



AMERICAS *focus*

Q1 2017

YOUR SOURCE FOR IATA'S LATEST REGIONAL ACTIVITIES

Dear Industry Colleagues,

The first quarter of 2017 has posed many regulatory challenges across region and forced our industry to quickly adapt to a changing landscape. As your trade association, I believe we need to remind our stakeholders that aviation is the "business of freedom", as IATA's DG & CEO Alexandre de Juniac likes to call it, and without aviation the impact of connecting people, goods, markets and ideas could not be realized. Air travel liberates people to live better lives and makes our world a better place. To communicate that message, IATA is engaged in a variety of advocacy activities and updated our [regional five year strategy](#) for the Americas to include an increased focus on security. I would also like to invite you to our upcoming events in [Rio de Janeiro](#), [Lima](#), and [Miami](#) over the next few weeks where we will further highlight the value of aviation. The positive impact of change is that it pushes us to be more innovative.

To provide better service to you, IATA is [restructuring its operations](#) of IATA's Financial Settlement Systems in preparation for major product and service enhancements with the introduction of [New Generation IATA Settlement Systems](#) (NewGen ISS). For the Americas region, [Alicia Lines](#) has been appointed as IATA's Director for Financial & Distribution Services based in Miami and she will play a key role in working with your CFOs and their teams to get regional input in the development of global standards and best practices. Please find below our key activities of the first quarter of 2017 and count on our support during these challenging times of change.

With kind regards,

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



ARGENTINA: API WENT LIVE ON MARCH 1

Since 2014 IATA has been working with Argentina's Government Immigration Direction (DNM) to create the regulatory framework to ensure an API implementation aligned with ICAO standards. As a result of this work, a joint resolution, signed by DNM, Airport Safety Police (PSA), Civil Aviation Authority (ANAC) and Customs (AFIP), was approved and published. Over the last months all IATA and non-IATA airlines flying to Argentina have gone through the testing process and as of March 1st 2017, the API transmission has gone live as mandated by the joint resolution. IATA will continue to collaborate with the Argentinian Government to ensure that future developments such as a PNR be implemented within the ICAO standards. IATA will also continue to advocate to enhance processes to reduce the administrative burden to airlines. For more information, please contact IATA's Country Manager for Argentina, Paraguay & Uruguay, [Maria Jose Taveira](#).

BRAZIL: OVERFLIGHT FEE INCREASE DELAYED - \$215M AVOIDED THROUGH 2018

In 2016, DECEA (Brazil's ANSP) proposed an increase to its international overflight charges (TAN) of 37.84%. Through Feb. 2017, IATA and the local BAR had numerous discussions and meetings with DECEA, which culminated in an agreement to limit the increase to 4.72%, representing an 87.5% cost avoidance. Savings to the industry are estimated at ~\$216M through 2018 (\$427.5M through 2020). New fees are expected to be effective no sooner than May 1, 2017, which represents a 4 months delay from the initially proposed Jan. 1 effective date which yielded an additional \$5M (included in the \$216M) in savings. For more information, please contact IATA's Charges Manager for the Americas, [Federico Munoz](#).

BRAZIL: UPDATE ON RESOLUTIONS 400 & 401

On 14 March 2017, Resolution 400 issued by ANAC concerning revisions to an airline's conditions of carriage took effect. Resolution 400 is welcomed as it simplifies the way airlines do business and eliminated or consolidated more than 180 other articles in different regulations. But the situation remains in flux regarding article 13, which would have allowed airlines to charge for checked baggage, as it has been suspended by an injunction issued by the federal court of São Paulo. IATA and JURCAIB will join ANAC in its appeal to reinstate article 13. However, in the interim article 13 remains suspended. IATA/ABEAR/JURCAIB have also sent joint letters to ANAC requesting modification on article 8, which allows for name changes up to check-in time and another letter requesting a grace period for particular articles in the resolution which airlines have difficulty to comply with by March. A second resolution, 401, requiring that the airfare be displayed on the boarding pass, has been revoked. For more information, please contact IATA's Country Director for Brazil, [Carlos Ebner](#).

COLOMBIA: BOG ATM PROJECT UPDATE

Following the ATC simulation process, authorities have given approval to increase aircraft operations from 70 to 90+ operations per hour. As a result IATA expects ground and air delays to be reduced at Bogota's El Dorado International Airport. This is one of the final stages of the IATA Airspace Efficiency project which is expected to be completed towards Q3 of 2017. For more information, please contact IATA's Manager for Safety & Flight Operations for the Americas, [Marco Vidal](#).

CUBA: RELOCATION PROCESS OF SLOTS FOR S17

In January the Director of ECASA, the Cuban airport authority in charge of slot coordination, informed the airlines operating to HAV that due to unexpected growth in demand they had to proceed with a reallocation of slots for S17 that affected operators to Terminal 3. ECASA proceeded a few weeks ago with the reallocation of the slots that in most cases made the operations unfeasible so airlines could not proceed with the adjustment in their schedules. Fortunately ECASA informed IATA on 1 March that they decided not to apply immediately the reallocation of slots for S17 after a deep analysis of the considerations submitted in relation to this decision from IATA and the airlines. In the same notification ECASA stated that they are involved in an improvement process in relation to ground handling equipment and airport personal staff necessary to meet the current needs. IATA will monitor the process closely and has offered its support to ECASA and the rest of the Cuban Authorities. For more information, please contact IATA's Manager for Worldwide Slots, [Arantzazu Mendicoa](#).

ECUADOR: CONCERNS ON NEW GUAYAQUIL INTERNATIONAL AIRPORT DEVELOPMENT

The Airports Authority of Guayaquil (AAG) is moving forward with plans to build a new greenfield international airport in Guayaquil at a site approximately 30 kilometers southwest of the city center with a targeted completion date of 2024. IATA opposes the initiative and expressed its concerns in a letter to the Minister of Transportation and Mayor of Guayaquil as the current José Joaquín de Olmedo International Airport's capacity fulfills the anticipated passenger growth for another 20 to 25 years. For more information, please contact IATA's Country Manager for Colombia & Ecuador, [Juan Carlos Villate](#).

MEXICO: AICM'S LATEST PROPOSED CORRECTIVE MEASURES TO COFECE

AICM (Mexico City International Airport management) and SCT's (Secretary of Transport, Mexico) submitted a filing to COFECE on 26 January with their proposals for future improvements, so called "corrective measures" in the proceedings to the final recommendation due by COFECE this year. IATA is aware that this first filing submitted by AICM and SCT included some elements of the WSG, but key elements and principles were still missing. However, IATA was informed that the AICM had then withdrawn the first proposal of corrective measures and has submitted a new proposal to COFECE on 9 February of corrective measures in order to align them to international best practices, more in line with the WSG. The second filing incorporates some improvements to the first initial proposed measures in relation to historic determination (80/20 instead of 85/15) but AICM still includes a non-standard/non WSG practice in relation to punctuality criteria based on performance of the operation (more than 20% of delays in the planned operations means that the airline would lose the historic slot). For more information, please contact IATA's Manager for Worldwide Slots, [Aranza Mendicocq](#).

PARAGUAY: INVESTIGATION INTO THE CONTRACTS OF CARRIAGE

DINAC (Dirección Nacional de Aeronáutica Civil, Paraguay's CAA) issued a letter to IATA informing that it had conducted an investigation into the contracts of carriage (CoC) of airlines operating to and from Paraguay, and detected inconsistencies with some carriers' published liability limits vis-à-vis what is described in MC99. As a result, DINAC has notified all airlines that operate to Paraguay that they are to update the compensation amounts published in their CoCs to comply with the revised levels of indemnification under MC99. DINAC has granted each carrier 45 days from the receipt of its communication to reflect the changes in airlines' CoCs. Airlines with offline representation in the country are not obligated to comply with the letter at the moment. For additional information please contact IATA's Regional Head for Member and External Relations Latin America & Caribbean, [Oracio Márquez](#).

ST. LUCIA: TAXES TO INCREASE BY \$73 PER PASSENGER

In late 2016, Saint Lucia Air & Sea Port Authority (SLASPA) visited IATA to discuss a proposal from the Government to impose an Airport Development Tax of US\$35 and an increase in the Airport Departure Tax from US\$25 to US\$63 (remains at US\$25 for travel within CARICOM). IATA replied strongly opposing the proposal, citing the potential negative effects for St. Lucia's traffic, economy and tourism product. Early 2017, SLASPA's CEO emailed IATA, noting that the Government would move forward with the proposal and that the new taxes would be effective April 1, 2017. On 10 January, IATA spoke to SLASPA, who conveyed that this was a decision made at government level and that it was final. IATA has followed up with a letter to the Prime Minister requesting a meeting. For more information, please contact IATA's Area Manager for the Caribbean, [Annaleen Bobb](#).

VENEZUELA: BLOCKED FUNDS REMAIN UNCHANGED WHILE INAC PURSUES RATE INCREASE

On 8 February, IATA received a response from the Civil Aviation Authority, INAC, acknowledging receipt of IATA's 14 December 2016 letter, in which IATA sought reconsideration of INAC's significant rate increases for airport and air navigation services in Venezuela. In its response, INAC disregards all concerns raised by IATA and reaffirms its intent to proceed with the rate increases, which it deems appropriate based on INAC's internal analysis and its sovereign right to proceed with a revised rate scheme. For more information, please contact IATA's Country Manager for Venezuela & Cuba, [Marisela Loaliza](#).

SUMMARY OF IATA'S AMERICAS REGIONAL CHARGES MEETING

IATA and ALTA hosted the Americas Regional Charges Meeting, covering airport, infrastructure, and ATC charges with a focus on ICAO principles, future infrastructure needs, alignment of regulations, airport/airline relations, and best practice privatization. "Priority" airports and ANSPs for 2017 were agreed upon. Primary: Consultation with DECEA, New MEX Airport. Secondary: Argentina's ANSP, Canada's CTA review, Colombia's concession contract template. Monitor: USA PFC, FAA reauthorization, ATC reform. For more information, please contact IATA's Charges Manager for the Americas, [Federico Munoz](#) or IATA's Assistant Director of Airport Development for the Americas, [Mark Rodrigues](#).

IATA UPDATE: MODERNIZING THE CARGO AGENCY PROGRAM

In an effort to modernize the current Agency program, FIATA, the International Federation of Freight Forwarders' Association, representing international freight forwarders and logistic providers, and IATA, representing airlines, have joined forces. The new proposed [governance mechanism](#) establishes an IATA-FIATA Governance Board, which recognizes the role played by forwarders in today's marketplace as customers of the airlines, and increases consultations at all levels to achieve common air cargo goals, which are objectives for both FIATA and IATA. Canada will pioneer the new program which will kick-off this summer. Latin America will follow throughout the second half of the year. For more information, please contact IATA's Regional Director of Financial & Distribution Services for the Americas, [Alicia Lines](#).

STATEMENT: IATA AND ICTS SETTLE DISPUTE

The International Air Transport Association (IATA) and ICTS Europe Systems Limited (ICTS) have settled their dispute concerning use by ICTS of IATA's Timatic database and the Travel Information Manual (TIM). Complete release available [here](#).

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STATE OF THE REGION: THE AMERICAS

MARCH 2017

Economy

GDP growth, selected countries

%change on a yr ago	2015	2016Q2	2016Q3	2016Q4
United States	2.6	1.3	1.7	1.9
Brazil	-3.8	-3.6	-2.9	-2.5
Mexico	2.6	1.6	2.0	2.4
Canada	0.9	1.1	1.4	1.9
Argentina	2.6	-3.7	-3.8	--
Colombia	3.1	2.4	1.2	1.6
Chile	2.3	1.4	1.5	--
Peru	3.3	3.7	4.5	3.0
World*	2.3	2.1	2.2	2.4

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2016	Dec-16	Jan-17	Feb-17
US\$ broad index	127.7	127.7	127.6	125.8
Brazilian real (BRL)	3.26	3.26	3.15	3.11
Mexican peso (MXN)	20.63	20.63	20.84	20.00
Argentine peso (ARS)	15.73	15.73	15.90	15.48
Colombian peso (COP)	2997	2997	2922	2925
Chilean peso (CLP)	668	668	648	650

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Dec-16	Jan-17	Feb-17
Crude oil (Brent)	52.4	53.3	54.6	54.9
Jet fuel	64.0	62.6	63.6	65.0

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

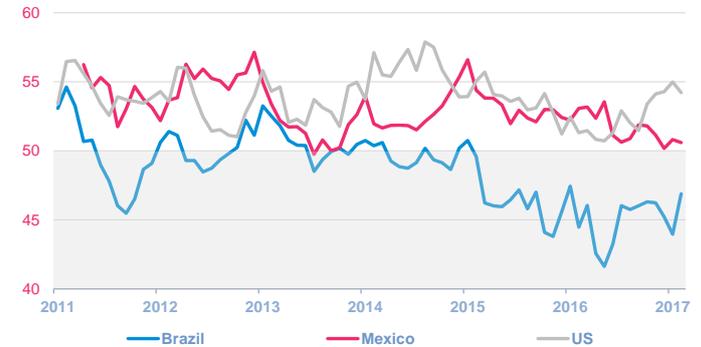
%change on a yr ago	2016	Nov-16	Dec-16	Jan-17
Region (registration basis)				
N America	3.2	3.2	3.1	3.4
Latin America	3.6	4.8	4.9	4.9
World	6.3	7.7	8.7	9.6
Routes (segment basis)				
US domestic	3.4	4.1	2.4	3.5
Brazil domestic	-5.5	-1.6	-2.3	-2.0
Nth America-Europe	2.6	0.9	3.2	1.2
Nth America-Asia	6.4	7.0	8.2	7.2
Nth-Sth America	-0.5	-2.8	-2.7	-3.4
Sth America-Europe	3.5	4.1	4.6	3.5
Within Sth America	8.0	11.1	10.1	11.5

Source: IATA Statistics

- Industry-wide traffic volumes began the year strongly, with RPK growth lifting to 9.6%yoy in Jan, the strongest start to a year since 2005. As usual at this time, we note that Chinese New Year can impact the data; potentially adding ½pp to annual growth on this occasion.
- At the regional level, performance remains more subdued. RPKs for NthAm airlines ticked up to 3.4%yoy while Lat.Am carrier growth was unchanged at 4.9%yoy.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



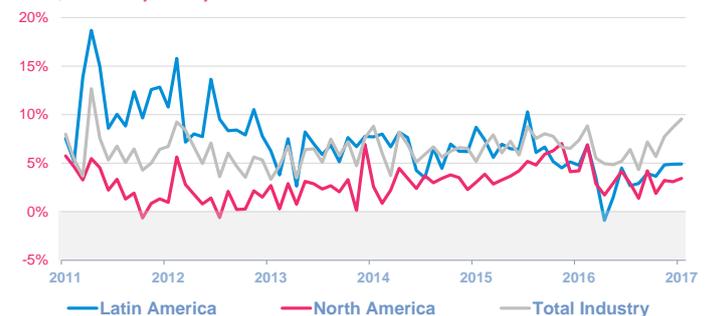
Source: Markit

- Brazil's economy shrank for the 8th consecutive quarter but business sentiment rebounded on a brighter outlook. In Mexico, the central bank downgraded its forecasts & confidence remains subdued. The US measure gave up some of its recent gains, but businesses remain upbeat.
- The US\$ eased a little in Feb, down ~1.5% on a trade-weighted basis. For regional bilateral exchange rates, the MXN bounced back after recent falls - gaining a solid 4.0% vs the US\$ in the month - & the ARS gained 2.7%.
- Until recently, Brent crude oil prices have been relatively stable in the months following their Dec surge, rising just 0.5% in Feb to US\$55/bbl. Jet fuel prices increased by 2.2% in the month, to US\$65/bbl.

- US domestic RPKs are now growing in line with the NthAm aggregate, at 3.5%yoy. Brazil domestic RPKs are 2.0% lower than their level of a year ago, but with tentative indications that the market is stabilizing & may return to positive growth in coming months.
- Notwithstanding the plight of Brazil, the Within SthAm market continues its double-digit growth, highlighting the differences in individual country performance within the region. In contrast, RPKs on routes between Nth-Sth America remain weak & are now down a solid 3.4%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Nov-16	Dec-16	Jan-17
Region (registration basis)				
Nth America	2.1	8.0	3.9	6.1
Latin America	-4.2	-1.3	-1.0	-4.1
World	3.8	7.3	10.0	6.9
Routes (segment basis)				
Nth America-Asia	-1.2	6.7	8.6	5.7
Nth America-Europe	2.6	7.6	9.1	8.6
Nth-Sth America	-5.1	-3.6	-0.5	3.2
Sth America-Europe	1.2	2.9	6.5	1.6
Within Sth America	-18.6	-4.0	-1.5	-20.1

Source: IATA Statistics

- The 6.9% annual increase in global FTKs in Jan marked an easing from the double-digit pace of Dec, but was still well ahead of the 5yr average rate (3.0%). The impact of Chinese New Year is again a relevant consideration in Jan & Feb data.
- At the regional level, NthAm FTKs bounced back to 6.1%yoy, following a dip to end the year. However, for Lat.Am, freight volumes have *contracted* by 4.1%yoy.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2016	Nov-16	Dec-16	Jan-17
Passenger					
Nth America	ASK	3.7	2.4	3.0	4.1
	PLF	83.5	83.0	83.0	80.0
Latin America	ASK	1.9	1.1	2.8	3.7
	PLF	80.8	81.8	81.1	83.2
World	ASK	6.3	6.5	6.7	8.0
	PLF	80.5	79.0	80.5	80.2
Freight					
Nth America	AFTK	3.4	4.2	-1.5	0.6
	FLF	34.4	38.2	36.4	35.3
Latin America	AFTK	-1.7	-1.6	-4.0	-1.4
	FLF	33.2	36.9	35.0	28.5
World	AFTK	5.3	4.8	3.3	3.5
	FLF	43.0	47.3	46.2	42.1

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

- Nth & Lat.Am carriers have been very cautious in increasing capacity over the past year, particularly for freight. The rate of increase in both pax & freight capacity by the region's carriers is well below that of the industry overall – indeed AFTKs for Lat.Am carriers have fallen over the past year.
- At 80.0%, the NthAm pax load factor for Jan sits just below the industry-wide 80.2%; both are below the solid 83.2% outcome for Lat.Am carriers. The FLF outcomes,

Airline operating (EBIT) margins*

%revenues	2014	2015	2015Q4	2016Q4
Nth America	11.1	14.7	14.6	11.4
Latin America	2.1	1.9	5.6	8.3
Industry	4.7	8.3	12.3	10.2

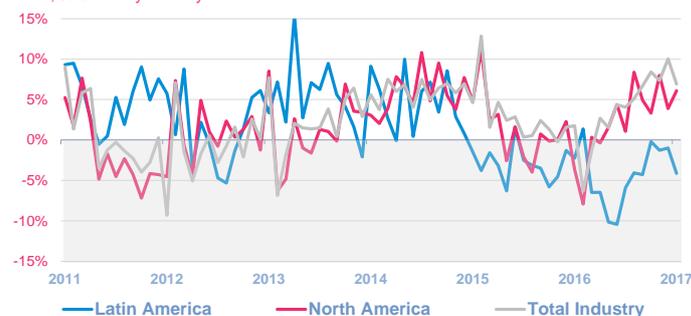
Source: Airline Analyst * constant sample basis, not seasonally adjusted

IATA Economics: www.iata.org/economics

- FTK growth eased in the two main NthAm markets (Asia & Europe) but remain robust, at 5.7% & 8.6%yoy, respectively. Growth for Nth-Sth America returned to positive territory this month, up 3.2%yoy, following 17 consecutive months of yoy declines.
- After a short-lived respite (of just two months), freight volume growth for the Within SthAm market fell sharply in Jan, returning to the -20%yoy rates of late 2015-16.

Growth in air freight volumes

FTKs, % Growth year-on-year



Source: IATA Statistics

however, both lag the industry average of 42.1%. In Jan, the FLF for the Lat.Am carriers fell below 30%.

- The latest Q4 financials show the EBIT margin for the region's carriers straddling the industry-wide outcome of 10.2%. At 11.4% currently, the margin for NthAm airlines is down ~3pp on a year ago. The Lat.Am margin has increased by a similar magnitude, to 8.3% at present.
- Pax yields are still well down on a year ago. However, in constant exchange rate terms, there are emerging signs that industry-wide yields may have bottomed.

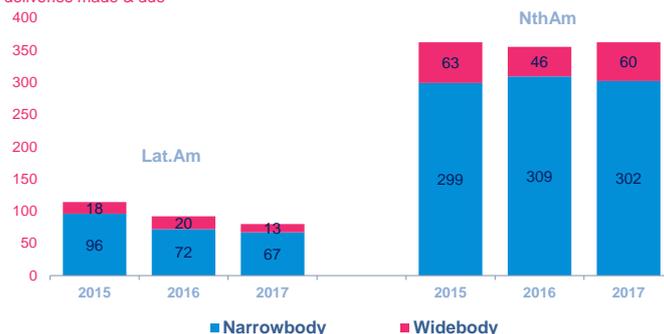
Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Nov-16	Dec-16	Jan-17
US domestic	-4.5	-3.7	-5.3	-4.4
Nth America-Europe	-8.3	-11.9	-9.8	-10.8
Nth America-Asia	-7.2	-4.4	-4.3	-5.3
Nth-Sth America	-17.4	-19.2	-12.4	-17.3
Sth America-Europe	-17.3	-9.8	-8.8	-6.9
Sth America-Asia	-9.1	-5.9	-10.3	-10.7
Within Sth America	-13.8	-6.6	-5.7	-7.2

Source: IATA PaxIS

Aircraft deliveries to the Americas (latest data)

deliveries made & due



Source: Ascend

Contact: Andrew Matters – economics@iata.org