

LEGAL ALERT

THE MACAU AVIATION MARKET – A WORLD OF OPPORTUNITIES

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THE AVIATION MARKET

Macau's air transportation services are currently operated by Air Macau under an exclusive concession granted by way of direct award.

On 15 January 2019, the Civil Aviation Authority of Macau announced that the exclusive concession of Air Macau will not be renewed in November 2020. The decision came after a study conducted by an international consultancy firm in 2017/2018 regarding the future of the local aviation industry and the endorsement from the Chinese Central Government, as stipulated by the Macau Basic Law.

In fact, numerous circumstances throughout the 23 years of duration of the contract led to Air Macau's inability to maintain its exclusive concession, such as financial instability, failed sub-concessions and political and regulatory backlash.

Also, a recent article (written on 18 February 2020) in the Chinese newspaper, the [Macao Daily News](#), has emphasized the need of Macau to welcome foreign airlines into the Macau market to assist in the recovery of the aviation sector in Macau that suffered a big hit with the COVID-19 Outbreak.

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I. What will be the likely requirements for the new airline operators?

According to article 5 of Law 3/90/M, dated 14 May, although the direct award may be adopted in case of “a clear benefit to the region” (which was the case of Air Macau), as a general rule the concession of public services are awarded by public tender – and we are of the opinion that this procedure will most likely be followed when the time comes for selecting the new Macau air transportation operators as it is the option that best serves the objective of opening the market and, hence, the interests of the region.

The award of the new concessions shall involve several general legal requirements, among which: (i) concessionaires shall be reputable entities, with suitable technical and financial capacity, satisfying the requirements set out on the tender documents; (ii) the statutory address and central administration of concessionaires shall be located in Macau and the respective scope shall coincide with that of the concession.

II. One or more airline operators?

The Government’s recurring investment in the aviation industry and several public statements and political decisions taken in the past point to the intent of opening the market, therefore we expect that the tendering procedure will involve the award of more than one concession.

We foresee potential interest from airlines that currently have offices in Macau but also others without presence in the region.

III. A Market of Opportunities

With 57 traffic points in China and with bilateral agreements with 49 countries, the future concessionaire(s) seem to be in a privileged position to enjoy a significant number of opportunities that Air Macau failed to take advantage of (as of January 2019, Air Macau operated merely to and from 24 destinations), creating substantial room for other operators to explore and expand.

In addition, the recently completed state-of-the-art infrastructures, such as the new Hong Kong – Zhuhai – Macau Bridge and the new Taipa Ferry Terminal, are posed to increasingly profile the Macau International Airport as an actual alternative or complement to the Zhuhai and Hong Kong International Airports for commercial aviation.

IV. Conclusion – A New Chapter for the Aviation Market in Macau

With more than two decades of exclusive dominance of Air Macau, there is now a unique opportunity for airlines aiming to enter and/or expand their operations in Southern China. In these past 23 years, Macau has evolved into a prosperous region and is now a more mature market, which creates attractive conditions for airlines wanting to step in.

There is no doubt that the opening of the market will certainly generate considerable changes to the industry in Macau and therefore considerable changes are expected in this sector.

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