

July 15, 2024

Year 19

No.02

US-Mexico Air relations.

By Karla Bastón

COELUM


sierra
L A T A M

Audio Message



By Karla Bastón

The US-Mexico Air Transport Agreement, signed in 2015, was a pivotal development that benefited both nations. However, recent developments have brought to light some challenges within this framework. A significant issue has emerged regarding the Department of Transportation's (DOT) policy on granting antitrust immunity to US airlines and their international partners. In early 2023, the DOT completed its initial review of a joint venture application, but due to an inability to meet the July 31st deadline, the review process was suspended. This delay raised concerns about the future of such partnerships and the overall effectiveness of the liberalized air transport agreement. Since then, various partnership agreements have been under review. The Air Transport agreement and the subsequent review of partnerships will be discussed in this month's edition of Coelum.

"The nature of this agreement removed the restrictive framework that previously limited the number of airlines that could fly specific routes."

US-Mexico Air Transportation Agreement

The US-Mexico Air Transportation Agreement (agreement) marked a significant milestone in the aviation sector between the two neighboring countries. This agreement was designed to allow airlines from both nations to operate freely between any cities in the US and Mexico. The nature of this agreement removed the restrictive framework that previously limited the number of airlines that could fly specific routes. By eliminating these constraints, the agreement aimed to enhance competition, reduce airfares, and increase the frequency and variety of flights available to passengers. This liberalization has been beneficial for both business and leisure travelers, fostering greater connectivity and economic ties between the two countries.

Moreover, the agreement has had a substantial impact on the aviation industry by encouraging partnerships and code-sharing agreements between US and Mexican carriers. This has led to improved service quality and more seamless travel experiences for passengers. Additionally, it has spurred growth in the tourism sectors of both nations, with increased visitor numbers boosting local economies. The agreement has also facilitated better cargo transport options, aiding businesses engaged in cross-border trade. Overall, the agreement has played a crucial role in strengthening bilateral relations and supporting economic growth through enhanced air connectivity.

"The agreement has also facilitated better cargo transport options, aiding businesses engaged in cross-border trade."

Partnerships under review

Delta and Aeromexico¹

Recently, the DOT informed the Delta and Aeromexico of its tentative decision to terminate their nearly seven-year joint venture. This action is part of ongoing tensions with Mexican regulators, where the US believes Mexico is violating the air transport agreement between the two countries. As a result, Aeromexico and Delta are now dealing with significant commercial ramifications that could persist for the foreseeable future.

1.- <https://simpleflying.com/mexico-aeromexico-delta-air-lines-joint-venture-arguments/>

The DOT's arguments to not grant the antitrust immunity was due to alleged violations by the Mexican government of the agreement. In response, the Mexican government defended its actions, stating that capacity reductions at Mexico City International Airport (AICM) were justified and did not breach the agreement, backed by technical analysis data. It justified relocating cargo operations to Mexico City Felipe Ángeles International Airport (NLU), claiming benefits for operators while impacting only all-cargo airlines.

Addressing concerns about competition at AICM, the Mexican presentation argued that existing measures hadn't hindered growth of US-based airlines in Mexico. It highlighted passenger growth between the US and Mexico, from 33 million in 2016 to 44 million in 2023, with the JCA covering a decreasing percentage of routes and passengers over time. The government noted potential route impacts if the DOT finalized its decision, with Aeromexico particularly at risk.

"DOT's arguments to not grant the antitrust immunity was due to alleged violations by the Mexican government of the agreement."

In closing, the Mexican government asserted that renewing ATI to the JCA was independent of the agreement, denying violations or adverse effects on competition. It estimated a significant reduction in annual seats and defended slot reductions at AICM as compliant with International Air Transport Association (IATA) regulations, despite IATA's opposition and concerns from American Airlines about governmental actions violating bilateral air agreements.

There is currently another partnership between a US and Mexican carrier that is under review by the DOT. The DOT halted the review last year (2023), citing potential violations of the US-Mexico air transport agreement by Mexico².

Looking to the future³

IATA is still hoping that the DOT will extend the deadline for the Delta and Aeromexico agreement. As of now, the agreement is set to terminate on 26 October 2024. It is still unclear what the DOT will decide and as of now should these agreements cease it would have a big impact on all carriers affected by the antitrust reviews and a significant impact on US-Mexico relations in the future.

2.- <https://www.flightglobal.com/strategy/allegiant-and-viva-aerobus-urge-us-dot-to-resume-review-of-proposed-alliance/157127.article>

3.- <https://aviationweek.com/air-transport/airports-networks/iata-hopes-dot-will-extend-delta-aeromexico-jv-deadline>

COELUM

KARLA BASTÓN Associate

Karla Baston is an associate in the transactional group of the firm and currently seconded to the Aviation Working Group. Karla has assisted international entities in the understanding and application of the Cape Town Convention. Karla participates in the development of various academic projects for the Cape Town Convention and other publications on this matter.

Education

- LL.L from the University of Ottawa
- Bachelors in Political Science from Concordia University

Publications

- Karla has written multiple articles related to aircraft finance and leasing in COELUM and TERRUM.

Languages

- English
- French
- Spanish



ProL Reforma No. 1190 25th Floor,
Santa Fe México D.F. 05349
t. (52.55) 52.92.78.14
www.asyv.com / www.asyv.aero

Find us in



Audio Message



www.linkedin.com/company/asyv

The articles appearing on this and on all other issues of Terrum reflect the views and knowledge only of the individuals that have written the same and do not constitute or should be construed to contain legal advice given by such writers, by this firm or by any of its members or employees. The articles and contents of this newsletter are not intended to be relied upon as legal opinions. The editors of this newsletter and the partners and members of Abogados Sierra SC shall not be liable for any comments made, errors incurred, insufficiencies or inaccuracies related to any of the contents of this free newsletter, which should be regarded only as an informational courtesy to all recipients of the same.