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Air Europa becomes first foreign-controlled airline incorporated in Brazil

Fredrik Karlsson



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Demarest Advogados has helped Spanish airline company Air Europe establish a subsidiary in Brazil, becoming the first foreign-owned airline company to operate domestic flights following game-changing reforms.

Brazil's National Civil Aviation Agency gave the green light on 22 May.

Air Europa's owner, Spanish Globalia Group, will start proceedings to obtain the technical certificates and flight permits. It is still unclear which routes Air Europa will target.

The approval came the same day as Brazil's senate passed legislation that allows foreign-owned airlines to operate domestic flights. The chamber of deputies approved the bill in March.

Until recently, foreign companies could invest no more than 20% in Brazilian airline companies. In December 2018, Brazil's government issued a decree to lift the restriction. Both houses of Brazil's national congress had to approve the decree to make it permanent.

Demarest partner Gabriel Ricardo Kuznietz says the team had to work in a hurry because it could not count on the senate's approval of the governmental decree. "We had to explain the risk of getting a concession under the decree and, most importantly, to assist our client with the decision to enter into the Brazilian market on a very tight schedule," he says.

Kuznietz says Brazil is "on the brink of an historic opportunity." Until recently, Brazilian governments favoured a largely closed market to protect domestic industry and national security. However recent administrations have broken with this school of thought, opening other strategic sectors like energy and communications. "Now, the aviation sector finally seems to be catching up with this modernisation wave," Kuznietz says.

Air Europa's entry may shake up the domestic airline market in Brazil, which is dominated by three airline companies, Azul, Gol and LATAM. They control some 92% of the domestic flights.

Kuznietz thinks other airline companies are likely to come to the country now. "The Brazilian aviation sector has space not only for growth, but also for more carrier players," he says. "There are routes not explored yet."

Air Europa already operates international flights to Brazil, connecting the northeastern cities of Salvador and Recife with Madrid.

Counsel to Globalia Group

Demarest Advogados

Partner Gabriel Ricardo Kuznietz and associates Maria Virginia Mesquita and Pedro Sanglard