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Media Briefing

State of the Americas

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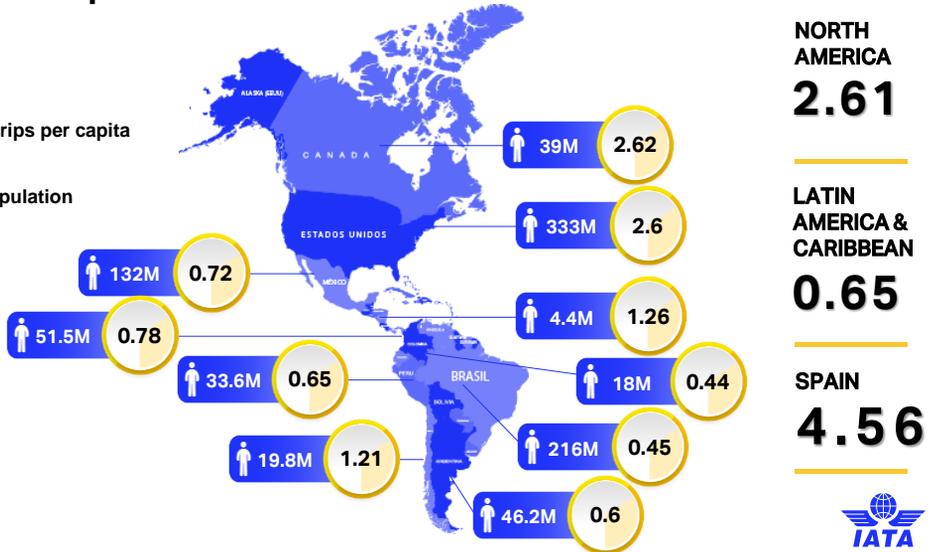
- Good afternoon
- Thank you for joining us for this year's briefing on the dynamic landscape of the Americas, where aviation stands as a critical pillar for connectivity, economic growth, and social progress.

More than **90%** of tourists in the
Americas region arrive by air

- To begin, let's remind ourselves of some key numbers:
 - More than 90% of tourists in the Americas region arrive by air, generating business for local economies, and showing the important access point aviation represents for the entire continent.

The potential of the Americas

-  Annual trips per capita
-  Total population

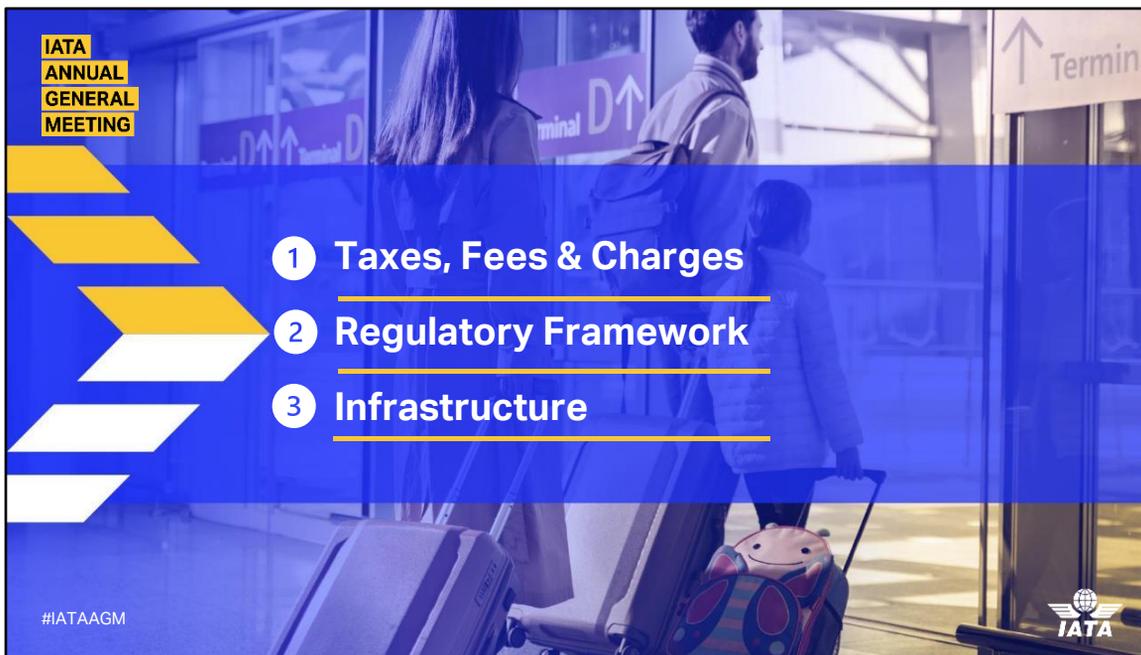


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Source: IATA using data from Oxford Economics APF (updated February 2024)



- But in Latin America, the average annual number of trips taken per citizen is only 0.65 versus roughly 2.6 trips per year in the US/ Canada and 4.5 trips per year in Spain.



- What keeps our citizens in Latin America from flying and how can we realize the full potential of aviation in this diverse region?
- Looking at the latest financial figures, while airlines in North America expected to achieve a handsome a per passenger profit in 2024, airlines in Latin America are expected to continue to operate on razor thin margins.
- Despite efforts to streamline expenses and optimize routes, airlines are facing a challenging operating environment amidst fluctuating fuel prices, currency volatility, and stringent aviation regulations.
- The situation underscores the need for more infrastructure and supportive policy reforms to ensure the long-term viability of the aviation sector in the region and governments must recognize the sector as a trusted partner, integral to the region's prosperity, rather than a mere source of revenue.
- By fostering cost competitiveness and embracing collaborative partnerships, we can secure the industry's long-term success by focusing on the following key areas:
 - Reducing taxes, fees, and charges;
 - Enhancing regulatory frameworks;
 - Improving infrastructure for seamless travel; and
 - Prioritizing sustainability.
- By collaborating in these domains, we can unlock the full potential of aviation's connectivity, fostering growth and prosperity for all.
- Let's visit these areas of opportunity one by one.

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Taxes, Fees and Charges

Globally, between 2018-
2023, airlines paid

\$380b

in taxes and charges

In the **Americas**, the implementation of new fees without cause and/or compliance with international best practices is becoming a **major challenge**

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Source: IATA



- In our ongoing dialogue with regional governments we are advocating for the equitable treatment of the aviation industry in terms of taxes and fees, in recognition of our sector's vital role in our region's connectivity.
- It's often overlooked that taxes and fees can constitute up to half of a flight's cost, a burden not shared by other modes of transport like buses, which enjoy tax exemptions and subsidies.
- Let's look at some examples:

Passengers flying a round-trip between Calgary & Toronto pay **\$100 in additional** taxes and fees on their tickets

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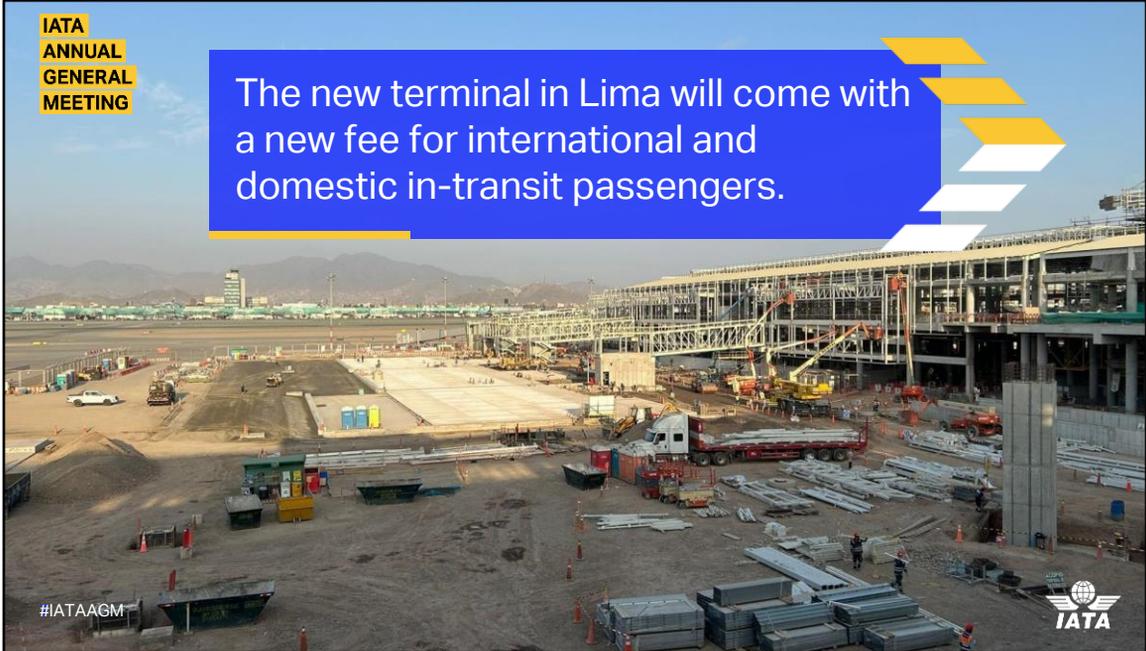
Source: IATA using data published by airlines online.



- In Canada, airlines face an extremely high-cost burden for air infrastructure resulting in high ticket prices, leading many Canadians to cross the U.S. border to take flights.
- Canada's airports are charged rent by the federal government, money which is not directly reinvested into the aviation value chain.
- Hence passengers are charged airport improvement fees through their tickets funding improvements in airport infrastructure.
- For example, passengers flying a round-trip between Calgary and Toronto paid \$100 (C\$140) in additional expenses on their tickets This is simply unacceptable.

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The new terminal in Lima will come with a new fee for international and domestic in-transit passengers.



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- In Peru, the new terminal in Lima will come with a new fee for in-transit passengers, international and domestic.

Taxes, Fees and Charges



International Ticket:
Taxes, Fees and Charges represent

AVERAGE LATIN AMERICA / CAR

44%

GLOBAL AVERAGE

27%

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Source: IATA using data published by airlines online.



- In Colombia, reintroducing a 19% VAT on airfares in 2023 in comparison to the 5% VAT applied during the pandemic years has led to taxes and fees now comprising over half of domestic ticket prices.
- This increase in VAT coupled with inflation, high fuel prices and devaluation of the peso resulted in Colombia missing out on up to 7 million additional passengers in 2023.

Cost of Jet Fuel

In Brazil, fuel costs constitute about **40%** of Brazilian airlines' expenses, surpassing the global average of **30%**.

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Source: IATA Fuel Monitor



- In Brazil, an oil-rich nation, the current jet fuel prices are notably higher than expected, constituting about 40% of Brazilian airlines' expenses, surpassing the global average of 30%.

Need for clear and transparent revision of ANSP charges in the Bahamas

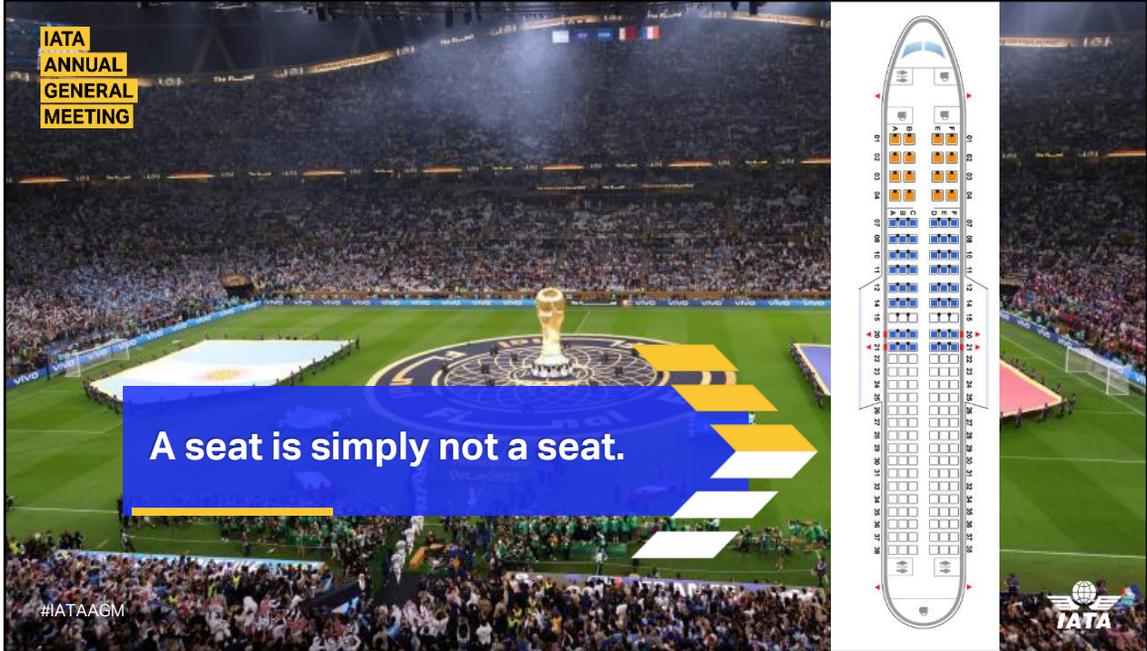


- The Bahamas also remains in the spotlight. As you might recall, we have been speaking about this very same topic for the past three AGMs with very little movement.
- The Bahamas regained control of their upper airspace from the FAA which continues to provide the service at no cost, while airlines using the airspace have now been given a significant bill by the Bahamas Air Navigation Service Authority (BANSa), resulting in added operating expenses.
- The industry is currently in negotiations with BANSa to revise the charges and we hope for a positive and equitable resolution.
- However, there's a silver lining as some governments in the region, like Ecuador, are taking encouraging steps by reducing passenger taxes and easing tax burdens on fuel and fund repatriation.
- Such proactive measures inspire optimism and highlight the importance of harmonizing the tax landscape, so that air travel can become even more accessible, surpassing alternatives not just in speed and safety but also in affordability.
- Let's look at the next area of opportunity: Regulatory Frameworks.

Regulatory Frameworks

Balance consumer rights with the unique aspects of air travel, ensuring fairness for all stakeholders.

- It's important to balance consumer rights with the unique aspects of air travel, ensuring fairness and sustainability for all stakeholders.
- Unfortunately, we continue to see legislation being proposed in many countries for the protection of the consumer which will only drive-up costs and not necessarily help the actual traveler.
- In Canada, proposed changes to the Air Passenger Protection Regulations would significantly limit the ability of carriers to avoid fines for delays and cancellations that are outside of the airlines' control.
- In the US, airlines will be forced to provide automatic refunds for delays or cancellations, irrespective of the cause of the disruption.
- Furthermore, new rules around displaying ancillaries will render online searches less seamless and reduce price competition on optional airline services.



- In Peru, a proposal was put forth which intends to give passengers the right, both on domestic and international flights, to freely choose their seat.
- Again, air transport is treated differently than any other sector as you would not expect to get front row seats at a music concert or football match for the same price as sitting high up in the stands. As I said many times before, a seat is simply not just a seat.



- In Brazil, the surge in litigation cases for moral damages poses a significant burden on airlines, with an estimated annual expenditure exceeding US\$200 million collectively.
- To put this into perspective, airlines in Brazil average one lawsuit for every 227 passengers vs. one lawsuit for every 1.2 million passengers in the US.
- The Government wants more airlines, including ULCCs, to enter the market to create more competition but this will not happen as long as Brazil is the country with the most lawsuits in the world.

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Argentina: High hopes for comprehensive revamp of country's aeronautical code.



**IATA
AVIATION
DAY
ARGENTINA**

Buenos Aires, Argentina
5 September 2024



- Further South, Argentina plays a pivotal role in our region, and there are high hopes within the aviation industry for a comprehensive revamp of the country's aeronautical code by the new government, opening up the market and bringing more connectivity to Argentina and its people.
- We look forward to holding an Aviation Day in Buenos Aires jointly with ACI-LAC and Aeropuertos Argentina and with the participation of the new government on September 5 to shape the future of Argentina's aviation sector.

Shared Accountability: Airlines operate within a **complex value-chain** where service disruptions can occur due to **various interlinked factors**.

- What all these legislative initiatives fail to address is the topic of shared accountability.
- Airlines operate within a complex network where service disruptions can occur due to various interlinked factors.
- It raises the question, should airlines be held accountable for uncontrollable elements like adverse weather conditions that lead to Air Traffic Control imposing restrictions?
- Is it fair to fault airlines for passengers missing their connections due to inefficient immigration processes or security delays at airports?
- The focus should instead be on ensuring that entities causing disruptions take responsibility, rather than unfairly attributing all blame to airlines.



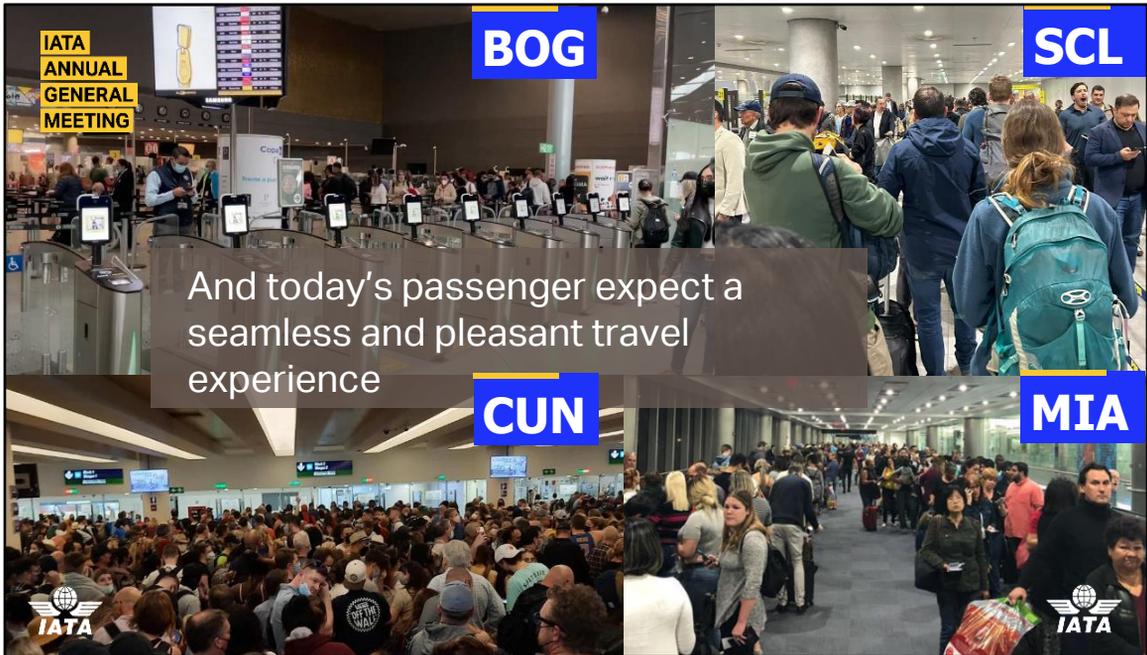
- This brings us to another significant opportunity for improvement: enhancing the region's infrastructure, in the air and on the ground.

Infrastructure & Seamless Travel:

- A successful future for aviation hinges on adequate and cost-efficient airport infrastructure to meet demand, a current shortfall in many countries.
- Let's look at some examples:
- In Mexico, where we expect the number of annual passengers to increase from 118.3 million in 2023 to almost 140 million passengers by 2030, improved access to Felipe Ángeles International Airport and addressing Mexico City International Airport's (MEX) aging facilities and service quality, despite high costs, are critical to accommodate this annual growth of 3.4%.
- We look forward to working with the new government post-election to come up with a comprehensive plan for Mexico City's Airport System.
- In Peru, the delayed new terminal in Lima is set to open by year's end, but without ready road and transit access, and a risky operational switch planned during December's peak season.
- The industry faces similar challenges of operational inefficiencies in Chile, Colombia, Brazil, and Guatemala and it is critical that there is a more transparent and on-going dialogue between airlines and the airport and respective government stakeholders to make sure the airport infrastructure is fit for purpose.
- Recent discussions with Guatemala's new government show a commitment to swift improvements in collaboration with the industry.



- Capacity constraints have resulted in the implementation of controls and flight reductions at airports. It is crucial to adhere to the Worldwide Airport Slots Guidelines (WASG) to maintain a fair and transparent playing field for all airlines and I am pleased to share that the Global Slots Conference will take place in Bogota next week.



- And today's passengers expect a seamless and pleasant travel experience without long lines by using biometrics and the latest technologies to facilitate travel and not hinder.
- From a passenger experience perspective, I want to recognize the excellent work of OPAIN at Bogota Airport where the industry and government improved the immigration and security of departing passengers with the implementation passport readers and use of biometrics. The long lines waiting to be processed by an immigration officer are in the past.
- And this is what the passenger experience should be throughout the region. Unfortunately, this is not the case in most parts of the region, for example: the US, Brazil, Peru Mexico, Chile and others. What Bogota Airport has done is today's reality and not tomorrow's expectation.
- All of this is critical as operational efficiencies will not only result in cost savings for airlines but also play a key role in the industry's continued commitment to a greener and more sustainable future.

6.3%

North America
YoY Growth

7.4%

Latin America & Caribbean
YoY Growth

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- The aviation industry in the Americas has demonstrated remarkable resilience and growth, with projections indicating that traveler numbers (RPKs) will surpass 9 billion in 2024, far exceeding pre-pandemic levels.
- We forecast for 2024 that North America will see a strong growth of 6.3% (YoY), while Latin America in 2024 is expected to grow at 7.4%(YoY).
- These figures reflect the industry's significant contribution to socio-economic development, and the continued commitment to uniting people and fostering business opportunities through air travel.

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Thank You
Gracias
Obrigado

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With that, I am happy to take your questions.