



AMERICAS

FOCUS

AUGUST / SEPTEMBER 2018

YOUR SOURCE FOR IATA'S LATEST REGIONAL NEWS



Dear Industry Colleagues,

Central America has been in the aviation spotlight for the past few weeks. First, we held an Aviation Day for Central America in San Jose, Costa Rica which turned out to be a big success with fruitful discussions and senior participation of the Central American Governments and Ministers, alongside Volaris' Enrique Beltranena, Avianca's Hernan Rincon and Copa Airlines' Pedro Heilbron. A big thank you to everyone who attended. Media coverage and all event information are available via our [regional event site](#). The real work begins now as the industry and governments need to work closely together to create an aviation agenda for Central America that allows the region reach its full potential by utilizing aviation as an engine of economic growth and social development. As part of the event, we launched individual [country studies](#) for Central America together with Oxford Economics; please find key highlights below.

A few days after, I had the pleasure to return to San Jose to participate in the opening of the European Aviation Safety Agency's (EASA) office. This office will strengthen the long-established cooperation between the EU and Latin American interests in civil aviation. Safety remains our industry's number one priority and an area where all stakeholders agree to partner and collaborate for mutual benefits and adapt global standards and best practices. By establishing a presence of EASA in Costa Rica, the agency is

collaborating with all stakeholders, including COCESNA, IATA and the FAA, which will benefit the entire region and further drive and enhance safety initiatives across Latin America.

Next up in Central America is the ALTA Airline Leaders Forum in Panama at the end of October to continue the dialogue on how to create an improved regulatory framework and pro-aviation business environment across Latin America and the Caribbean to prepare the region for the anticipated doubling of passengers over the next 20 years. We will then shift our focus to Colombia where we will hold the final Aviation Day of 2018 in Bogota on November 27. [Registration](#) is now open and the new government and CEOs of Avianca, LATAM, Copa and Viva Air have confirmed their participation in the [event](#).

As usual, please find the summary of IATA's key activities across the Americas for August and September below and please let me know if you have any questions or would like us to take further action.

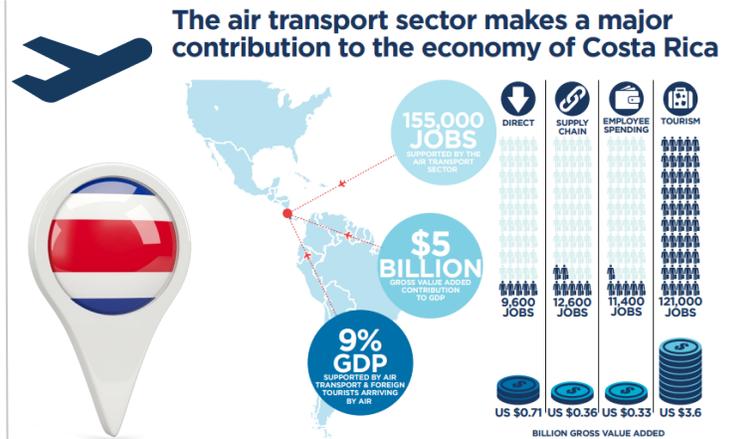
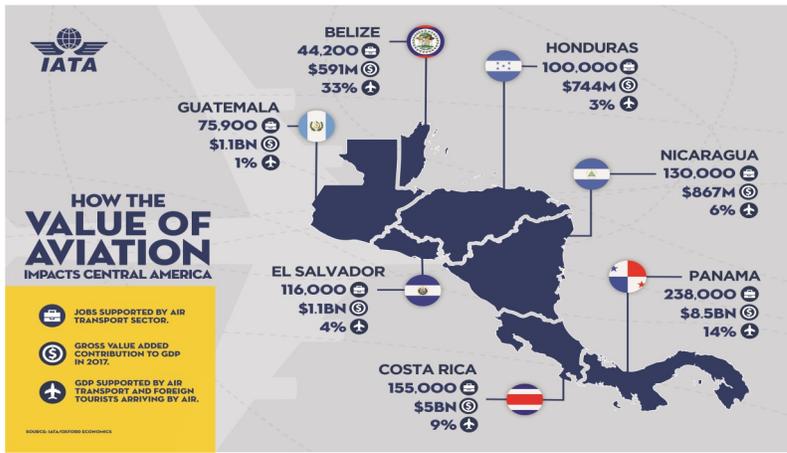
With kind regards,

Peter Cerda, IATA's Regional Vice President, The Americas

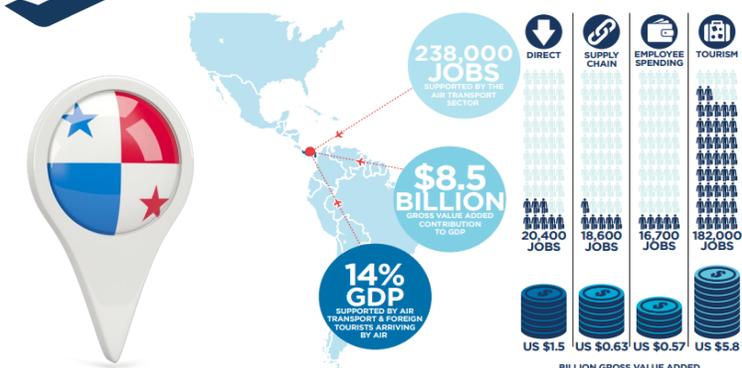


THE VALUE OF AVIATION IN CENTRAL AMERICA

AIR TRANSPORT AS AN ENGINE OF ECONOMIC GROWTH AND SOCIAL DEVELOPMENT



The air transport sector makes a major contribution to Panama's economy



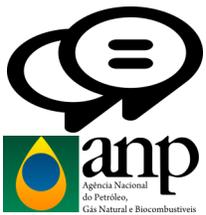
The air transport sector makes a major contribution to the economy of Nicaragua





BRAZIL: MOVING CLOSER TO WORLD SLOT GUIDELINES & OUTSOURCING OF LABOR

Moving closer to international best practices, Brazil issued changes to its slot regulation, integrating new rules aligned with the Worldwide Slot Guidelines (WSG) as requested by IATA. These changes include: the removal of the punctuality clause, the removal of OTP for use it or lose calculation, and the inclusion for more justified reasons of non-utilization of slots which will come into force for the Winter 2018 season. IATA will continue working with ANAC to ensure that the 80/20 use it or lose it criteria is fully applied in all Brazilian airports. On the smarter regulations front, the Brazilian Supreme Court concluded a long-standing case against the legality of outsourcing labor activities to third parties. The court decided that all companies doing business in Brazil may outsource any employment position, effective immediately. This includes activities related to airlines' core business, such as check-in or other related ground services. For more information, please contact IATA's Country Manager for Brazil, [Dany Oliveira](#).



BRAZIL: PUBLIC CONSULTATION ON FUEL PRICES

On September 18, IATA in coordination with ALTA, ABEAR and JURCAIB, submitted its comments to a project presented by the Brazilian National Oil Agency to revise the fuel pricing formula applied by Petrobras for all fuels. This submission is part of a public consultation process in which IATA requests that the aviation fuel produced locally be priced the same as market observed prices in the US Gulf Coast for a certain period of time, and that import parity (IP) prices be used only for the portion of fuel that is imported. ANP's original proposal established an IP price for all fuel uplifted in Brazil, even as imported fuel made up only 9% of the Brazil's jet fuel consumption in 2017. The public consultation is a positive change as the industry had been actively requesting price transparency for some time. For more information, please contact Assistant Director for Commercial Fuel, [Daniel Chereau](#).



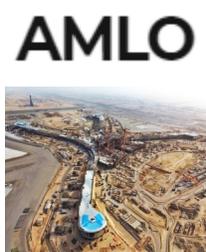
CHILE: REDUCTION IN DEPARTURE TAXES

After several meetings between IATA and airlines with the Chilean ministries related to air transport, the Government of Chile announced a 20% reduction in domestic departure taxes, effective as of September 1st, 2018. The government will then apply a further reduction of 10% in 2019, and an additional 10% by 2020 for a total of 40%. Adjusted for inflation, the total reduction will be in the 30% range. International departure taxes will be reduced from USD30 to USD26 on September 1st, 2018, then to USD25 in 2019 and to USD24 in 2020. To support the above, IATA provided a study on the "Economic benefits of reducing aviation taxes in Latin America and the Caribbean" which was provided to the Chilean government. As a next step, IATA will gather data over the next few months to show the anticipated positive impact on the airline industry and Chilean economy to show other countries the benefits of reducing taxes. For more details, please contact IATA's Country Manager for Chile, [Gabriela Peraita](#).



GUATEMALA: MEETING WITH TAX AUTHORITY TO SOLVE FISCAL CONTINGENCY ISSUE

As an update the non-recognition of the use of the globally accepted cost allocation formulas used to calculate the taxable amount corresponding to operations in Guatemala, IATA and member airlines operating in Guatemala held a technical meeting (criteria/guidance committee) with the SAT (tax authority) in order to brief them on the particularities of the airline industry in regards to the cost allocation method. Airlines were asked to provide a unified industry document detailing all the expenses/services rendered in headquarters but allocated to Guatemala in order for authorities to validate if the service was in fact rendered in Guatemala. SAT requested that their technical team meet with airlines in order to perform a detailed review of the document item by item to confirm where they have been used. For more information, please contact IATA's Area Manager for Central America, [David Hernandez](#).



MEXICO: ADVOCATING FOR THE CONTINUATION OF NAIM

IATA is working in close coordination with CANAERO and the Mexican Entrepreneurial Council (CCE) in defending the continuation of the New International Airport for Mexico City (NAIM) as the most viable option to allow for sustainable and long-term growth of the aviation sector in Mexico. The new Mexican Government, nevertheless, is calling for a public consultation process, scheduled to take place on October. Details and methodology of such process are not yet known. In the meantime, the industry gathered support from 16 other recognized organizations and is taking advantage of the high media coverage of the topic to disseminate information about the two alternatives: the new Government proposal - which combines the currently saturated International Airport and the conversion of the Santa Lucia Air Force Base 45 kilometers away from the city center to the secondary airport, and the NAIM project in progress at Texcoco. IATA will continue its media outreach in the coming weeks to strengthen the industry position. For more details, please contact IATA's Area Manager for Mexico, [Cuit Gutierrez](#).



MEXICO: ENERGY REFORM UPDATE

On August 16, the Mexican Energy Regulatory Commission (CRE) issued a resolution establishing maximum fuel storage fees to be charged at airports in Mexico. On average, the fees published represent an increase compared to the existing bundled (storage & into-plane) fee called "suministro". IATA together with ALTA and CANAERO, are challenging the fees published by CRE, which will apply only once an airline requests the storage service from ASA, either directly or through a third party supplier. Since ASA is a state-owned company, now the Ministry of Transport (SHCP) has to approve their fees for both storage and into-plane services. IATA has already engaged with the Ministry to provide its views on the impact of these fees in the successful implementation of the Energy Reform. For more details, contact IATA's Assistant Director for Commercial Fuel, [Daniel Chereau](#).



MEXICO: ICAO SECURITY MEETING SUMMARY

IATA participated at the ICAO Security Meeting at Mexico City in August, outlining the advantages of a Recognition of Equivalence (ROE) scheme when minimum security standards are in place, and how its implementation reduces the impact on traveling passengers while gaining operational efficiencies. IATA outlined the importance of the key role of the industry in security decision making and that the industry is best placed to validate the operational effectiveness of any future security measures being considered. TSA acknowledged that cooperation with industry and the uptake of biometrics is vital for future security solutions. Lastly, the 3rd meeting of IATA's Regional Security Focus Group will be held on November 15 at the IATA offices in Miami. For more details, please contact IATA's Assistant Director of Aviation Security for the Americas, [Tony Blackiston](#).



UNITED STATES: FAA REAUTHORIZATION

The U.S. Congress reached an agreement on legislation – H.R. 302, the FAA Reauthorization Act of 2018 – to provide a full, five-year reauthorization for the FAA. The measure was overwhelmingly passed by the House of Representatives and is expected to pass the Senate in the next few days. Although disappointed that the Congress failed to use this opportunity to enact transformational changes to the U.S. air traffic control system, and recognize that some provisions are not supported by industry, on balance, IATA is satisfied with the [outcome](#) and pleased that after considerable effort by IATA, Airlines for America, and other industry partners, a number of harmful provisions were left out of the final bill. These include provisions to regulate airline ancillary fees, prohibit so-called "flag of convenience" carriers from entering the U.S., and to increase the airport passenger facility charge. For more details, please contact IATA's Vice President of Member & External Relations for North America, [Doug Lavin](#).



STATE OF THE REGION: THE AMERICAS

SEPTEMBER 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q4	2018Q1	2018Q2
United States	2.2	2.5	2.6	2.9
Brazil	1.0	2.1	1.2	1.0
Mexico	2.3	1.6	2.3	1.6
Canada	3.0	3.0	2.3	1.9
Argentina	2.9	3.9	3.9	-4.2
Colombia	1.8	1.6	2.6	2.5
Chile	1.6	3.3	5.1	5.0
Peru	2.5	2.3	3.1	5.4
World*	3.2	3.2	3.2	3.2

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Jun-18	Jul-18	Aug-18
US\$ broad index	120.0	123.4	124.1	125.3
Brazilian real (BRL)	3.31	3.86	3.75	4.12
Mexican peso (MXN)	19.66	19.74	18.63	19.15
Argentine peso (ARS)	18.62	28.93	27.34	36.93
Colombian peso (COP)	2985	2932	2884	3066
Chilean peso (CLP)	615	654	639	680

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Jun-18	Jul-18	Aug-18
Crude oil (Brent)	54.2	74.4	74.3	72.5
Jet fuel	65.6	87.8	88.1	89.0

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

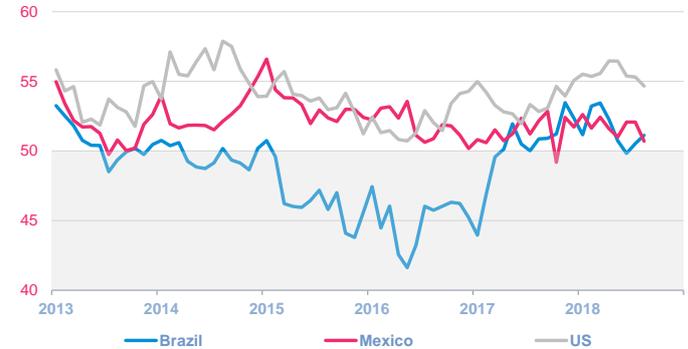
%change on a yr ago	2017	May-18	Jun-18	Jul-18
Region (registration basis)				
N America	4.2	5.3	5.5	5.0
Latin America	6.7	6.3	5.0	5.3
World	7.6	6.3	8.1	6.2
Routes (segment basis)				
US domestic	3.7	5.5	5.3	5.6
Brazil domestic	3.5	3.8	5.0	8.4
Nth America-Europe	4.1	4.1	4.9	4.6
Nth America-Asia	4.9	4.2	4.0	3.3
Nth-Sth America	0.9	7.1	4.2	-1.1
Sth America-Europe	6.1	11.2	10.9	8.7
Within Sth America	10.5	0.2	-4.0	-3.7

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

- Annual growth in industry-wide RPKs eased a little in July, to 6.2%yoy – down from 8.1% last month & returning to around the pace of growth in May. The July outcome marked a solid start to this year's peak passenger demand season.
- At the regional level, RPK growth ticked *down* slightly for the NthAm carriers, to 5.0%yoy but ticked *up* by a similar margin for the Lat.Am airlines, to 5.3%yoy.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Argentina's Q2 GDP data showed a sharp contraction with growth down 4.2%yoy, highlighting the magnitude of the economic turmoil in that country. Business confidence remains elevated in the US, but dipped in Mexico on softer demand & production.
- On a trade-weighted basis, the US\$ rose by 1.0% in Aug. to a level last seen in early 2017. Unsurprisingly, the ARS was the major mover amongst regional currencies, falling ~35% in the month vs the US\$. The BRL lost ~10% & the CLP & COP were both down ~6%.
- Brent crude oil prices fell by 2.3% in Aug while the price of jet fuel rose by 1%, on a widening in the crack spread. Crude averaged US\$72.5/bbl for the month & jet US\$89.

- The region's two main domestic markets saw a lift in their annual RPK growth performance this month. In Brazil, passenger volumes are now a robust 8.4% above their level of a year ago. For the US, RPK growth rose more modestly, to a 5.6%yoy pace.
- Of the key international markets, in terms of annual growth Europe leads the way on routes to/from both Nth & Sth America. Passenger volumes are currently 3.7% lower than a year ago in the Within SthAm market & 1.1% lower for traffic between Nth-Sth America.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2017	May-18	Jun-18	Jul-18
Region (registration basis)				
Nth America	8.2	6.2	3.1	2.6
Latin America	5.5	11.3	5.9	3.0
World	9.1	3.8	2.5	2.1
Routes (segment basis)				
Nth America-Asia	8.7	4.7	1.5	0.1
Nth America-Europe	9.9	3.3	5.3	-0.5
Nth-Sth America	0.6	18.4	7.5	1.6
Sth America-Europe	6.9	9.9	8.1	6.8
Within Sth America	3.2	24.7	21.7	15.6

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

- Annual growth in industry-wide FTKs eased to 2.1% in July, down from 2.5% in June, to its slowest pace since May 2016. In year-to-date terms, industry-wide FTKs have grown by a solid 4.3% in the first 7 months of the year vs the same period a year ago.
- At the regional level, FTK growth also slowed this month, to 2.6%yoy (from 3.1% in June) for the Nth American carriers, & to 3.0%yoy (from 5.9%) for the Latin American airlines.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2017	May-18	Jun-18	Jul-18
Passenger					
Nth America	ASK	4.0	5.2	4.3	4.0
	PLF	83.7	84.2	87.2	87.5
Latin America	ASK	5.3	6.1	6.5	5.9
	PLF	81.7	80.0	80.1	84.2
World	ASK	6.3	6.1	6.7	5.5
	PLF	81.5	80.0	82.9	85.2
Freight					
Nth America	AFTK	2.0	5.6	2.9	4.0
	FLF	36.5	36.3	35.8	34.3
Latin America	AFTK	4.7	-7.0	-7.4	-7.8
	FLF	33.6	40.6	37.9	34.2
World	AFTK	3.6	5.0	3.8	3.8
	FLF	45.2	44.9	44.3	42.7

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

- With annual growth in passenger demand outstripping capacity, the industry-wide PLF has increased by 0.6pp, to 85.2% currently. The converse holds for freight, with the FLF down 0.7pp over the past year, to 42.7%.
- Both NthAm & Lat.Am carriers recorded a PLF well above 80% this month, at 87.5% & 84.2%, respectively. The region's FLF, however, remained solidly below the industry-wide outcome, at a little above 34%.

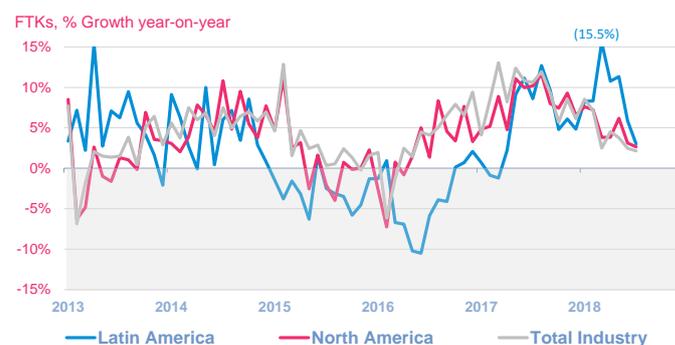
Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q2	2018Q2
Nth America	13.7	11.1	16.6	12.1
Latin America	5.6	6.9	4.9	-0.7
Industry	8.5	7.5	10.6	7.5

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

- A slowing in FTK growth is evident across all of the main markets for the region's carriers. Growth has slowed almost to a standstill for the largest NthAm-Asia market, while freight volumes have fallen below their year-ago levels for NthAm-Europe.
- For South America markets, despite the slowdown in recent months, growth remains strong for both the Europe and Within Sth America markets, at 6.8% & 15.6%yoy, respectively.

Growth in air freight volumes



Source: IATA Statistics

- The latest data for Q2 confirm a decline in industry financial performance vs a year ago, with the EBIT margin currently 7.5% vs 10.6% a year ago. At the regional level, the margin for NthAm is 12.1% (from 16.6% a year ago) & for Lat.Am is -0.7% (from 4.9%).

- Passenger yield developments amongst the region's key markets remain mixed. Yields are up 11.0% for the NthAm-Europe market compared with a year ago, but are lower for a number of markets including Within SthAm & for routes between Nth-Sth America.

Passenger yields (US\$, excl. surcharges & ancillaries)

%change on a yr ago	2017	May-18	Jun-18	Jul-18
Nth America-Europe	-1.8	9.1	11.8	11.0
Nth America-Asia	-3.2	2.8	4.3	5.1
Nth-Sth America	0.2	-4.5	-5.3	-4.8
Sth America-Europe	7.9	7.2	5.2	2.2
Sth America-Asia	-4.2	3.2	5.1	-2.8
Within Sth America	1.8	-1.0	-3.4	-7.7

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

Aircraft deliveries to the Americas



Source: Ascend