



Abstract

This study explores into the impact of air transport liberalization in Sri Lanka. The study was applied to the 42 active air service agreements Sri Lanka has concluded with other countries. It takes passenger traffic as a function of various socio-economic variables, geographic variables and regulatory variables. Secondary data was collected for the year 2014. Gravity model analysis was used to calculate the increase in passenger traffic that arises as result of market access liberalization. The study found robust evidence of a negative relationship between international passenger traffic and bilateral characters of an air service agreement. Bilateral air service agreements hinder international traffic growth. Restrictions on aircraft type, most negatively contribute to passenger traffic, while fifth freedom, authorized points and airline designation follows it. Removal of restrictions on bilateral factors could bring about an increase in passenger traffic. The traffic impact of market access liberalization in Sri Lanka ranged from 8.35% (Kenya) to 13.88% (Singapore), with an average impact across the 42 countries of 11.10 %.

Keywords: Liberalization, Air service agreements, Fifth freedom, Authorized points, Airline designation, Aircraft type, Passenger traffic, Gravity model