LIBERALISATION, OPEN SKIES AND BEYOND

• Beyond bilateral liberalization and Open Skies: Multilateral air transport agreements
  • MALIAT Agreement
  • ASEAN Multilaterals
  • CARICOM Multilateral
  • LACAC Multilateral
  • Montebello Statement on Policy principles
• Policy implications
• Economic implications
Multilateral Open Skies agreements

- MALIAT, 1 May 2001: Open Skies Agreement signed between 5 APEC States; 4 joined later
- PARTIES: Brunei, Chile, Cook Islands, Mongolia, New Zealand, Samoa, Singapore, Tonga and the United States (Peru withdrew in 2005)
- OBJECT: Exchange of traffic rights on a multilateral basis and on open sky principles
Multilateral Open Skies agreements

- **ASEAN MULTILATERALS**: SIGNED ON 20 MAY 2009
- **PARTIES**: Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam (10 States)
- **OBJECT**: Exchange of traffic rights on multilateral basis and on liberal terms; promotion of a single and unified aviation market in ASEAN as from 2015
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Multilateral Open Skies agreements

- ASEAN Multilaterals: Application of Open Sky principles
- Multiple designation, no capacity restrictions
- Airline ownership rules: flexibility in favour of ASEAN States/nationals
- Gradual removal of restrictions on pricing and route rights
- ASEAN-China bilateral agreement (Nov. 2010)
- ASEAN-South Korea bilateral agreement
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Multilateral Open Skies agreements

- Parties: 14 CARICOM States
- Object: Exchange of 3\textsuperscript{rd} and 4\textsuperscript{th} freedom rights on a multilateral basis; 5\textsuperscript{th} freedom rights subject to reciprocal and liberal exchange; 6\textsuperscript{th} freedom and cabotage excluded
- Notion of CARICOM air carrier: distinctions as to nationality removed, in favour of CARICOM States
- Designation and licensing still required
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Multilateral Open Skies agreements

- LACAC Multilateral: signed 4 Nov. 2010
- Parties: 9 LACAC States – provisionally applicable
  (Brazil, Chile, Colombia, Dominican Republic, Guatemala, Honduras, Panama, Paraguay and Uruguay)
- Object: Multilateral exchange of 3rd, 4th, 5th and 6th freedom rights, with some restrictions on 6th freedom;
- Freedom to combine services, passenger & cargo, scheduled and non-scheduled services
- However: most Signatories made reservations regarding cabotage and services other than all-cargo flights
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Multilateral Open Skies agreements

- Montebello Statement on policy principles, signed on 16 November 2009 ("Agenda for freedom")
  - Parties: Chile, EU, Malaysia, Panama, Singapore, Switzerland, UAE, United States; promoted by IATA
  - Object: Common policy principles regarding airline ownership and access to capital markets, freedom of airlines to do business, freedom of airline pricing, fair competition
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• Common principles of Agenda for Freedom:
  • Waiver of bilateral right to deny market access to carriers with mixed ownership structure
  • Waiver of nationality clause on basis of reciprocity
  • Eliminate restrictions to market access when renegotiating existing bilaterals
  • Waiver of tariff filing requirements and of disapproval rights under double approval clauses
  • Subject to maintaining fair and equal opportunity
CONCLUSIONS

Bilateral and Multilateral Open Skies agreements

- Cross-border liberalisation spreads further and gains in intensity
- Largely industry-driven, in part by low-cost airline segment
- States are in the driver’s seat
- Momentum is created to align policies further
CONCLUSIONS

  - Economies benefit up to 40% from high connectivity

- Conclusions of Brookings Institution, N.Y. Study (2013):
  - Open Skies agreements generate higher connectivity and greater productivity
  - Open Skies agreements resulted in ca. 15% fare reduction

- Liberalisation at bilateral and regional level therefore creates a momentum for individual states

- As regards open skies principles, a strong momentum is created to apply them
CONCLUSIONS

- Despite bilateralism in air transport, this applies also to steps to further liberalize the system at regional level

- The multilateral Open Skies agreements and the Montebello principles are creating an incentive to align bilateral policies based on a regional approach

- Carriers are likely to benefit from such alignment, provided they are sufficiently competitive in the markets and market segments they serve
THANK YOU
QUESTIONS ?