



MONTHLY INSIGHTS

**PETER CERDÁ**

DEAR COLLEAGUES

First and foremost, I would like to wish you a Happy New Year and all the best for 2020. Please count on IATA's continued support throughout the new year to work on your behalf and advocate for the benefits of aviation and to maximize the value of air transport across the Americas.

The year is off to a challenging start with the new government in Argentina announcing and implementing a 30% tax that applies to various travel and tourism related transactions, including international airline tickets issued locally in Argentina. IATA's Director General and CEO sent a letter to President Fernández and I met with Argentina's new Minister of Transport Mario Meoni to voice our industry's concerns as we believe this new tax could have a negative impact on the country's connectivity. As you can see in the below highlights of [IATA's Value of Air Transport in Argentina](#) study, aviation is a key driver of economic growth in the country, supporting 329,000 jobs and 2.1% of the country's GDP, including the economic contribution of foreign tourists arriving by air. We were pleased to hear the Minister's commitment to work together with the industry moving forward to maximize the benefits of aviation in the country and we will jointly address a variety of key initiatives, including the reopening of regional flights to Aeroparque in May and optimizing the overall Baires airspace and we will hold an Aviation Day for Argentina in Buenos Aires on June 2nd.

To highlight some positive industry developments, the Congress of Guatemala has approved the "Proyecto de Ley 5585" which establishes the legal framework which provides fiscal certainty for airlines in the country by recognizing the internationally accepted cost allocation formulas as a valid method of calculating taxable income. And in the United States, the U.S. Department of Transportation (DOT) issued a Notice of Proposed Rulemaking (NPRM) on service animals this week which is the result of a multi-year industry coalition effort which IATA fully supported.

Lastly, as the industry continues to create ways to reduce its environmental footprint, I am pleased to share that IATA and Air Navigation Service Providers have made advancements in the Free Routing Airspace initiative in the region, allowing airlines to plan flights using an entry and an exit point within a whole Flight Information Region (FIR) belonging to a State. At the end of 2019, the project reached a milestone, interconnecting FIR's of Colombia, Brazil, and Venezuela, and allowing dynamic routes based on airlines' needs where an airplane could plan the desired entry point in the first FIR, and the desired exit point in the last FIR. This new procedure is now available and we are in the process of collecting the corresponding reduction in CO2 emissions and fuel savings.

Without your teams' support, these type of initiatives would not have been possible and we look forward to continuing our close partnership and collaboration in 2020 and beyond.

As usual, please find IATA's most recent key activities across the Americas below and please let me know if you have any questions.

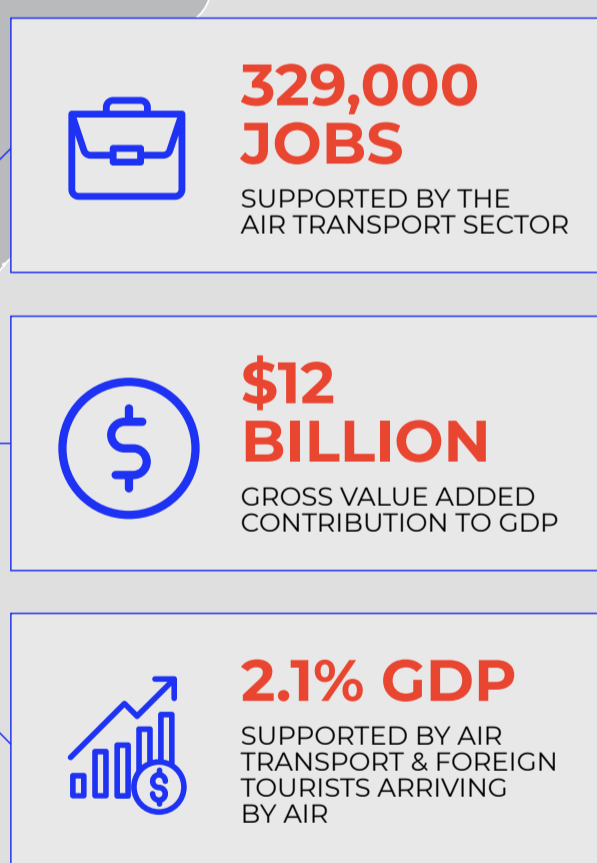
With kind regards,



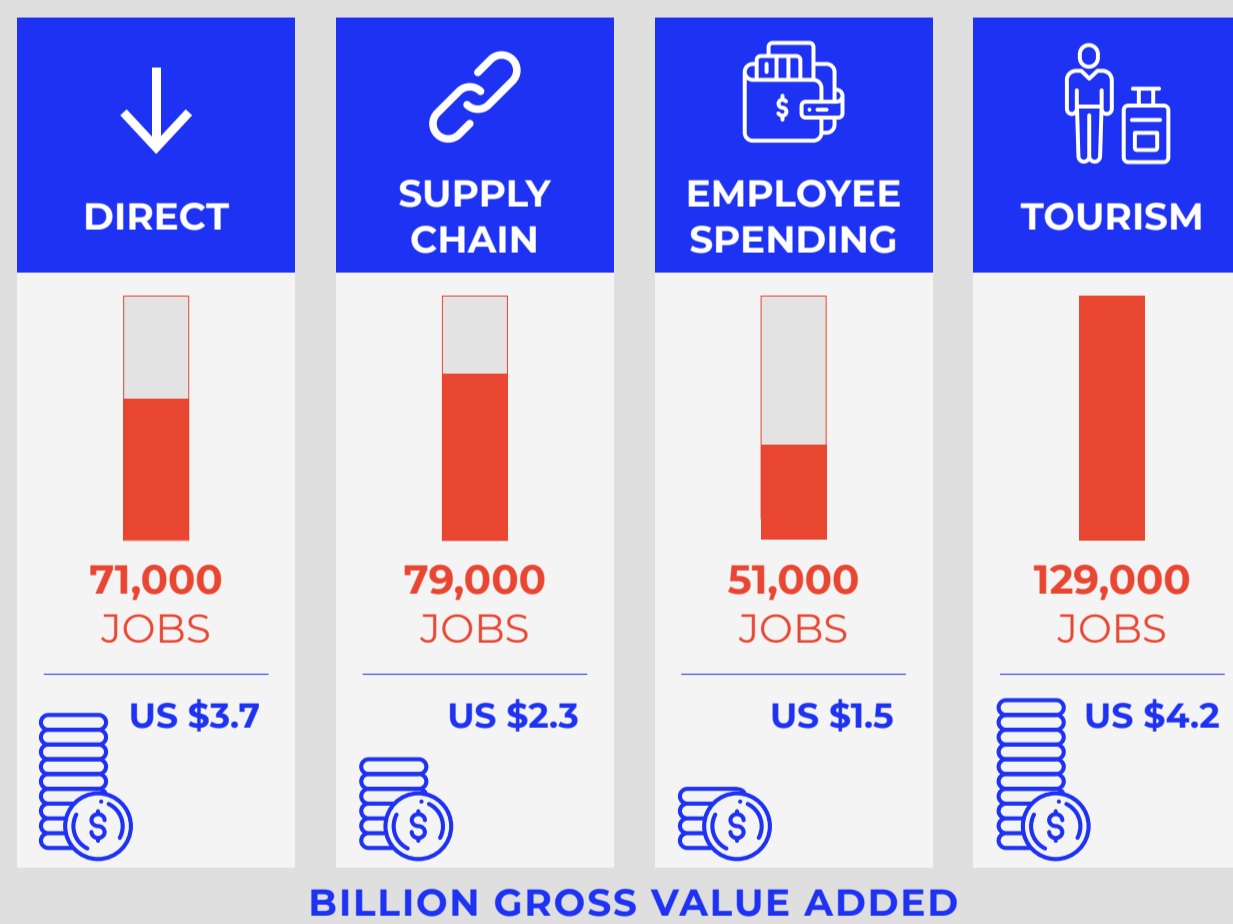
**Peter Cerdá**  
IATA's Regional Vice President,  
The Americas

## AIR TRANSPORT'S CONTRIBUTION TO ARGENTINA'S ECONOMY

FULL 2019 ARGENTINA REPORT



Source: Oxford Economics



BILLION GROSS VALUE ADDED



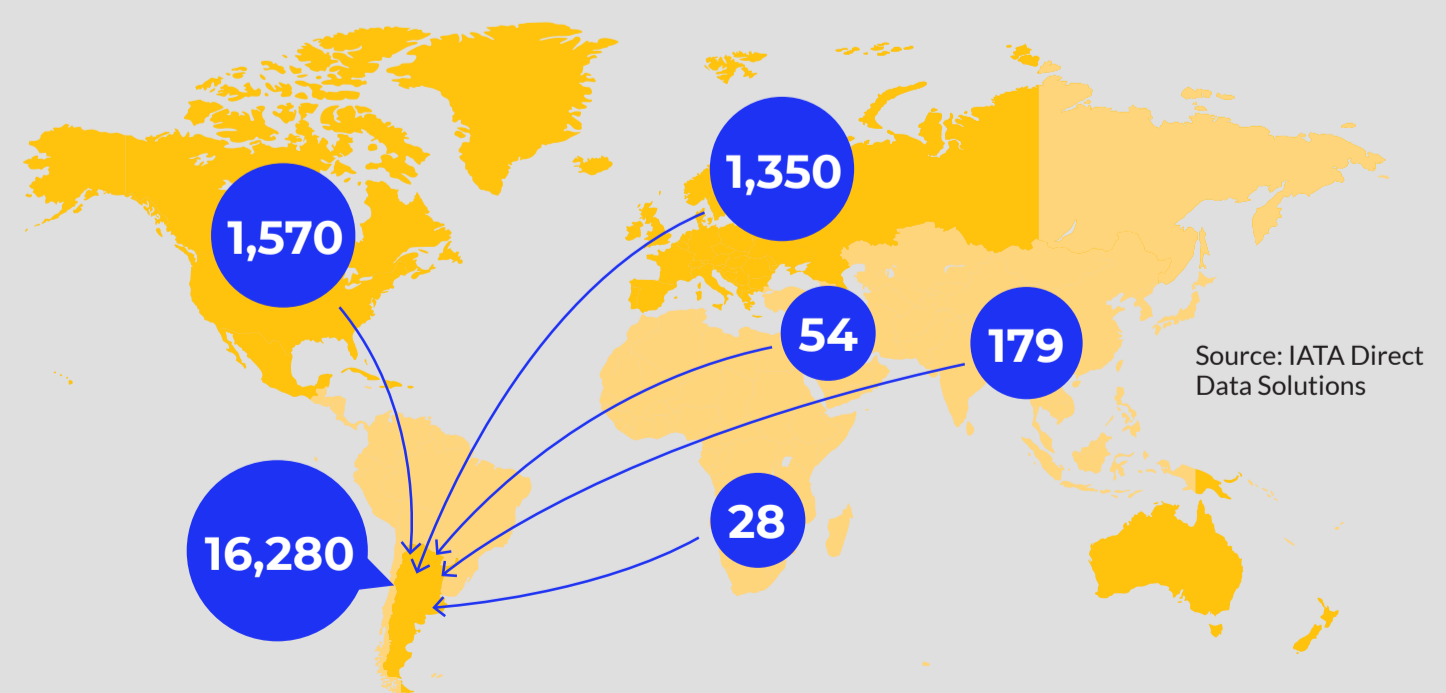
Source: IATA, Aviation Benefits Beyond Borders 2018 report

## FORECAST SCENARIOS

		PASSENGERS	US \$ GDP	JOBS
	<b>2017</b>	19.8 m	\$11.7 bn	328,879
<b>2037</b>	Current Trends	38.1 m	\$22.5 bn	564,820
	Upside	83.5 m	\$49.2 bn	1,242,116
	Downside	28.7 m	\$16.9 bn	424,070

## ANNUAL PASSENGER FLOWS BY REGION

(Origin-Destination, '000s)



Source: IATA Direct Data Solutions

Latin America is the largest market for passenger flows to and from Argentina, followed by North America and Europe. 16.3 million passengers arrived from Latin America (83.7 percent of the total), 1.6 million passengers arrived to Argentina from North America (8 percent) and 1.3 million passengers arrived from Europe (6.9 percent).



### ARGENTINA: ECONOMIC REFORM RESULTS IN 30% TAX ON INTERNATIONAL TICKETS ISSUED LOCALLY

The newly elected Government adopted a series of measures aimed at improving the economic situation in Argentina, including “emergency actions”. On December 23 the “Ley de Solidaridad” was published creating a 30% tax called “PAIS” which applies to any consumption which requires foreign currency. This regulation includes a 30% taxation to all international tickets issued locally, as a means of discouraging outbound travelers. IATA sent a letter to President Fernández and met with Minister of Transport Mario Meoni to voice the industry’s concerns as we believe this new tax could have a negative impact on the country’s connectivity, employment creation and, more broadly on Argentina’s economy. Minister Meoni committed to working together with the industry moving forward and we will address a variety of key initiatives, including the reopening of regional flights to Aeroparque in May and optimizing the overall Baires airspace. For more details, please contact IATA’s Country Manager for Argentina, [Maria Jose Taveira](#).



### BRAZIL: INDUSTRY CONCERNS OVER PLANS FOR THE IMPOSITION OF AN ENVIRONMENTAL TAX AT GRU

IATA issued a [press release](#) and sent a letter to the Mayor of Guarulhos to push back on the proposed imposition of an Environmental Preservation Tax (TPA), to be paid by all carriers operating at Sao Paulo’s Guarulhos International Airport (GRU), pursuant to Project of Law No. 3,823 / 2019, sent by the Guarulhos City Hall to the City Council for approval. Imposing punitive taxes on airlines’ operations is inefficient and does not help reduce carbon emissions and other environmental impacts, and IATA opposes any form of taxation on aviation emissions, as this would negatively affect the development of aviation in Brazil. IATA has called on the authorities to ensure that they implement effective policies which are based on global best practices for environmental management. Fortunately, the last working day for the city legislative was December 17, and the Project of Law was not voted on. Hence, if the tax is created early in 2020, it could only be implemented in 2021. IATA will continue to advocate against this new tax. For more details, please contact IATA’s Country Manager for Brazil, [Dany Oliveira](#).



### COLOMBIA: UPDATE ON BOG ENVIRONMENTAL LICENSE - PILOT PROGRAM

Following an industry petition, Colombia’s National Authority of Environmental Licenses (ANLA) approved a resolution authorizing the Civil Aviation Authority (CAA) to implement a pilot program to assess the feasibility of updating the current environmental noise license in place since 2015 at El Dorado (BOG) airport. The program is effective from 18 November 2019 through 11 April 2020. As it is currently stated, the program alleviates certain runway restrictions between 22:00 and 5:59 for aircraft certificated under Chapter 4 of Annex 16, Volume I, of the Chicago Convention. IATA is currently advocating with the CAA to further modify the Resolution to enable other aircraft such as Chapter 3 and Chapter 14. IATA has urged the CAA to apply a decibel noise-related qualification vs. using a “chapter/stage” level approach, which has led to operational problems for some airlines. For more details, please contact IATA’s Manager of Safety & Flight Operations, [Edgar Sanchez](#).



### GUATEMALA: APPROVAL OF BILL 5585 PROVIDES FISCAL CERTAINTY FOR AIR TRANSPORT

The Congress of Guatemala has approved the “Proyecto de Ley 5585”. This landmark legislation – which has been achieved after many years of advocacy efforts– establishes the legal framework which provides fiscal certainty for all airlines serving the country by recognizing the internationally accepted cost allocation formulas as a valid method of calculating taxable income. IATA and AGLA, the local airline association, actively participated in the drafting and approval process of this legislation which eliminates a tax exposure of approximately US\$125 million per fiscal year. The law is expected to be ratified by the President of Guatemala and become effective starting in 2021. For more details, please contact IATA’s Area Manager for Central America, [David Hernandez](#).



### HONDURAS: LACK OF DEFINITION OF OPERATOR JEOPARDIZES EFFICIENT OPERATIONS IN PALMEROLA

The government of Honduras has not yet decided on the international partner of the local operator of Palmerola International Airport which will serve as a replacement of Tegucigalpa’s Toncontin Airport. The airport is slated to start operations in 2021. IATA and AHLA, the local airline association, have urged the government to define a partner with the required experience in airport administration at an international level to ensure costs are managed appropriately and the new terminal will provide efficient operations, and a positive passenger experience. For more details, please contact IATA’s Area Manager for Central America, [David Hernandez](#).



### PERU: NEWLIM AIRPORT EXPANSION & UPDATE ON AIRSIDE OPERATIONS

Lima Airport Partners (LAP), the concessionaire in charge of Jorge Chavez International Airport (LIM), informed stakeholders that the first of the three work packages of the LIM expansion project (newLIM) was awarded to the Nuevo Lima Tambo consortium, formed by the Spanish company OHL and the Peruvian construction company COSAPI. Work was started at the end of December 2019 and includes, among several tasks, the earthworks, the construction of the second runway, the advanced remote parking apron and the new control tower. This first package required an investment of USD 60 million, financed with LAP’s own resources. The other two work packages of the project are expected to be awarded in May and September of 2020. IATA will continue to carry out the corresponding follow-up with the new working groups assigned for the project. In addition, IATA met with airlines, LAP, the DGAC and Air Navigation Service Provider CORPAC to discuss the layout and some of the airside characteristics for the NewLim project. An agreement for the 2021-2028 phase was reached among all participants. A follow up meeting for the transition phase to use the new runway and taxiways is expected to take place in 2-3 months. For more details, please contact IATA’s Country Manager for Peru, [Adriana de Carbonel](#).



### CANADA: ACCESSIBLE TRANSPORTATION FOR PERSONS WITH DISABILITIES REGULATIONS

In December, the Canadian Transportation Agency (CTA) published a consultation on the second phase of the “Accessible Transportation for Persons with Disabilities Regulations.” The consultation is asking for comments in two main areas. First, the CTA is considering extending the so called “One Person, One Fare” principle to international airlines serving the Canadian market. This would require carriers to provide a free seat to disabled passengers if they need it to accommodate their disability or for an attendant or a large service animal. Second, the CTA is seeking information on whether to permit emotional support animals on planes. IATA will be submitting comments by the February 7, 2020 deadline and have also asked for a bilateral meeting with CTA to discuss our concerns. For details, please contact IATA’s Country Manager for Canada, [Nicola Colville](#).



### USA: DOT PROPOSES NEW RULE ON SERVICE ANIMALS

In January, the U.S. Department of Transportation issued a [Notice of Proposed Rulemaking \(NPRM\) on service animals](#), a result of a multi-year industry coalition effort, led by Airlines for America, and addressing many of the industry concerns that were raised by DOT’s 2016 Advisory Committee on Accessible Air Transportation (ACCESS Advisory Committee), of which IATA was a participant. In summary, the NPRM proposes to amend the definition of a service animal in air transportation and includes safeguards to ensure safety and reduce the likelihood that passengers wishing to travel with their pets on aircraft will be able to falsely claim that their pets are service animals. IATA will be submitting formal comments in response to the NPRM and encourages member airlines to do the same. For more details, please contact IATA’s Vice President of Member and External Relations for North America, [Doug Lavin](#).

Our mission is to represent, lead and serve the airline industry.





# State of the region: The Americas

## ECONOMY

### GDP GROWTH, SELECTED COUNTRIES

% change on a yr ago	2018	Q1 2019	Q2 2019	Q3 2019
United States	2.9	2.7	2.3	2.1
Brazil	1.3	0.6	1.1	1.2
Mexico	2.1	0.0	0.1	-0.2
Canada	2.0	1.5	1.9	1.7
Argentina	-2.5	-5.8	0.6	--
Colombia	2.6	3.2	3.0	3.3
Chile	4.0	1.9	2.0	2.8
Peru	4.0	2.4	1.2	3.0
World*	3.2	2.7	2.5	2.5

Source: Datastream \* Market exchange rate basis † Estimate

### EXCHANGE RATES

end of period, # per US\$	2018	Sep-19	Oct-19	Nov-19
US\$ broad index	128.5	130.8	130.2	129.9
Brazilian real (BRL)	3.88	4.17	4.01	4.23
Mexican peso (MXN)	19.69	19.74	19.17	19.51
Argentine peso (ARS)	37.66	57.59	59.78	59.92
Colombian peso (COP)	3248	3478	3378	3524
Chilean peso (CLP)	694	728	741	807

Source: Datastream

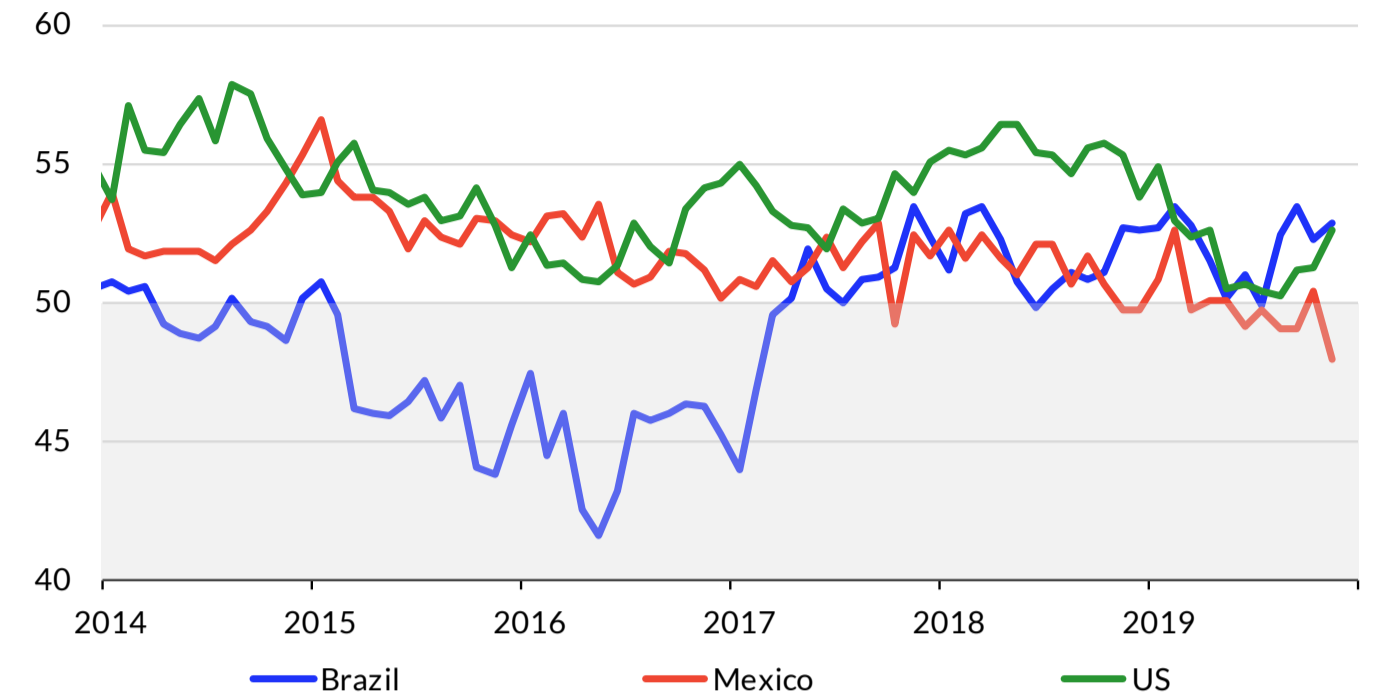
### WORLD OIL AND JET FUEL PRICE

US\$/barrel (period ave.)	2018	Sep-19	Oct-19	Nov-19
Crude oil (Brent)	71.7	62.4	59.6	62.7
Jet fuel	86.4	79.8	78.7	78.2

Source: Platts, Datastream (monthly average data)

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- ▶ Brazil's business confidence ticked up in November on the back of robust domestic demand. Sentiment lifted also in the US, although firms continued to flag concerns about the possible effect of the trade wars. By contrast, business confidence fell in Mexico given the less supportive economic backdrop.
- ▶ The trade weighted US\$ index eased for the second consecutive month, down 0.2%. Of the main regional currencies, the CLP was the main mover, losing almost 9% against the US\$ amidst social unrest in the country.
- ▶ While the average monthly jet fuel price stabilized in November, the crude oil price picked up a little, ahead of the recent OPEC meeting.

## MARKET

### REVENUE PASSENGER KILOMETERS (RPKS)

% change on a yr ago	2018	Aug-19	Sep-19	Oct-19
Region (registration basis)				
N America	5.3	2.5	5.0	3.9
Latin America	7.4	3.4	3.6	2.7
World	7.3	3.8	3.9	3.4
Routes (segment basis)				
US domestic	5.4	2.8	5.9	4.1
Brazil domestic	4.7	-1.4	1.7	3.9
Nth America-Europe	4.5	4.8	5.2	6.2
Nth America-Asia	3.9	0.3	0.8	-0.1
Nth-Sth America	4.6	-2.4	-0.8	0.7
Sth America-Europe	8.5	8.9	8.2	7.3
Within Sth America	0.6	2.9	-0.1	-5.9

Source: IATA Statistics Note: historical data may be subject to revision

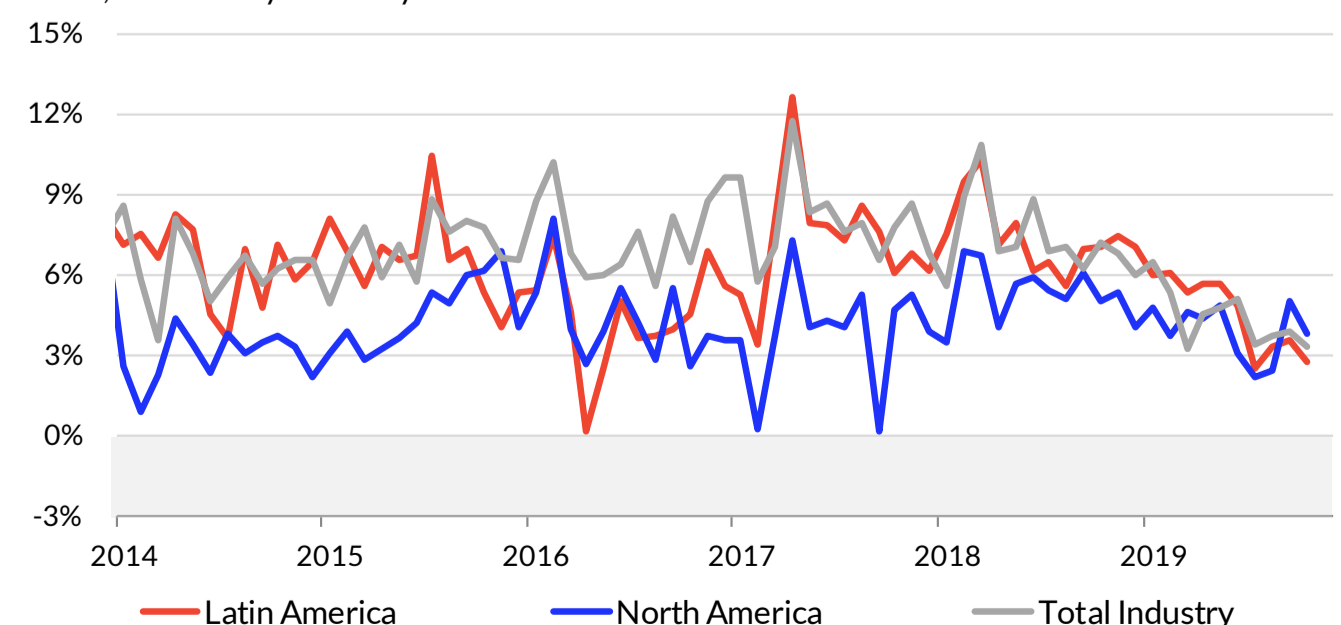
- ▶ Industry-wide revenue passenger kilometres (RPKs) grew by 3.4% year-on-year in October – down from 3.9% in September on a weaker performance from domestic markets.
- ▶ RPK growth eased to 3.9%yoy for NthAm carriers but remained solid on the back of robust consumer spending and improving business confidence. RPK growth also eased for Lat.Am carriers (2.7%yoy) – and stayed well below 2018 levels – partly due to rising political and social unrest and a softer economic

backdrop in some countries.

- ▶ Following a surge in September (impacted by a weaker outturn a year ago), annual growth in US domestic RPKs eased to 4.1% this month – a pace broadly in line with the 2019 average. Domestic Brazil RPK growth returned to rates observed in early-2019 (prior to the Avianca Brasil demise), underpinned by improving business confidence and slightly better GDP figures.
- ▶ Of the key international markets for the region, NthAm-Eur posted another month of robust RPK growth (6.2%yoy) while RPKs contracted substantially in the Within Sth America market (-5.6%yoy).

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## FREIGHT TONNE KILOMETERS (FTKS)

% change on a yr ago	2018	Aug-19	Sep-19	Oct-19
<b>Region (registration basis)</b>				
Nth America	7.0	-3.4	-3.5	-2.4
Latin America	7.4	0.2	-0.1	-2.6
World	3.7	-4.3	-4.4	-3.5
<b>Routes (segment basis)</b>				
Nth America-Asia	3.7	-2.5	-4.0	-6.5
Nth America-Europe	3.3	-3.9	-5.5	-2.4
Nth-Sth America	8.7	-3.7	2.2	-15.9
Sth America-Europe	9.1	-6.0	-1.7	-4.7
Within Sth America	17.2	-10.5	-19.2	-5.3

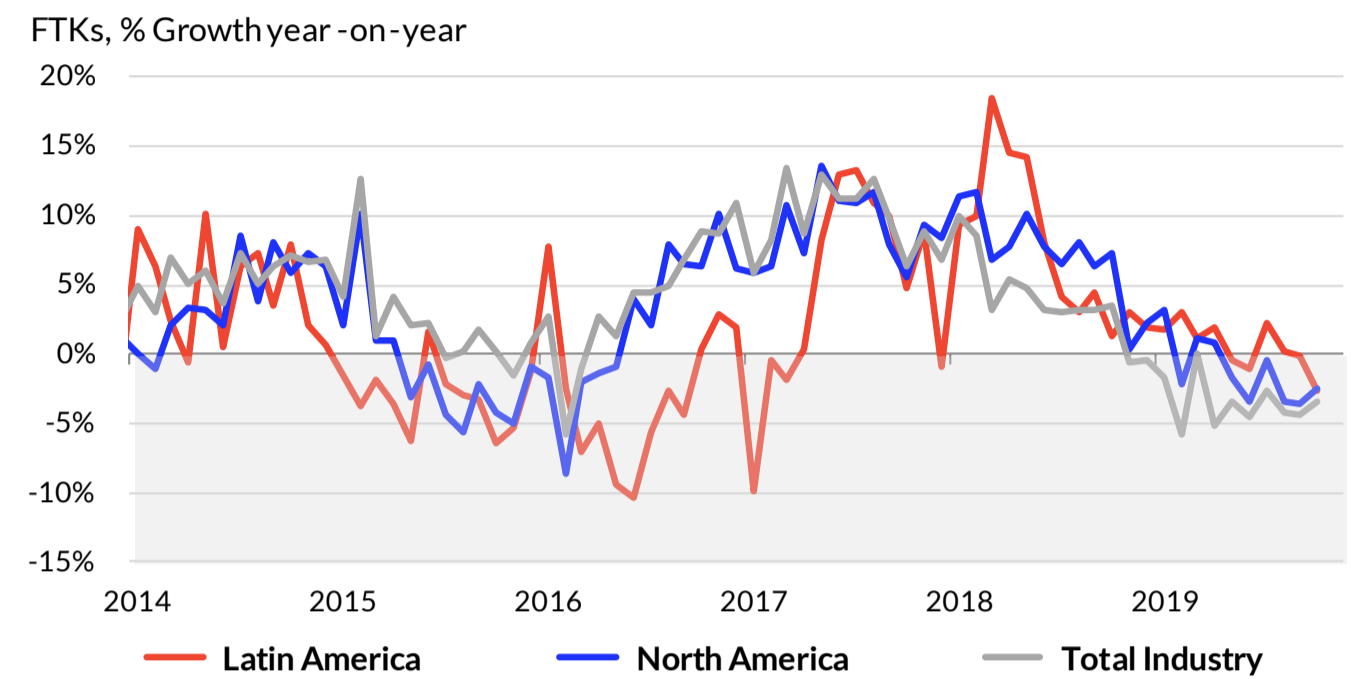
Source: IATA Statistics Note: historical data may be subject to revision

- ▶ Industry-wide freight tonne kilometres (FTKs) decreased by 3.5% in October 2019 compared to a year ago. This represents the 12th consecutive month of annual decline. That said, recent monthly outcomes show a stabilization in air freight volumes.
- ▶ Although NthAm carriers recorded a 2.4%yoy contraction in FTKs, the speed of decline eased a little compared to previous months. After a short-lived improvement in Q3, FTK growth dipped back into

negative territory (-2.6%yoy) for Lat.Am carriers, driven by underperformance on some of the key international routes. As with the passenger segment, the recent FTK contraction reflects increasing uncertainty in the socio-economic and political backdrop in some of the region's key economies.

- ▶ Freight volumes contracted on all key international trade lanes this month, most notably in the Nth-SthAm market (-16%yoy) where the outcome was, however, partly impacted by a stronger outturn last year.

## Growth in air freight volumes



Source: IATA Statistics

## INDUSTRY

### CAPACITY GROWTH AND LOAD FACTORS

% change on a yr ago, LF: % of ASK/AFTK		2018	Aug-19	Sep-19	Oct-19
<b>Passenger</b>					
Nth America	ASK	4.9	2.0	2.6	2.9
	PLF	83.9	87.2	82.9	84.1
Latin America	ASK	7.8	0.7	1.4	1.4
	PLF	81.6	83.3	82.0	81.9
World	ASK	6.8	3.5	3.4	2.2
	PLF	82.0	85.6	81.9	82.0
<b>Freight</b>					
Nth America	AFTK	7.8	2.5	3.4	3.1
	FLF	40.8	36.9	37.8	39.4
Latin America	AFTK	1.4	-2.8	-1.6	2.3
	FLF	36.8	37.2	37.4	36.4
World	AFTK	5.2	2.4	2.6	2.2
	FLF	49.3	44.2	46.3	47.7

Source: IATA Statistics. Note: LF=seasonally adjusted load factor. ASK=available seat kilometers. AFTK= available freight tonne kilometers

- ▶ The industry-wide passenger load factor (PLF) reached a new all-time October high as RPKs continued to grow faster than capacity. On the freight side, the load factor (FLF) eased by 2.8ppt vs a year ago, to 47.7%.
- ▶ NthAm and Lat.Am carriers posted robust PLFs that were close to historical maximum for the month (and also higher than a year ago). By contrast, the region's FLFs were lower than in October 2018. In the case of Lat.Am, the outcome marked a new all-time Oct low.
- ▶ The Q3 2019 airline financial data point to a modest

improvement in industry-wide financial performance, up 0.5ppt vs Q3 2018. At the regional level, both Nth and Latin American airlines posted a higher Q3 EBIT margins vs a year ago, 13.5% and 11.0%, respectively.

- ▶ The downward pressure on passenger yields (in US\$ terms) intensified in October across most of the key international routes in the region. The deterioration was most notable in the larger NthAm-Europe market, where yields contracted by more than 3ppt faster than in Sept. That said, the weaker EUR is likely to have contributed to this performance.

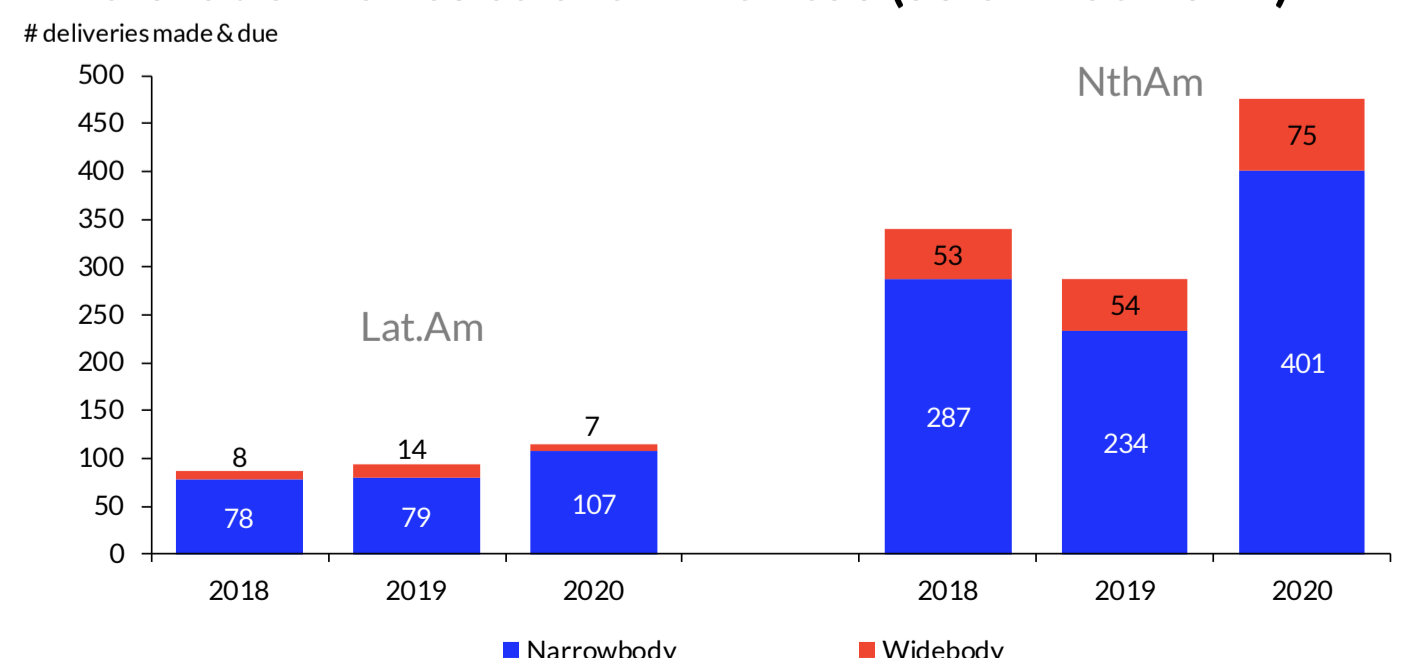
### PASSENGER YIELDS (US\$, EXCL. SURCHARGES & ANCILLARIES)

% change on a yr ago	2018	Aug-19	Sep-19	Oct-19
Nth America-Europe	4.6	-4.5	-1.4	-4.6
Nth America-Asia	-0.4	-4.0	-5.6	-6.4
Nth-Sth America	-38.7	0.4	-0.2	-0.6
Sth America-Europe	-1.0	-14.5	-9.7	-9.8
Sth America-Asia	-0.4	-2.3	-6.2	-7.0
Within Sth America	-26.4	6.6	7.8	9.7

Source: IATA Travel Intelligence Note: historical data may be subject to revision

- ▶ An uptick in jet aircraft deliveries is scheduled for Lat.Am and a sharp increase (mostly narrowbody) for NthAm in 2020 vs 2019.

## Aircraft deliveries to the Americas (as of Dec 2019)



Source: Ascend

### AIRLINE OPERATING (EBIT) MARGINS\*

% revenues	2017	2018	2018Q3	2019Q3
Nth America	11.2	9.1	11.8	13.5
Latin America	6.2	2.7	6.0	11.0
Industry	7.5	5.7	12.7	13.2

Source: Airline Analyst \* constant sample basis, not seasonally adjusted