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You thought Day of the Dead was scary?

The lunatic death of the 13 Billion USD Mexico City Airport and the rise of a populist “zombie democracy”.

by Miguel Ruelas

SEPTEMBER NEWS on
Mexican Aviation

COELUM: Pronunciation: 'che-l&m, is Latin for airspace or sky. The Romans began questioning the rights they had in the space above the land they owned and to how high above did that right extended to. Ad coelum et ad inferos, they discussed, meaning that their right of property would extend as high up to the heavens and down to hell.

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Mayhem. Market fluctuations, rule of law readjustments, investor’s awe and subtle glimpses of panic, but above all shock and speculation. The newly elected Mexican Federal government has not yet taken control of the administration, set to transition on December 1st 2018; but, the future president of Mexico has achieved something no other federal administration had done: shock beyond precedent the Mexican economy, its forecast and stability before even being sworn as president of the Republic.

Like gunpowder, the news spread quickly, Le Monde, The Guardian, Forbes, and even the New York Times live updated screens on Times Square adverted on October 29, 2018 that elected president Andres Manuel López Obrador announced the cancellation of Mexico City’s \$13-billion-dollar airport project. A project that represents the largest infrastructure project in Latin America and, the construction of the second largest airport in the world, which already stands built beyond 30% of its total construction¹. An abortion that “will be remembered as one of the worst stupidities from a president in contemporary economic history”².

Disseminating the implications and brief context of this political heretic lunacy, which we thought were exclusive to narration of public policy decisions of the US administration, - how wrong and incredulous of us-, is a complex task amongst the bombardment of news, gossip, and speculation. Therefore, let us first address the facts, to later analyze the legal oddities of this decision and its economic implications.

The facts and actual happenings

Mr. López Obrador, had reiterated all along his electoral campaign, that under his administration, pivotal decisions in the country, would be subject to public vote and scrutiny, through referendums and public consultation. With this campaign promise, Mr. López Obrador, organized, without yet being president or bestowed with executive or any powers, issued a “public consult” for 5 days under which all Mexican citizens would “vote” on whether to continue the construction of the New Mexico City Airport, or his self-proposed alternative: which contemplates keeping the current Mexico City Airport, and constructing a second airport in Santa Lucia³.

“A project that represents the largest infrastructure project in Latin America and, the construction of the second largest airport in the world, which already stands built beyond 30% of its total construction. An abortion that “will be remembered as one of the worst stupidities from a president in contemporary economic history.”

Accordingly, or magically, the public consult resulted in the self-proposed Santa Lucia alternative as a winner. The newly elected president stated the following as the Mexican peso reached a historic depreciation before

1.- According to official numbers and statistics provided by the Federal Government at <http://www.aeropuerto.gob.mx/>

2.- Enrique Cardenas of Mexico’s Iberoamerican University (Universidad Iberoamericana de la Ciudad de México).

3.- Santa Lucia is a military base located 42 Kilometers north of the current Mexico City Airport, and that according to Mr. Lopez Obrador, would be a viable and “cheaper option”. These statements, have not been corroborated by any economic nor ecological impact study, other than his rhetoric.

the dollar, the global rule of law indices readjusted their credit grades for Mexico and the bonds issued for the construction of the New Mexico City Airport plummeted:

“The decision is to obey the mandate of the citizens, to which we will construct two runways in the military airport of Santa Lucia, we will make [the current] Mexico City Airport better, and reactivate the Airport of Toluca...the rational, democratic and efficient winning option, the Federal government will save 100 billion pesos”⁴. The elected president’s dangerous rhetoric, with a personal decision disguised in a democratic populist speech with made up quantifications adverts dangerous illegalities.

Never in the democratic history of Mexico, had a public consultation been held, and the Mexican Constitution expressly regulates the following on this matter:

“Article 35, section VIII:

The rights of the citizen are:

[---]

VIII.- To vote in the public consults over topics of national importance, which are to be subject to the following:

1. They shall be convened by the Congress as requested by:

a. The president of the Republic;

b. The equivalent of 33% of the participants of either of the two chambers of Congress; or

c. The citizens, by a number, of at least, 2% of those registered in the electoral lists, under the terms of law.

[---]

4- The Federal Electoral Institute⁵ shall have under its charge, and in direct form, the verification of that established under section c) 1, as well as the organization, development, counting and announcement of results”.

In summary, the consultation was not convened by the President, Congress, nor by the necessary minimum of electoral citizens registered in accordance to law. Furthermore, Mr. Lopez Obrador, is not yet president or bestowed with any authority to assume such autocratic decisions. The consult was not overseen by the Federal Electoral Institute, and even more preoccupying, when analyzing the Federal Law of Public Consult⁶, consults should not be suggestive between two options, but rather designed to vote on a “yes” or “no” format.

Beyond the irregularities, the factual vices of this democratic circus demonstrate the realities of this pantomime. The “polling stations”, had an overrepresentation of states like “Veracruz, Chiapas Tabasco, and an underrepresentation in states like Jalisco, Nuevo Leon, San Luis Potosí and Puebla”... it deems that the selected municipalities for the consult, where those in which Morena (Andrés Manuel López Obrador’s party) had had most votes in the federal election in July 2018”⁷. How odd is it, that municipalities, that have higher education and higher income per capita in accordance with Federal statistics were left out. “It seems that the places where the voting stations were stationed, more than attending to a population criterium, responded to a political criterium in which the predominating municipalities were those that had supported Mr. López Obrador...”⁸.

4.- The Airport of Toluca is located in the neighboring city of Toluca in the State of Mexico, located 106 kilometers from Santa Lucia proposed new airport and 65 Kilometers from the current Mexico City Airport.

5.- The Federal Electoral Institute, (Instituto Federal Electoral) is the constitutional autonomous entity, that oversees and organizes all elections in Mexico.

6.- Ley Federal de Consulta Popular.

7.- Nuñez Gonzalez, Leonardo y Toral Cruz, Manuel, ¿Qué México decidíó? Los votantes de la Consulta del NAIM,1 Noviembre 2018.Nexos.

<https://anticorrupcion.nexos.com.mx/?p=634&fbclid=IwAR3TV74297xnSn0jEFkb2mp9EJ3zkPjRtha6Z4nZDYbBLrBs2UVgB14daaY>

8.- Ibidem.

The results and danger

With the announcement of the cancellation of Mexico's City New Airport, the Mexican peso lost more than 4% in seconds⁹. The country's benchmark S&P/BMV IPC stock index is on track for a 11.2 percent decline in October, its biggest drop since January 2009, during the global financial crisis, and credit rating agency Fitch downgraded Mexico's debt rating. As a result, The Economist newspaper readjusted its measure on the purchasing power parity (PPP) between currencies stating, that concluded the peso is undervalued by 44.48 % against the US dollar.

"With the announcement of the cancellation of Mexico's City New Airport, the Mexican peso lost more than 8% in seconds."

Beyond the economic downturns that changed the optimism of the world's 15th largest economy¹⁰, speculation and uncertainty are starting to have a bigger impact. "There is the suggestion that other projects could be put to a popular vote, which would introduce more uncertainty, Seville [Charles Seville, Fitch's primary analyst for Mexico] said, adding that a referendum to repeal the energy reform introduced by the current government is the most worrying possibility."¹¹ The negative outlook on Mexico as a result of this decision predicts a credit rating downgrade. Furthermore, the rule of law, a topic that Mexico had substantially worked on for decades, in attracting foreign investment, has received the biggest set-back. "The weakest part of the institutional arrangement in Mexico is the guarantee in fulfilling contracts. Today that got even weaker."¹²

"Legal mechanisms may be enacted by the constructors of the airport, whose contracts may be cancelled, but against the political stubbornness of cancelling contracts in accordance with the terms set therein, even if this represents major costs for Mexico, seems greater."

The road ahead

What comes next? Multibillion-dollar contracts have been signed, and the penalties for cancellation are still to be quantified and that unofficial studies estimate around 120 billion pesos. Mr. Lopez Obrador, would rather assume the costs of cancellation fees than raise the competitiveness of the country which currently scores number 67 of 137 in infrastructure according to the World Economic Forum. There is no executive project for the Santa Lucia airport alternative, but it for sure does not contemplate the 70 million passenger project the New Mexico City Airport projected. Legal mechanisms may be enacted by the constructors of the airport, whose contracts may be cancelled, but against the political stubbornness of cancelling contracts in accordance with the terms set therein, even if this represents major costs for Mexico, seems greater. May our democratic institutions hold and may the legal framework resist what Mexico work so hard to achieve for the last 20 years, before an incoming authoritarian figure disguised in the democratic support of ochlocracy.

9- <https://www.reuters.com/article/mexico-markets/update-1-mexican-peso-falls-on-fitch-warning-fears-over-new-government-idUSL2N1XB2B8>

10- <https://www.investopedia.com/insights/worlds-top-economies/>

11- <https://www.reuters.com/article/mexico-markets/update-1-mexican-peso-falls-on-fitch-warning-fears-over-new-government-idUSL2N1XB2B8>

12- Isaac Katz, an economist at the Autonomous Technological Institute of Mexico (ITAM).

ASA and SENASA will give courses to security auditors.

From 8 to October 10, 2018, Airports and Auxiliary Services (ASA) will teach the middle level course "Bow Tie Analysis for Aviation", in the facilities of its International Training Center (CIIASA). The instruction is part of the training agreement between ASA and Services and Studies for Air Navigation and Aeronautical Safety (SENASA), a Spanish organization based in Madrid. <https://a21.com.mx/organismos/2018/10/01/impartiran-asa-y-senasa-curso-para-audidores-de-seguridad>. October 01, 2018.

ICAO promotes the 21st century air traffic system.

In the framework of the Thirteenth Air Navigation Conference (AN-Conf / 13), ICAO stated as a goal the need to define a collective vision for an air traffic system as today's aviation is about to undergo major transformations as the numbers of passengers and cargo transported has grown, as well as the growth of drone technology, the launch of autonomous, suborbital and supersonic activities. <https://a21.com.mx/index.php/aeronautica/2018/10/11/oaci-promueve-sistema-de-transito-aereo-del-siglo-xxi> October 11, 2018.

ICAO send letter to Andres Manuel López Obrador in order to clarify the organism functions.

The letter that the International Civil Aviation Organization (ICAO) sent on October 3 to President-elect Andrés Manuel López Obrador, aimed to "ensure understanding, transparency and clarity about the functions of the agency to assist Mexico as a member state." In the letter sent to the transition team, Melvin Cintron, regional director for North America, Central America and the Caribbean, explained that ICAO is a United Nations (UN) Specialized Agency whose function is to develop policies, standards, audits, studies and assistance aviation to the 192 members of the agency. <http://a21.com.mx/index.php/organismos/2018/10/15/envian-carta-lopez-obrador-para-aclarar-las-funciones-de-la-oaci> October 15, 2018.

SCJN ratifies travelers' rights.

By ruling on certain amparo procedures presented before the National Supreme Court of Justice (SCJN) against certain provisions of the Mexican Civil Aviation Law (LAC), related to the rights of passengers; the SCJN has rejected all allegations which claimed that certain amendments to the LAC as unconstitutional and in breach of international treaties entered by Mexico. <https://a21.com.mx/index.php/normatividad/2018/10/17/ratifica-scn-derechos-de-los-viajeros> October 17, 2018.

Mexican Airport Operator Plans Major FBO Expansion.

Grupo Aeroportuario del Pacífico has operated its Privair FBO at Los Cabos International Airport since 1998, and it now plans to expand that operation to four of the other airports, particularly those in La Paz, Puerto Vallarta, Tijuana, and Guanajuato's Aeropuerto Del Bajío. <https://www.ainonline.com/aviation-news/business-aviation/2018-10-17/mexican-airport-operator-plans-major-fbo-expansion> October 17, 2018.

Canada and Central America join forces in accident investigation.

During a special ceremony held at the ICAO Offices in Montreal, the Canadian Government signed a Memorandum of Understanding (MoU) with the Caribbean and Central American States to promote collaboration in research of incidents and accidents, which is mainly focus on the fulfillment of the terms described in Annex 13 (Aircraft Accident and Incident Investigation) and Annex 19 (Safety Management) of the Convention on International Civil Aviation and the need for States to guarantee independence of the investigations. <https://a21.com.mx/index.php/aeronautica/2018/10/19/canada-y-centroamerica-se-alian-en-investigacion-de-accidentes> October 19, 2018.

Canada, guest of honor at Mexico Aerospace Fair 2019.

During the Mexico Aerospace Fair 2019 (Famex-2019), Canada will be the guest of honor, will have a pavilion and will bring part of the Royal Canadian Air Force, said. Rodolfo Rodríguez Quezada, president of the organizing committee in a conference to announce the progress and expectations of the event, which will take place from April 24 to 27 next year. <http://a21.com.mx/fuerza-aerea/2018/10/23/canada-invitado-de-honor-en-famex-2019> October 23, 2018.

In blow to business, Mexicans spurn new Mexico City airport.

Roughly a million people, just 1 percent of Mexico's electorate, participated in the referendum held over four days, the Arturo Rosenblueth Foundation, the non-profit organization that supervised the count, said after voting ended on Sunday. Almost 70 percent voted against the new airport, it said. Called a "public consultation", the vote was non-binding, but the leftist Lopez Obrador, who had called for the referendum and was against the new airport, has pledged to respect the result. The peso weakened some 2 percent against the dollar after the results were announced, making it by far the biggest loser among major currencies against the dollar. <https://www.reuters.com/article/us-mexico-airport/in-blow-to-business-mexicans-spurn-new-mexico-city-airport-idUSKCN1N30EE> October 29, 2018.

ASA takes course of gas handling.

Airports and Auxiliary Services (ASA) in collaboration with the Energy Regulatory Commission (CRE) held the workshop "Terms and Conditions for the Provision of Storage Service of Oilfields in Aerodromes." The workshop was aimed at various current and future users in the aviation sector. Its objective was to continue providing the experience of more than 53 years in the aviation fuel storage market, as well as to publicize the way in which this will operate. s service. <https://a21.com.mx/organismos/2018/10/29/asa-realizo-curso-sobre-manejo-de-combustibles> October 29, 2018.

CANSO and ALTA subscribes MoU.

The Civil Air Navigation Services Organization (CANSO) and the Air Transport Association of Latin America and the Caribbean (ALTA), signed a Memorandum of Understanding (MoU) in order to improve the operational efficiency and safety of Latin American and Caribbean aviation. The MoU signed within the framework of the 15th ALTA Airlines Leaders Forum will be developed in active collaboration with the airlines and air navigation service providers (ANSPs) of the region, in order to increase the understanding of the roles and practices of each, in addition to the exchange of information. <https://a21.com.mx/organismos/2018/10/30/suscriben-canso-y-alta-acuerdo-colaborativo> October 30, 2018.

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