Frequently Asked Questions

What is the Agenda for Freedom?

The Agenda for Freedom is a process aimed at encouraging governments around the world to grant airlines the commercial freedom to operate like any other global business.

Who launched the Agenda for Freedom?

Agenda for Freedom was launched at IATA’s Annual General Meeting held in Istanbul in June 2008. The Annual General Meeting adopted an Istanbul Declaration calling for a change to rules limiting the foreign ownership of airlines.

What is IATA’s role in the Agenda for Freedom?

The Agenda for Freedom is not an industry process. It is a governmental process. Liberalization is within the control of governments, not industry. However, IATA felt it was incumbent on it, as the industry’s global association, to begin a process to encourage governments to allow airlines to operate like any other business. We now seek to progress liberalization activities under the auspices of ICAO.

Why is an Agenda for Freedom necessary?

The way airlines do business is regulated by a web of bilateral Government-to-Government treaties (Air Services Agreements) that are largely out of date with commercial realities. In particular, they severely restrict cross border consolidation through restrictive ownership and control clauses. The airline industry as a whole does not even cover the cost of its capital. It has had very poor financial returns over time (0.3% as a historic average). It has been demonstrated that outdated ownership and control requirements have a direct effect on the industry’s poor financial performance. A financially healthy airline industry would be in a much better position to fuel economic growth and job creation.
What is the bilateral system?

When agreeing to the Chicago Convention in 1944, governments failed to establish a multilateral treaty regulating the commercial aspects of international civil aviation. As a result, States were required to negotiate and agree a series of bilateral Government-to-Government treaties called Air Services Agreements to bridge that gap. Today, some 3500 to 4000 are in force.

What are ownership and control clauses? Why do they matter?

Under a bilateral Air Services Agreement, a Government has the right (but not the obligation) to demand that the airline the other Government is designating for air transport services between the two countries be substantially owned and effectively controlled by that Government or citizens of that country. In practice, this effectively prevents airlines to access foreign capital. While every country should be free to decide if its own airlines may or may not be open to foreign direct investment, this decision should not affect other countries’ ability to open their airlines to investment. As a result, airlines cannot merge across borders, acquire airlines in other countries, or tap into international equity markets or private equity investors to the extent other industries can do. No other global industry faces such limitations. This is particularly problematic in times of deep crisis, as it reduces the number of tools available to fight the economic downturn.

What was the Istanbul Summit?

Following the initiative launched at the 2008 IATA Annual General Meeting, IATA invited fifteen governments that have signaled their interest in discussing these ideas, as well as the European Commission, to discuss liberalization at a specially organized Summit held in Istanbul on October 25-26, 2008.

Who attended?

The Summit was open to any other country ready to engage seriously in this process. Ministers and senior civil servants (Directors-General of Civil Aviation, etc) from Australia, Brazil, Canada, Chile, the European Commission, India, Morocco, Panama, Peru, Singapore, Switzerland, Turkey, UAE, United States and Vietnam joined IATA in Istanbul.

What was the proposal tabled at the Istanbul Summit?

IATA’s Director-General circulated a paper proposing ways governments can provide airlines more commercial freedom to adapt to a rapidly changing business environment. It is posted in 21 June 2013
the library section of this website under First Agenda for Freedom documents. The proposal was for countries to unilaterally waive (not revoke) key clauses in the bilaterals that prevent airlines from having such commercial freedom, primarily in the area of ownership and control clause and traffic rights clauses. Countries would only suspend the clauses they choose and with the countries they choose, on a conditional, reciprocal basis. The goal of the proposal was to allow for quick progress on liberalization while giving reluctant countries assurances that they would remain in control of their liberalization initiatives.

Does this require a reform of the Chicago Convention?

No. The 1944 Chicago Convention on International Civil Aviation is the most important international treaty on this matter. It does not regulate however the business aspects of international air transport. The Chicago Convention does not contain any of these barriers to commercial freedom. They were developed in bilateral agreements following the adoption of the Convention. The Chicago Convention remains untouched by this proposal.

Is the Agenda for Freedom about dismantling the bilateral system?

No. Under the proposal tabled at the Istanbul Summit, States would only unilaterally suspend some aspects of the bilaterals provided other countries do too, and only with respect to those countries.

How do countries remain in control under that proposal?

Firstly, countries would only waive those clauses with respect to countries of their choosing, and only if those countries do so too.

Secondly, clearly they would only suspend the clauses with respect to countries whose safety levels they trust.

Thirdly, if they think a country is taking advantage, they can go back, stop suspending the clauses and effectively reinstate the bilateral agreement in full.

Was this the only proposal discussed at Istanbul?

Two additional proposals were discussed in some detail. One proposal tabled was for a multilateral treaty on waiving nationality clauses in existing bilaterals. This is a similar idea to the one originally tabled by IATA. However, in this case, the choice of legal instrument is different (a formal international treaty), and the waivers would only apply to ownership, not market access limitations. For more details, please see the library section of this website under First Agenda
for Freedom documents. A third proposal emerged from the discussions: to draft a multilateral statement of policy principles.

**What is the multilateral statement of policy principles about?**

In this context, a multilateral statement of policy principles is a set of principles that would commit signatory governments to apply existing and future bilateral agreements in a liberal manner, in return for their bilateral partners doing the same. Some governments preferred this approach to the waiver concept, as they felt it gave them more control over the degree of liberalization and their choice of partners.

**Is it binding? Is it international law?**

No. The aim is to describe present and future policy, not to create legal obligations.

**Would this multilateral statement of policy principles provide airlines with needed commercial freedoms?**

The Statement itself would not provide airlines with additional commercial freedoms. Rather, it would call on countries to apply the terms of existing bilateral agreements and negotiate new agreements in a liberal manner. The adoption by a number of leading aviation countries of such a statement, even if non-binding, is a powerful signal about the direction they intend to take in their respective air transport policies.

**What was decided at the Istanbul Summit?**

Participants broadly agreed that further liberalization would be desirable. The Participants also agreed to consider the three options tabled at the Summit (waivers, multilateral convention, Statement of Policy Principles). The group also asked IATA to gather best practices in the area of aviation liberalization as well as to assist countries with economic studies on the positive impact liberalization has on economies.

**What was IATA's role following the Istanbul Summit?**

IATA conducted economic studies on the impact of liberalization and captured best practices in liberalization from around the world. IATA also prepared an initial draft of the proposed Statement of Policy Principles regarding the Implementation of Bilateral Air Services Agreements. IATA then worked with the Istanbul participants to revise the draft to ensure its acceptability to the maximum number of countries committed to liberalization.

21 June 2013
What are the main areas of the Statement of Policy Principles?

The Statement addressed four main areas:

Freedom to access capital markets: States agreed not to exercise bilateral rights to block international services from airlines with non-national ownership structures

Freedom to do business: States agreed to focus on reducing restrictions on market access and to expedite further reopening of markets in future bilateral agreements

Freedom to price services: States agreed to focus on allowing greater freedom to price airline services in line with market realities

The need for a level playing field: States agreed that parties cannot be expected to implement these principles with governments that pursue policies designed to secure an unlevel playing field for their national carriers, whether through restrictive practices, direct or indirect subsidies or other means.

Is the Statement open to endorsement by other countries not present at Montebello?

The Statement is open to the endorsement of any government interested in promoting liberalization in this manner. Governments can write to IATA’s Director General, expressing their wish to endorse the Statement. Their letters, along with IATA’s response, are posted on this site.