behind* (NCLB) initiative; and
- b) review Resolution A39-15, *Consolidated statement of continuing ICAO policies in the air transport field*.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective – <i>Economic Development of Air Transport</i>
<i>Financial implications:</i>	The financial implications will depend on the activities approved by ICAO in this area in the 2020-2022 Regular Programme Budget.
<i>References:</i>	Report of the Sixth Worldwide Air Transport Conference (ATConf/6) A39-WP/15 – <i>Consolidated statement of continuing ICAO policies in the air transport field</i>

¹ Spanish version provided by Dominican Republic.

1. INTRODUCTION

1.1 In March 2003, the International Civil Aviation Organization held its Fifth Worldwide Air Transport Conference: Challenges and Opportunities of Liberalization (Montreal, Canada, from 23-24 March 2003), with the aim of urging States to adopt measures to promote the liberalization process, enabling greater connectivity and access to international markets. To facilitate the processes, the ICAO Secretariat drafted a working paper containing bilateral and regional/plurilateral Template Air Services Agreements. Through these agreements, they sought to harmonize international air transport regulations and worldwide coordination of the liberalization process currently underway. These provisions were presented in the document *Policy and Guidance Material on the Economic Regulation of International Air Transport* (Doc 9587).

1.2 The new templates, which fall under the traditional, transitional, and liberalized approaches, contain guidance on aspects of air services agreements negotiations, which are often omitted, such as aircraft leasing, safeguards, conflict resolution, transparency, and air cargo.

1.3 During the Sixth Worldwide Air Transport Conference: Air Transport Sustainability (ATConf/6), ICAO continued to promote the subject of market access liberalization based on the Organization's basic principles, namely the orderly, regular, efficient and economical development of activity, equal and fair opportunity, the general interest, and the promotion of the sustainable development of international air transport.

1.4 During the 39th Session of the ICAO Assembly, Resolution A39-15 – *Consolidated statement of continuing ICAO policies in the air transport field*, was approved. The statement urges the States to take these policies into account and the Council and Secretary General to continue to examine the matter.

1.5 The States are also urged to take into account and implement ICAO's Long-term Vision for International Air Transport Liberalization in their practices, standards and policy development.

2. DISCUSSION

2.1 Analysis: The Case of Latin America

2.1.1 The protectionist approach used by various Latin American States has served as an obstacle to the development of air transport, which was reflected in weak and poor connectivity. Their air transport economic policy was based on granting Third and Fourth Freedom of the air traffic rights, and in exceptional cases, Fifth Freedom rights were granted for specific cases and with a limited number of frequencies. In general, the Latin American Governments have restricted capacity and implemented systems for tariff approval or disapproval, maintaining a rigid concept of substantial ownership and effective control for the acceptance of designated airlines. The exception is the case of Chile, which has maintained an open skies policy since 1979. Since the Fifth Worldwide Air Transport Conference, several Latin American countries have gradually begun revising their air transport economic policies, which had remained unchanged for around 50 years.

2.1.2 In subsequent years, several Latin American countries, including Uruguay, the Dominican Republic, Colombia, Brazil, Paraguay and Ecuador, began a process of liberalizing their air transport economic policies, with the positive results that traffic to their countries increased from national and foreign airlines. Furthermore, this process was characterized *by the absence of intervention in*

capacity and price setting, which are determined freely by the airlines on the basis of market considerations.

Results of the implementation of a more liberalized policy by the Latin American States:

2.1.3 In order to strengthen their economies, the vast majority of which are based on tourism and services, several Latin American States are promoting an increase in passenger traffic and trade to their countries and greater connectivity by creating direct routes that enable air transport to operate faster and more economically.

2.1.4 The implementation of a liberalized policy in the Latin American countries has contributed to expanding the number of services offered, making prices more competitive, increasing the intake of foreign currencies, and improving the countries' positions as tourist destinations by increasing the number of seats available, while also creating more jobs.

2.2 The Case of the Dominican Republic

2.2.1 The air transport policy implemented by the Dominican Republic is aimed at expanding its participation in international markets by concluding air transport service agreements falling under a liberal or transitional approach, in which traffic rights are granted up to the Sixth Freedom of the air for passenger, cargo, and combined flights, and up to the Seventh Freedom for cargo-only flights. The Dominican Republic currently has formal agreements with 66 States and Governments.

2.2.2 In addition to the principle of reciprocity, courtesy applies to the promotion of unserved or poorly served routes, similarly to operating approvals granted on the basis of courtesy. We are considering allowing traffic rights to be exercised up to the Seventh Freedom of the air for passenger, scheduled and charter flights for operations where no service exists, and where doing so would not constitute unfair competition.

2.2.3 For codeshare operations, the recommendations of ICAO Circular 269-AT/110 apply, enabling airlines to have a greater presence in the international market on routes where low traffic volume does not justify individual operations. This reduces the operating costs.

2.3 Case Study

2.3.1 The results of the case study conducted by the ICAO North Atlantic Region in conjunction with the Inter-American Development Bank (IDB) on the country's progress in civil aviation indicate that the air transport market in the Dominican Republic has grown consistently, with an annual average of 5.28% over the last 20 years, making us one of the largest air transport markets in the Caribbean. The number of foreign passengers carried has increased at a faster rate than that for Dominican nationals, reaching 78% of the total number of passengers in 2018 as compared to 70% in 1996.

2.3.2 According to forecasts, it is hoped that the passengers and the number of flights departing the Dominican Republic will double by the year 2035. The cargo factor is predicted to be around 85%, which is higher than the global average of 81%.

2.3.3 Our country has seven (7) accredited airports, categorized as public (direct management and concessions) and private. The international airports are managed by the private sector, either through concessions (5) or private ownership (3).

3. **CONCLUSION**

3.1 In accordance with the ICAO *No Country Left Behind* (NCLB) initiative, the Organization must continue to raise the awareness of State leaders about the importance of and the potential benefits to their countries from the implementation of measures to ensure improved access to the international market. Therefore:

a) ICAO is urged to include activities in its future work and work programme for the next triennium that will continue to encourage the development of public air transport policies and the creation of capacity, thereby promoting air transport liberalization.

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