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Regulatory Constraints on the Integration of South American Air Transport

presented by:
Andy Ricover

The studied region

South America's twelve countries

- Argentina
- Bolivia
- Brazil
- Colombia
- Chile
- Ecuador
- Guyana
- Peru
- Paraguay
- Venezuela
- Uruguay
- Surinam

Analysis from two perspectives

- Integration on Policy Regulation: BASA (Bilateral Air Service Agreements)
- Integration on Technical Regulation

Policy Regulation

Current route network

- out of 70 routes:
- 41 are between main cities
- 20 link main cities with secondary cities
- only 9 routes link between secondary cities

→ low sub-regional connectivity

Policy Regulation

Background: the Freedoms of the Air

1st: The right to fly over another country without landing

2nd: The right to make a landing for technical reasons in another country without picking up/setting down revenue traffic

3rd: The right to carry revenue traffic from your own country A to the country B of your treaty partner

Policy Regulation

Background: the Freedoms of the Air

4th: The right to carry traffic from country B back to your own country A

5th: The right of an airline from country A to carry revenue traffic between country B and other countries such as C or D.

6th: The use by an airline of country A of two sets of 3rd and 4th rights to carry traffic between two other countries but using its base A as a transit point

Policy Regulation

Analysis of the 43 prevalent BASAs

- ability to capture 3rd and 4th freedom markets
- ability to increase competition on 3rd and 4th freedom markets
- ability to allow 5th and 6th freedom rights

Policy Regulation

Quantitative method:

- by scoring each ability based on a defined criteria
- weighting by ability in terms of importance
- matrix composition
- normalization by relevant effective routes

Policy Regulation

País	Valor obtenido
Chile	31.00
Brasil	28.60
Argentina	26.40
Bolivia	23.20
Perú	23.20
Colombia	22.80
Venezuela	19.00
Paraguay	17.00
Ecuador	15.20
Uruguay	13.00
Surinam	2.20
Guyana	0.00

Policy Regulation

Interpretation of findings:

- depends on the country policy towards open markets and liberalization
- and on the geographical location in relation to the main markets (geographically biased)

Policy Regulation

Geographical considerations

Policy Regulation

Trends:

- Northern States pose higher restrictions on 5th freedoms rights
- Southern States limit exercise of 6th freedom by limiting 3rd and 4th freedoms

→ the region loses basic connectivity

Technical regulation

Resources productivity reform driven: labor

- big differences in labor regulations among countries
- nationality / residence labor restrictions
- lack of mutually recognized certifications

→ difficulty in transference of resources

→ low productivity

Technical regulation

Resources productivity reform driven: aircraft

- lack of mutually recognized certifications
- discrepancies in criteria for certification
- difficulties for common usage of resources

→ low productivity

→ high capital costs

→ aged fleets

Technical regulation

Example of common use of aircraft

Ejemplo 1. Utilización compartida de B767 entre LAN y Avianca, en Nueva York

vuelo	LA 530/4		AV 020		AV 021		LA 531/5	
aeropuerto	SCL	JFK	JFK	BOG	BOG	JFK	JFK	SCL
sale	21:30		08:50		16:45		23:00	
llega		07:40		14:30		22:20		13:00

Fuente: elaboración propia, en base a horarios vigentes del OAG enero 2002.
Códigos utilizados: LA: Lan Chile, AV: Avianca, SCL: Santiago de Chile, JFK: New York Kennedy, BOG: Bogotá

Technical regulation

Example of common use of aircraft

Ejemplo 2: Utilización compartida de B767 ó B757 entre VARIG y Avianca, en Miami

vuelo	RG 8814		AV 009		AV 008		RG 8815	
aeropuerto	RIO	MIA	MIA	BOG	BOG	MIA	MIA	RIO
sale	23:10		10:00		16:20		19:30	
llega		05:25		13:30		20:00		06:50

Fuente: elaboración propia, en base a horarios vigentes del OAG enero 2002.
Códigos utilizados: RG: VARIG, AV: Avianca, BOG: Bogotá, RIO: Río de Janeiro, MIA: Miami

Technical regulation

Example of common use of aircraft

Ejemplo 3: Aprovechamiento de aeronave en permanencia prolongada fuera de base: Aerolíneas Argentinas, en Caracas.

vuelo	AR 1376 ✈		R7 ó VH		R7 ó VH		R7, VH ó AV		R7, VH ó AV		AR 1377 ✈	
aerop	EZE	CCS	CCS	MIA	MIA	CCS	CCS	BOG	BOG	CCS	CCS	EZE
sale	23:00		07:30		12:30		15:30		17:00		20:55	
llega		06:07		11:30		14:30		16:20		19:50		05:55

Fuente: elaboración propia, en base a horarios vigentes del OAG enero 2002.

✈ Vuelo AR 1376/7 vía aeropuerto de Viru Viru en Santa Cruz de la Sierra, Bolivia.

Códigos utilizados: AR: Aerolíneas Argentinas, R7: Acerca, VH: Aeropostal, EZE: Buenos Aires Ezeiza, CCS: Caracas, MIA: Miami, BOG: Bogotá

Technical regulation

Example of common use of aircraft

Ejemplo 5: Aprovechamiento de aeronave en permanencia nocturna en Buenos Aires, a Lima.

vuelo	LA 481✈		AR 1364 ✈		AR 1377 ✈		LA 412 ✈	
aeropuerto	SCL	EZE	EZE	LIM	LIM	EZE	EZE	SCL
sale	19:00		22:00		01.30		08:45	
llega		20:55		00:40		07:45		11:00

Fuente: elaboración propia, en base a itinerarios vigentes del OAG enero 2002 pero con horarios modificados.
✈ Los números de vuelo son verdaderos pero los horarios fueron alterados deliveradamente.
Códigos utilizados: AR: Aerolíneas Argentinas, LA: Lan Chile, EZE: Buenos Aires Ezeiza, SCL: Santiago de Chile, LIM: Lima

Technical regulation

The need for integration

- common use of resources
- transference of resources
- lift restrictions on ownership and control

→ increase productivity

→ ease investments

Technical regulation

Proposed reforms

- harmonization of technical regulations
- mutual recognition of authorities (technical regulators)

Technical regulation

Harmonization

- one regulation is good for all
- facilitate opening ops in other countries
- BUT will not allow transference or common use of resources

Technical regulation

Harmonization

- the common norm will be close to “the sum of all”
- further labor concessions will require subsequent adaptation
- still, mutual recognition will be a requirement

Technical regulation

Mutual recognition of authorities

- 83 bis is a good start
- lack of trust among authorities
  (for certification and control)
- protectionism of local sectors
  (nationalistic concerns / political issues)

Technical regulation

Mutual recognition of authorities

- competition for the most flexible authority (productivity driven)
- minimum standards granted by ICAO norms
- FAA Cat I: another competitive advantage
- and harmonization will be a consequence of competition

Technical regulation

Recommendations

- mutual recognition of technical regulators
- minimum standards granted by ICAO norms
- FAA Cat I: another competitive advantage
- harmonization will be a consequence of competition

Integration

An integration of regulations remains to be the critical issue that conditions air traffic growth in Latin America.

Until a common playground is not implemented for the local operators, traffic growth will be driven by the foreign markets.

Thank you