



AMERICAS

FOCUS

JUNE 2018

YOUR SOURCE FOR IATA'S LATEST REGIONAL NEWS



Dear Industry Colleagues,

To finish the first half of the year, we held an Aviation Day for the Caribbean in Barbados at the end of June, supported by the Caribbean Development Bank (CDB) and ALTA. The event was very well received with over 200 senior attendees and 20 Caribbean States represented, including six Ministers of Transport/Tourism from Barbados, Bahamas, Guyana, Saint Lucia, Jamaica and Curacao. One of the main topics of the day was taxation as Caribbean States like St. Lucia and Barbados recently proposed new fees and charges, making operating to, from and within the region even more expensive. We pushed back on these new fees and emphasized that aviation should not be treated as a cash cow for governments and that the long term impact will be negative.

The good news is that the various governments were receptive to listening and working with the industry. As a key action item and outcome of the conference, the participating Ministers of various Caribbean States agreed to hold a high level aviation summit with airlines, airports and other industry executives, and asked IATA to facilitate this first ever Caribbean Aviation Summit to create tangible recommendations to address aviation's largest challenges across the region. Our plan is to now work with CARICOM (Caribbean Community) and its twenty-six member and associate States to bring the various governments, airline CEOs and key industry players together to agree on specific action items to allow aviation maximize its benefits for the region. You can view key highlights of the CDBs study on [Air Transport Competitiveness and Connectivity](#) in the Caribbean below and access all event materials [here](#).

In other news, Andrés Manuel López Obrador won the presidential election in Mexico with over 53% of the vote, and his party also won an outright majority in both houses of Mexico's congress. Throughout his campaign, López Obrador stated he would stop the construction of the new Mexico City International Airport but in recent weeks toned down his demands, and suggested he will rather re-asses all given contracts. Over the past months IATA has worked closely with all candidates, including López Obrador's team, to ensure we establish a working relationship. We are now able to offer our insights to the new government as López Obrador and his Ministers transition to power on December 1 and advocate how aviation supports the development of Mexico and how crucial the new airport is for our industry.

Further South, as a good example of government de-regulation, the long-awaited U.S. / Brazil Open Skies agreement was ratified and signed in June, allowing airlines to offer more service and bring more choice to passengers between the two markets. It will be interesting to see how the industry reacts and if other countries will follow suit.

Please find the summary of IATA's key activities across the Americas in June 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

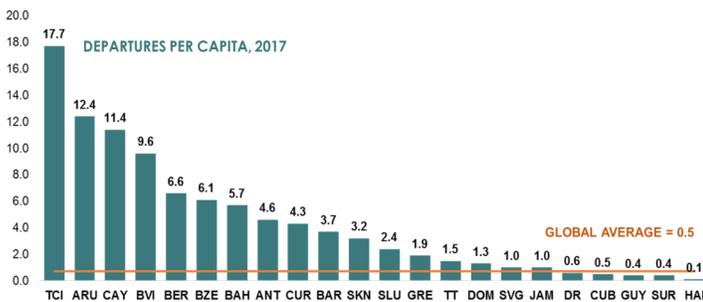


CARIBBEAN AIR TRANSPORT COMPETITIVENESS & CONNECTIVITY

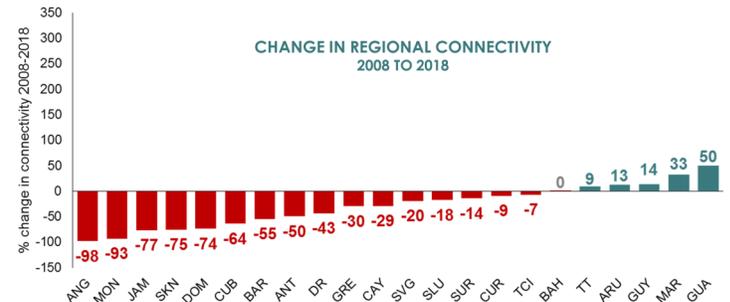
KEY TAKEAWAYS FROM STUDY DEVELOPED IN COLLABORATION WITH CARIBBEAN DEVELOPMENT BANK



CARIBBEAN HAS HIGH LEVELS OF DEPENDENCY ON AIR TRANSPORT



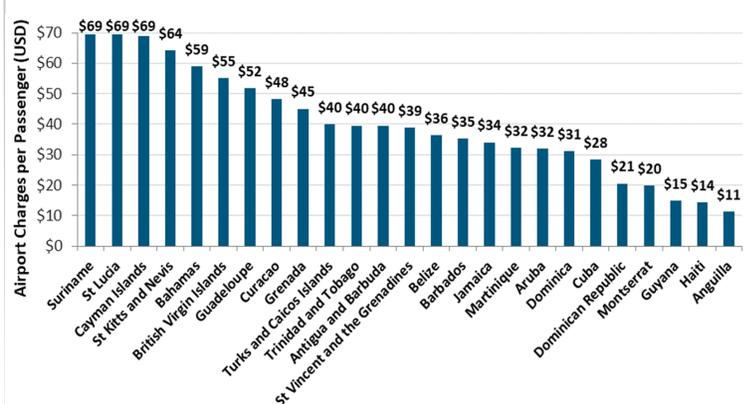
INTRA-REGIONAL CONNECTIVITY CONTRACTING OVER PAST 10 YEARS



TAXES, CHARGES & FEES OFTEN REPRESENT MORE THAN 30% OF TICKET

	BASE FARE	TAXES	FEES AND CHARGES	FULL FARE	TFCS/FULL FARE (%)
Intra-Regional					
BGI (BARBADOS) – SVD (ST. VINCENT)	298	52.16	121.7	471.86	37%
ANU (ANTIGUA) – SVD (ST. VINCENT)	210	21	213.9	444.9	53%
POS (TRINIDAD) – KIN (JAMAICA)	400	85	125.79	610.79	35%
NAS (BAHAMAS) – PLS (TCI)	213	98.13	60	371.13	43%
BGI (BARBADOS) – GRE (GRENADA)	198	34.66	136.04	368.7	46%
SLU (CASTRIES, SAINT LUCIA) – BGI (BARBADOS)	150	11.26	182.08	343.34	56%
Extra-Regional					
BGI (BARBADOS) – MIA (MIAMI) USA	640	148.6	58.91	847.51	24%
POS (TRINIDAD) – PTY (PANAMA CITY, PANAMA)	459	158.8	60	677.8	32%
NAS (BAHAMAS) – JFK (NEW YORK, USA)	328	69.7	85.81	483.51	32%
UVF (VIEUX FORT, SAINT LUCIA) – MIA (USA)	665	86.5	124.91	876.41	24%

AVERAGE AIRPORT CHARGES PER PASSENGER (ONE-WAY)





BRAZIL: OPEN CONSULTATION FOR NEW ROUND OF AIRPORT CONCESSIONS

IATA continues to work with the Agencia Nacional de Avianca Civil (ANAC) to demonstrate the importance of improving economic regulation of Brazilian airports under concession by ensuring that efficiencies at the airport are passed on to all consumers. IATA has been coordinating contributions to the current consultation process together with the Association of Brazilian Airlines (ABEAR), airlines, and other industry stakeholders. To provide comments or request more information, please contact IATA's Country Manager for Brazil, [Dany Oliveira](#).



COSTA RICA: POTENTIAL RATE INCREASE FOR OPERATORS

The authorities in Juan Santamaria International Airport (SJO) intend to impose a tariff on the airport's ground handlers. The proposed tariff consists of 12% of the handlers' gross revenues and is intended to cover the use of space inside the airport for their operations. This new rate would increase their operational costs, which raises the possibility of transferring this increase to airlines. IATA is working closely with the local BAR and will present a joint letter to the airport authorities once the final document outlining the increase is published. For more details, please contact IATA's Area Manager for Central America, [David Hernandez](#).



ECUADOR: HEALTH INSURANCE REQUIREMENT FOR FOREIGN VISITORS TO BE REPEALED

Through an executive decree, authorities in Ecuador enacted a requirement that all foreign visitors that enter the country must show proof of having a valid health insurance. Following close work between the local BAR and IATA and sending a letter to the Minister of Tourism stating that this measure would be detrimental to the country's effort of promoting aviation and tourism, an article which repeals the requirement was included in the Economic Development Law approved by the Ecuadorian congress. This law is currently in the President's office awaiting Presidential sanction. For more information, please contact IATA's Area Manager for Central America, [David Hernandez](#).



GUATEMALA: UPDATE ON POTENTIAL TAX PENALTIES FOR INTERNATIONAL CARRIERS

As an update of the sanctions applied by Guatemala's tax authority as a result of the non-recognition of the use of globally accepted cost allocation formulas to calculate the taxable amount corresponding to the operations in Guatemala, IATA held a meeting with the country's Minister of Finance. The Minister stated that he does not have the authority to stop the tax authority's execution process. However, he offered to hold a technical meeting with the tax authority and the affected airlines to review this topic in more detail and establish clear criteria before the cases that are pending a resolution from the tax authority are addressed. The Ministry of Finance will then request and review the status of each pending case with the criteria established during the technical meeting. IATA's taxation experts will also participate to support the airlines and emphasize the importance of globally accepted taxation principles. For details, contact IATA's Area Manager for Central America, [David Hernandez](#).



MEXICO: ENERGY REFORM UPDATE

IATA, ALTA, CANAERO and fuel representatives from member airlines, met twice in June with the Mexican Energy Regulatory Commission (CRE). In these meetings, the industry had access to the proposed Terms and Conditions, including prices for fuel storage facilities at all airports in Mexico currently served by Aeropuertos y Servicios Auxiliares (ASA). As a result, IATA requested an extension of the consultation period, as the assumptions used to calculate the proposed fees are not in line with industry standards and best practices. A follow-up meeting with CRE will take place in Mexico City on July 13. On the product side, an industry delegation will meet with the Undersecretary for Hydrocarbons to discuss the entrance of fuel suppliers into a market where PEMEX is the monopoly supplier. For more details, contact IATA's Assistant Director for Commercial Fuel, [Daniel Chereau](#).



PERU: MINCETUR'S MONTHLY ROUNDTABLE TO DISCUSS LIM & CUZ AIRPORT UPDATES

IATA continues working closely with the Peruvian Ministry of Foreign Trade & Tourism, Mincetur, in creating a consultative space for the industry, prioritizing LIM and CUZ airports. Mincetur has adopted IATA's recommendation to hold a monthly roundtable to discuss critical aspects of the LIM airport expansion as well as stop-gap measures for both LIM and CUZ. The roundtable is facilitated by Mincetur and composed of the DGAC, CORPAC, LAP, ADP, AETA, Airlines, and IATA. The strategic agenda covers the following key areas: 1) ATM Efficiency and Airspace Redesign, 2) Stop-Gap or temporary measures, 3) Itinerary facilitation and capacity declaration, 4) Airport Collaborative Decision Making (ACDM), and 5) Security and Facilitation Processes. For more information, please contact IATA's Area Manager for Peru & Bolivia, [Ramon Jimenez](#).



VANCOUVER SLOT CONFERENCE & REGIONAL IMPLICATIONS

IATA continues to work with the industry to ensure the fair, neutral and transparent allocation of airport slots at the world's most congested airports through the application of the [Worldwide Slot Guidelines](#) (WSG). In June IATA hosted the 142nd Slot Conference in Vancouver to review slot-related issues and planning for the upcoming Northern Winter Season 28 October 2018 to 30 March 2019. The Colombian and Cuban Slot Coordinators as well as observers from Mexico participated from the region, including Mexico City International Airport (AICM) and the Mexican Civil Aviation Authority (DGAC). At the event, the delegation from Mexico confirmed that the role of the DGAC Independent Slot Coordinator is expected to be filled in the coming months and that the AICM will be attending the 143rd Slot Conference in Madrid from November 13-16. For more details, please contact IATA's Senior Manager of Worldwide Airport Slots, [Arantza Mendicoo Guillen](#).



AMERICAS SECURITY FOCUS GROUP MEETING & LAUNCH OF SECURITY FORUM PLATFORM

At the 2nd meeting of the IATA Security Focus Group, members voted for the top 4 regional security priorities. Airlines agreed to champion each priority and assist in the delivery of the respective actions plans. The highest priority is "Monitoring regional threats, challenges and opportunities". AA, AM, AV, CM, DL and IATA are now working on improving security communication in the region to meet this priority. As part of this initiative, the IATA Security Forum platform has been launched and provides monthly regional updates and key security notifications, becoming the primary medium to engage the industry. In addition, Brazil's Civil Aviation Authority (ANAC) and the US TSA presented their latest initiatives at the meeting and all parties are now looking for opportunities to work together to meet their responsibilities outlined in ICAO's Global Aviation Security Plan (GASeP). As part of this collaboration, IATA will present its [Security Strategy](#) at ICAO's "GASeP: [Regional Conference](#) on Aviation Security for the Americas and the Caribbean" in Panama late July. The other three security priorities will be highlighted in future Americas Focus editions. For more details, please contact IATA's Assistant Director of Aviation Security for the Americas, [Tony Blackiston](#)



IATA REMINDER: FAA ADS-B OUT EXEMPTION DEADLINE APPROACHING ON AUG 1 2018

The deadline for airlines to apply for FAA ADS-B OUT Exemption 12555 is August 1, 2018. Airlines operating in the USA National Airspace System (NAS) who have not received this exemption must comply with the entirety of the mandate at midnight on the December 31, 2019. For more details, please contact IATA's Assistant Director for Safety & Flight Operations, [Kieran O'Carroll](#).





STATE OF THE REGION: THE AMERICAS

JUNE 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q3	2017Q4	2018Q1
United States	2.3	2.3	2.6	2.8
Brazil	1.0	1.4	2.1	1.2
Mexico	2.3	1.7	1.6	2.3
Canada	3.0	3.1	3.0	2.3
Argentina	2.9	3.8	3.9	3.6
Colombia	1.8	3.0	1.4	2.8
Chile	1.6	2.9	3.3	5.1
Peru	2.5	2.7	2.2	3.2
World*	3.1	3.2	3.2	3.3

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Mar-18	Apr-18	May-18
US\$ broad index	120.0	118.1	118.2	121.5
Brazilian real (BRL)	3.31	3.31	3.49	3.73
Mexican peso (MXN)	19.66	18.23	18.75	19.96
Argentine peso (ARS)	18.62	20.14	20.54	24.97
Colombian peso (COP)	2985	2794	2803	2890
Chilean peso (CLP)	615	605	614	632

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Mar-18	Apr-18	May-18
Crude oil (Brent)	54.2	66.0	72.1	77.0
Jet fuel	65.6	78.0	84.6	90.5

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

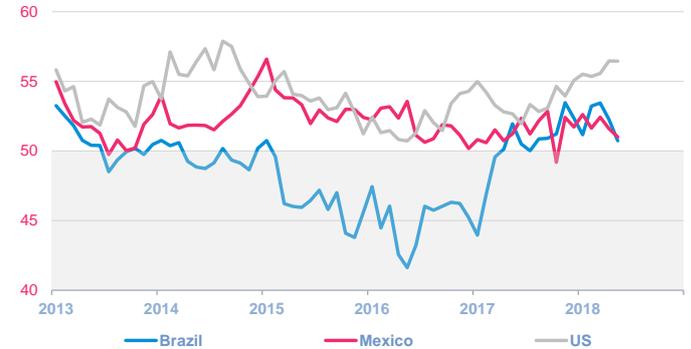
%change on a yr ago	2017	Feb-18	Mar-18	Apr-18
Region (registration basis)				
N America	4.2	6.6	6.3	3.7
Latin America	6.7	7.9	8.7	5.5
World	7.6	7.8	9.7	6.2
Routes (segment basis)				
US domestic	3.7	6.2	4.8	5.3
Brazil domestic	3.5	5.6	2.0	6.7
Nth America-Europe	4.1	1.4	7.8	-1.8
Nth America-Asia	4.9	7.8	10.5	5.3
Nth-Sth America	0.9	8.8	9.5	4.3
Sth America-Europe	6.1	9.8	10.4	8.7
Within Sth America	10.5	4.3	7.5	5.7

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

- Annual growth in industry-wide RPKs slowed to 6.2% in April, from a 12-month high of 9.7% in Mar. The slowdown largely reflects developments a year ago – incl. the late timing of Easter in 2017. Even so, the rate of growth remains above its long-run average pace.
- A similar pattern was evident at the regional level, with yoy RPK growth easing to 3.7% for the NthAm airlines & 5.5% for the Lat.Am carriers.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



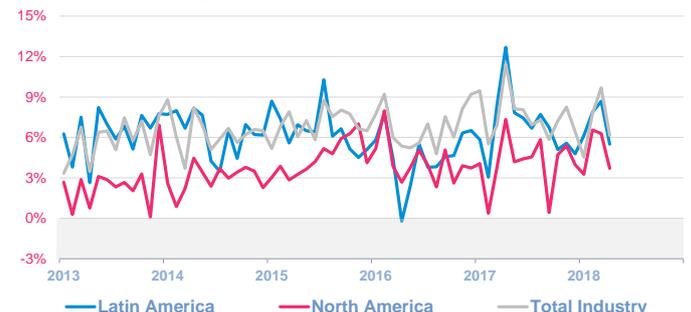
Source: Markit

- Business confidence remained elevated in the US this month, on robust economic data & domestic policy developments. Sentiment eased further in both Brazil & Mexico, on indications of softer demand conditions & political uncertainty.
- On a trade-weighted basis, the US\$ rose by ~3% in May, benefitting from safe-haven inflows. The main regional currencies all fell vs the US\$, the COP & CLP by ~3%, the BRL & MXN 6.5-7% & the ARS by >20%.
- Brent crude oil & jet fuel prices both rose further in May, by US\$5-6/bbl. Geopolitical concerns & supply tightening were key factors again this month. Prices are now more than 50% higher compared with a year ago.

- In contrast, the annual pace of growth in passenger volumes lifted moderately in the region's two main domestic markets, to 5.3% in the US & a robust 6.7% in Brazil (up from a modest 2.0%yoy last month).
- With the exception of NthAm-Europe, the picture is generally healthy for the region's key international routes. The two smaller markets of Sth America-Europe & Within SthAm are the strongest performers this month, with RPK growth of 8.7% & 5.7%yoy respectively.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Feb-18	Mar-18	Apr-18
Region (registration basis)				
Nth America	8.1	7.4	4.1	3.2
Latin America	5.6	8.3	15.5	10.6
World	9.1	6.8	1.8	4.1
Routes (segment basis)				
Nth America-Asia	8.7	7.3	1.8	5.6
Nth America-Europe	9.9	6.9	6.8	6.4
Nth-Sth America	0.6	11.7	19.0	15.1
Sth America-Europe	6.9	15.8	17.0	13.9
Within Sth America	3.2	4.0	15.3	44.4

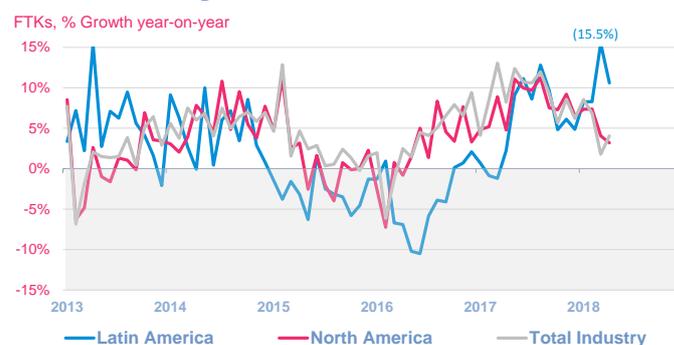
Source: IATA Statistics Note: historical data may be subject to revision

- After falling to a 23-month low in Mar, annual growth in industry-wide FTKs recovered to a solid 4.1% in Apr. In seasonally-adjusted terms, FTK volumes have been trending broadly sideways since August last year.
- At the regional level, FTK growth went against the global trend, easing again in April in both NthAm (to 3.2%) & Lat.Am (to 10.6%). Despite the slowing, Lat.Am is the fastest growing region for FTKs & the only region to

deliver a double-digit yoy growth rate this month.

- Amongst the main international markets, growth rebounded in NthAm-Asia (the largest market), to 5.6%yoy & dipped only slightly for NthAm-Europe (the #2 ranked market), to 6.4%.
- The remaining markets, while smaller, all recorded double-digit growth in Apr. The standout was Within SthAm, where growth surged to more than 44%yoy.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

%ch on a yr ago, LF: % of ASK/AFTK		2017	Feb-18	Mar-18	Apr-18
Passenger					
Nth America	ASK	4.0	5.0	4.2	4.8
	PLF	83.7	80.7	85.3	83.3
Latin America	ASK	5.3	5.9	6.9	5.8
	PLF	81.7	82.1	81.3	81.1
World	ASK	6.3	6.4	6.5	5.9
	PLF	81.5	80.5	82.5	82.3
Freight					
Nth America	AFTK	1.8	5.6	3.7	3.4
	FLF	36.5	36.2	37.3	35.8
Latin America	AFTK	2.9	2.4	-2.1	-4.6
	FLF	34.2	35.2	39.1	38.9
World	AFTK	3.0	6.7	4.8	5.1
	FLF	45.5	43.9	46.3	44.8

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

- Over the past year, the NthAm carriers have increased both pax & freight capacity more slowly than the overall industry. The Lat.Am airlines have grown ASKs in line with the industry, but have *reduced* AFTKs by a solid 4.6%yoy.
- The PLF for both regions is above 80%, straddling the current industry figure of 82.3%. The FLFs for both lag, by some margin, the industry outcome of 44.8%.

Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q1	2018Q1
Nth America	13.7	11.1	7.9	7.7
Latin America	5.6	6.9	6.9	8.9
Industry	8.5	7.5	4.7	5.7

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

- The latest financials for Q1 show a 1pp gain in the industry EBIT margin vs a year ago, to 5.7% currently. The regional outcomes remain stronger, with the margin for NthAm carriers broadly steady at 7.7% & that of the Lat.Am carriers up a solid 2pp yoy to 8.9% currently.
- Passenger yields amongst the region's key markets are mixed. The Europe market is performing strongly, for both Nth & Sth America routes, with double-digit yoy yield growth. In contrast, pax yields have *fallen* by 2.3% on routes between Nth-Sth America & are just 0.8% higher yoy for the Within Sth America market.

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

%change on a yr ago	2017	Feb-18	Mar-18	Apr-18
Nth America-Europe	-1.8	12.1	9.5	19.7
Nth America-Asia	-3.2	-1.2	-0.3	1.8
Nth-Sth America	0.2	7.5	1.5	-2.3
Sth America-Europe	7.9	12.5	11.9	10.4
Sth America-Asia	-4.2	0.9	5.8	5.5
Within Sth America	1.8	3.1	3.3	0.8

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

Aircraft deliveries to the Americas



Source: Ascend