



DECEMBER 2017

AMERICAS *focus*

YOUR SOURCE FOR IATA'S LATEST REGIONAL ACTIVITIES

Dear Industry Colleagues,

As 2017 is coming to an end, I first and foremost would like to wish you and your families Happy Holidays and all the best for 2018. We look forward to continue to support you in 2018 and beyond, and work on your behalf on the many opportunities our industry faces .

Our IATA team worked hard for you throughout 2017, whether it was in the area of advocacy with a variety of well received Aviation Days and our [Magic of Aviation](#) public outreach campaign, or in the areas of ATC efficiencies at BOG or infrastructure projects at MEX or LIM. One success story of the past year was to successfully reduce user charges in the region by more than \$USD600M.

But lots of work remains to be done and 2018 will be an important year for our industry as we face many elections in the region that will provide us with a great forum to continuously highlight the economic and social benefits of aviation to government officials to positively impact their aviation policy. Besides our on-going advocacy work across all markets, we have identified five key events for 2018 so you

can kindly mark your calendars: First, the [Aviation Day USA](#) in New York City on February 22nd, then the [Wings of Change Conference](#) in Chile on April 4&5, followed by an Aviation Day Caribbean in Barbados in June, an Aviation Day Central America in Costa Rica in the fall and an Aviation Day Colombia in Bogota also in the fall. We hope you can participate and support us in these events.

As usual, please find our latest regional activities below as well as December State of the Region Economic Report for the Americas. Please let me know if you have any questions and continue to count on our support in these areas.

Feliz navidad y prospero año nuevo!

With kind regards,

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



ARGENTINA: MEMORANDUM OF UNDERSTANDING (MOU) SIGNED WITH GOVERNMENT

During the ALTA Airline Leaders Forum held in Buenos Aires in November, IATA, ALTA and the Ministry of Transport of Argentina signed an MOU aimed at cooperating in the areas of data sharing to support operational safety, modernizing air traffic management and optimizing airport fuel storage. Alongside the MOU, IATA issued a [press release](#) announcing new data showing that aviation and aviation-induced tourism contribute \$9.6 billion to Argentina's economy and support 300,000 jobs, equivalent to 1.7% of the country's GDP. The entire study conducted by Oxford Economics on behalf of IATA is available [here](#). For more information, please contact IATA's Area Manager for Argentina, Paraguay and Uruguay [Maria Jose Taveira](#).

ARGENTINA: 2017 SUCCESS STORY - PERMISSION TO OPERATE NEW ROUTES

For the first time in the last 15 years, Argentina's DGCA - ANAC—organized two Public Audiences, aimed at granting airlines the possibility to request new permissions of operation and new routes, as defined per local regulations. IATA provided presentations to both Audiences summarizing the benefits of aviation in Argentina and defining the main conditions that have to be in place for an open process to succeed. As a result, more than 400 routes were assigned to existing and new carriers and IATA's message was incorporated as part of the recitals of the resolutions issued to grant the routes and operation permissions to the new airlines. For more information, please contact IATA's Area Manager for Argentina, Paraguay & Uruguay, [Maria Jose Taveira](#).

BRAZIL: GOVERNMENT MEETINGS IN BRASILIA TO INFLUENCE FUTURE AVIATION POLICIES

IATA met with key government stakeholders in Brasilia and organized workshops on Smarter Regulation and the newly published [Future of Aviation](#) study with participation from ANAC to promote how aviation is essential to the continued economic development of Brazil. Separate meetings were also held with Marx Beltrao, Minister of Tourism, and with Dario Rais Lopes, Secretary of Aviacion Civil (SAC), to reiterate IATA's desire to collaborate with authorities and find common grounds to safeguard the potential contributions made by the aviation sector. For more information please contact IATA's Assistant Director of External Relations for Brazil, [Marcelo Pedrosa](#).

COLOMBIA: CONGRESSIONAL AIR SAFETY COMMISSION HEARING AFTER PILOT STRIKE

The recent pilot strike that took place in Colombia prompted a series of actions that ultimately resulted in a Supreme Court ruling establishing that Aviation is an essential public service that should not be impeded. As a result, a Congressional Air Safety Commission called for a hearing on November 17 to assess the viability of regulating airline fares as part of an essential public service initiative, as industries deemed an "essential public service" are typically regulated by government. IATA was asked to provide its views in a series of areas including the methodologies related to airline pricing, complexities of revenue management and arguments as to why regulating pricing could be detrimental to consumer choice and to the State's aviation sector and its economy. Although the Commission aimed at reviewing this strictly from the domestic Colombian market perspective, it could have farther reaching implications if expanded to international services. The Commission acknowledged and appreciated IATA's intervention in the hearing and advised that it will generate a series of recommendations in its report to Congress for its analysis. IATA will continue to closely monitor the situation. For more information, contact IATA's Regional Head, Member & External Relations for Latin America & the Caribbean, [Oracio Marquez](#).



COLOMBIA: GOVERNMENT FREEZES TAX PROPOSAL FOR ROAD TO MDE AIRPORT

The Colombian government has agreed to an IATA/ATAC petition to temporarily withdraw a tax proposal destined to the construction of a tunnel to be constructed between Rio Negro Airport (MDE) and the city of Medellin. The tax text proposed to charge 5,000 COP for domestic flights and 1.5 USD for international flights from MDE airport. The final decision to completely remove the tax is still under evaluation by the authorities. IATA will continue to monitor the situation closely. For more information, please contact IATA's Manager for Member & External Relations in the Americas, [Alejandro Munoz](#).

COLOMBIA: PROGRESS ON IATA NDC IMPLEMENTATION

IATA held an a workshop on its [New Distribution Capability](#) (NDC) initiative in Bogota, Colombia in partnership with the Colombian Travel Agent Association (ANATO) to educate the market on the basic concepts of NDC. The attendees included around 170 representatives participating virtually and in person from travel agencies, TMCs, OTAs, local airlines and GDSs. Overall, the Colombian travel agency community had a misconception of NDC. Avianca, Sabre and Amadeus also delivered presentations on what NDC represents to them, showing an aligned message from the industry. In addition, a general presentation of the NDC Program was delivered to the Colombian Civil Aviation Authority (Aerocivil). For more information, please contact IATA's Regional Director for Financial & Distribution Services for the Americas, [Alicia Lines](#).

COSTA RICA: TAX REFORM PROJECT UNDER DISCUSSION IN CONGRESS

A bill was introduced in the Costa Rican national assembly that includes an initiative to levy a 4% value added tax to airfares sold in Costa Rica. This applies to both domestic and international flights. IATA has worked closely with ALA, the local board of airline representatives, and ALTA in order to protest this tax. A letter stating our position and requesting a formal meeting to discuss this matter was sent on December 4 to the Chairman and to all members of the Legal Issues Committee of the National Assembly. The letter has also been sent to the Minister of Finance. For more information, please contact IATA's Area Manager for Central America, [David Hernandez](#).

MEXICO: SUMMARY OF NEW MEXICO CITY AIRPORT ACC MEETING

On November 29, the MEX ACC was held with IATA participation. The new Mexico City Airport project continues to come under tremendous political pressure. Updates to the master plan were provided by Landrum & Brown (L&B) which included many recommendations which are still under final consideration. It has been confirmed that opening day will not include a Satellite for Terminal 1. However, the development of the satellite and fourth runway will need to start soon after opening the airport. GACM is looking to develop a variety of items such as cargo and fuel farm under a PPP concession. These will all be reviewed by BAN OBRAS before being tendered. A brief overview of the airspace redesign was communicated by SENEAM. GACM has agreed to share the BHS and airspace developments and will outline an engagement schedule for 2018 for these and other key identified terminal elements. A great deal of work is ongoing to manage the socio-economic impacts to adjacent communities, energy usage, noise mitigation and wildlife monitoring and mitigation. For more details, please contact IATA's Assistant Director of Airport Development for the Americas, [Mark Rodriguez](#).

PANAMA: IATA INTERVENED IN CARGO CLAIM VIOLATING THE MONTREAL CONVENTION

IATA intervened in an October 2017 court judgement in Panama involving a cargo claim against KLM. In this case, the judge awarded the claimant over USD 1 Million in damages, by far exceeding liability limits contained within the Montreal Convention, to which Panama has fully acceded. IATA's Regional office and Legal Committee are coordinating legal efforts to intervene by filing an Amicus brief in opposition to the judgement, seek that the Court of Appeals reverses the judgement, and press that application of liability limits set by the Montreal Convention are fully respected consistent with the treaty to which Panama is a signatory. Alternatively, the grave concern is the negative precedent that this case will otherwise set for future liability claims in Panama or elsewhere in the region if the case were to go unchallenged, and the broader implications it could have for the industry. For more information, please contact IATA's Area Manager for Central America, [David Hernandez](#).

PANAMA: CUSTOMS AUTHORITY APPROVED THE ACCEPTANCE OF E-AWBs

After a lengthy advocacy process led by IATA, Panama's National Customs Authority issued a resolution that accepts clearance of goods using airway bills printed on regular (bond) paper as valid documentation. This initiative facilitates commerce among states and opens the door for implementation of initiatives that reduce paperwork and allow for simpler, faster, and efficient cargo operations in the country. For more details, please contact IATA's Area Manager for Central America, [David Hernandez](#).

PERU: LIM AIRPORT UPDATE

IATA, LAP, OSITRAN and ALTA held a joint visit to LIM to understand the current operations and operational challenges. Since the new terminal in LIM will be operational in 6 years, there is a necessity to assess current operations in order to extend the life of the terminal and apron infrastructure to accommodate the expected growth over the coming 6 years. The current terminal in LIM is already operating at capacity. Key areas where significant improvements in customer experience are possible are with the control authority processes (security, immigration and customs) during flight transfers (connections) which will also have a significant positive impact on T2 design. In addition, improvements to the terminal curbside are needed as well as aircraft parking capacity. A new transfer baggage center is being constructed along with additional domestic baggage carousels. Biometrics are already being used for immigration controls of Peruvian nationals. In related news, IATA provide additional guidance to OSITRAN on the usage and interpretation of the IATA Airport Development Reference Manual and in particular the Level of Service (LoS) concept. OSITRAN and Lima Airport Partners (LAP) are developing preliminary service level standards for the current operation in LIM. As a first step, key areas have been identified for measurement. The ADRM LoS 'Optimum' level will be the design standard for the new passenger terminal in LIM. LAP will have to prove that the new terminal operates at LoS Optimum. For more details, please contact IATA's Assistant Director of Airport Development for the Americas, [Mark Rodriguez](#).

VENEZUELA: IATA PERMANENTLY CLOSES CARACAS OFFICE

Due to the continued political and economic crisis in Venezuela, IATA has decided to permanently close its office in Caracas and will move its operations to Panama as of January 1st, managed by IATA's Central America Team. IATA will continue to support its members, the larger aviation industry and the Venezuelan citizens by attempting to keep open communication channels with the government and regulators to maintain connectivity to Venezuela and address the challenges the country faces. The Cuba operations that were previously managed from Caracas will be transferred to the IATA office responsible for the Caribbean based in Miami. For more information, please contact IATA's Area Manager for Central America, [David Hernandez](#).



STATE OF THE REGION: THE AMERICAS

DECEMBER 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2017Q1	2017Q2	2017Q3
United States	1.5	2.0	2.2	2.3
Brazil	-3.5	0.0	0.4	1.4
Mexico	2.7	2.8	3.1	1.6
Canada	1.4	2.3	3.6	3.0
Argentina	-2.2	0.4	2.7	--
Colombia	2.0	1.3	1.2	2.0
Chile	1.5	0.2	1.4	2.2
Peru	4.0	2.2	2.4	2.5
World*	2.3	2.6	2.8	2.8

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2016	Sep-17	Oct-17	Nov-17
US\$ broad index	127.7	117.9	120.0	120.3
Brazilian real (BRL)	3.26	3.17	3.28	3.27
Mexican peso (MXN)	20.63	18.17	19.16	18.61
Argentine peso (ARS)	15.73	17.32	17.65	17.31
Colombian peso (COP)	2997	2938	3042	3016
Chilean peso (CLP)	668	639	635	649

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Sep-17	Oct-17	Nov-17
Crude oil (Brent)	52.4	56.2	57.5	62.7
Jet fuel	64.0	75.6	69.7	73.9

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

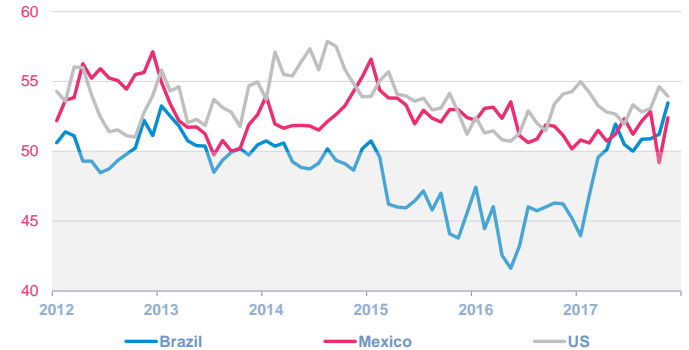
%change on a yr ago	2016	Aug-17	Sep-17	Oct-17
Region (registration basis)				
N America	4.1	5.8	0.5	4.8
Latin America	4.6	7.8	8.7	6.7
World	6.7	7.3	6.0	7.2
Routes (segment basis)				
US domestic	3.4	5.8	-1.0	5.3
Brazil domestic	-5.5	5.5	6.6	7.7
Nth America-Europe	2.5	4.7	3.3	1.6
Nth America-Asia	9.6	4.6	1.5	4.2
Nth-Sth America	-1.0	1.0	-1.1	1.0
Sth America-Europe	3.5	-0.8	4.7	3.4
Within Sth America	8.0	7.4	7.4	2.9

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

- Industry-wide RPKs grew by a robust 7.2%yoy in Oct, rebounding, as expected, from the hurricane-disrupted outcome in Sep. Overall, 2017 remains on track to be another year of above-trend passenger growth.
- At the regional level, the hurricane effect is particularly prominent in the Nth America figures, where RPK growth returned to ~5%yoy, from just 0.5% in Sep. Similarly, pax volumes for the US domestic market jumped to

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

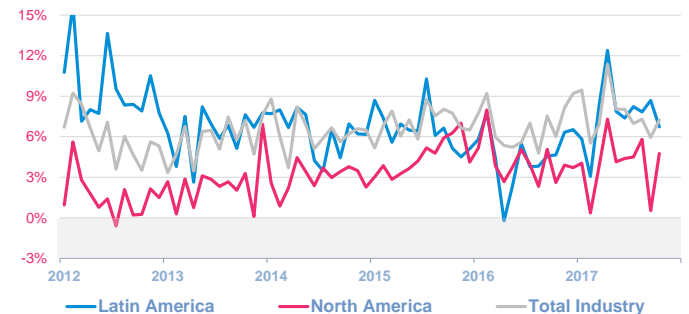
- Improved economic conditions in Brazil drove a solid gain in business confidence this month, to its highest level since early-2011. In Mexico, confidence rebounded following the earthquake-related fall last month.
- On a trade-weighted basis, the US\$ gained a modest 0.2% in Nov. Even so, apart from the CLP (down 2%), the main regional currencies rose vs the US\$ this month; of note, the ARS & MXN were up 2% & 3%, respectively.
- Brent crude oil prices averaged \$62.70/bbl in Nov, up 5% for the month & reaching a 17-month high along the way. Jet fuel prices rose by around 4%, to \$74. The agreement between OPEC members & Russia to extend production cuts supported prices this month.

5.3%yoy, after a fall of 1% last month. For Lat.Am, growth eased moderately in Oct, to (a still healthy) 6.7%, following an upwardly revised 8.7%yoy outcome in Sep.

- The Brazil domestic market continues to recover, with growth lifting further this month, to a robust 7.7%yoy, supported by the improvement in economic conditions.
- Of the key markets for the region, NthAm-Asia is the strongest performer currently, with RPKs up a solid 4.2%yoy, followed by SthAm-Europe at 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	Aug-17	Sep-17	Oct-17
Region (registration basis)				
Nth America	2.2	11.1	7.4	6.6
Latin America	-3.7	13.1	9.4	7.2
World	3.6	11.8	9.2	5.9
Routes (segment basis)				
Nth America-Asia	0.2	10.2	8.5	4.2
Nth America-Europe	2.5	14.6	8.0	6.8
Nth-Sth America	-3.9	2.7	-0.1	3.3
Sth America-Europe	1.2	5.8	12.0	4.6
Within Sth America	-18.6	20.0	8.1	-8.4

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

- Global FTK growth eased further in Oct, to 5.9%yoy, but remains well above its five & ten year average rates. Indeed, freight volumes look set to record their strongest year of growth since the post-GFC rebound in 2010.
- At the regional level, annual FTK growth also eased further in Sep, to 7.2% for the Lat.Am carriers & 6.6%yoy for the NthAm airlines.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK	2016	Aug-17	Sep-17	Oct-17
Passenger				
Nth America ASK	4.5	4.6	2.1	5.3
PLF	83.5	86.2	82.0	83.3
Latin America ASK	3.1	6.9	7.1	4.9
PLF	80.8	81.8	82.0	82.5
World ASK	6.7	6.4	5.4	6.2
PLF	80.5	84.6	81.7	80.8
Freight				
Nth America AFTK	3.4	3.6	1.7	3.8
FLF	34.4	34.7	37.4	37.9
Latin America AFTK	-1.5	7.5	9.1	4.4
FLF	33.3	34.4	34.7	37.5
World AFTK	5.4	4.4	4.3	3.7
FLF	42.9	43.2	45.4	46.9

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

- The Nth & Lat.Am airlines increased both pax & freight capacity more slowly than the industry overall in the past year. ASKs are up 4.9% in Lat.Am & 5.3% for NthAm vs 6.2% industry-wide & AFTKs are up 4.4% & 3.8% in Lat.Am & NthAm, respectively, vs 3.7% industry-wide.
- For the Oct load factors, it is again a mixed performance from the region's carriers. On the passenger side, the PLFs are both higher, but the FLFs remain well below the overall industry-wide outcome.

Airline operating (EBIT) margins*

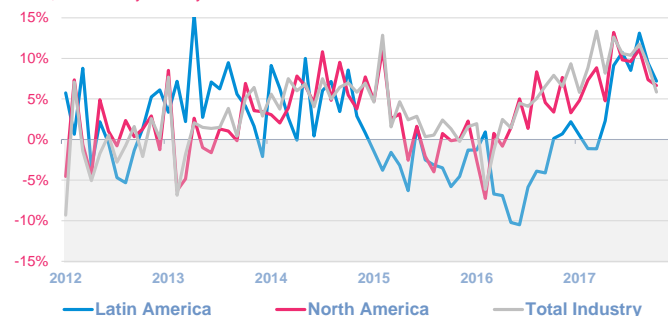
%revenues	2015	2016	2016Q3	2017Q3
Nth America	14.8	13.2	17.2	14.7
Latin America	1.5	4.2	7.5	10.4
Industry	8.5	8.8	15.9	15.7

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

- Across the main markets, growth in freight volumes slowed this month, with the exception of Nth-SthAm, which rebounded to a solid 3.3%yoy pace.
- NthAm-Europe is the current standout, with growth of 6.8%yoy. After a strong performance over the course of the year, the recent slowing in growth for the largest NthAm-Asia market bears watching in coming months.

Growth in air freight volumes

FTKs, % Growth year-on-year



Source: IATA Statistics

- The latest Q3 financials are also mixed; the EBIT margin for the Lat.Am carriers is currently 3pp higher than a year ago (at 10.4%), while the margin for the NthAm carriers has slipped by a similar magnitude (to 14.7%). Both are now below the industry-wide figure of 15.7%. Recall that these data are not seasonally adjusted.
- The upward trend in global pax yields (in US\$ terms) has paused in in the past few months, with a stronger US\$ & weather-related disruption both impacting recent outcomes. For key regional markets, the yield performance over the past year is generally positive, particularly for SthAmerica-Europe & routes between Nth & Sth America, with both showing a double-digit yoy rise.

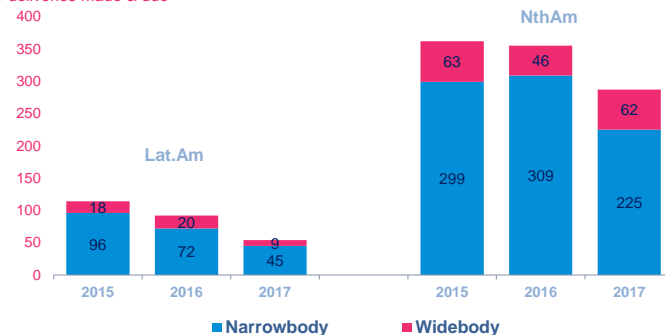
Passenger yields (US\$, excl. surcharges & ancillaries)

%change on a yr ago	2016	Aug-17	Sep-17	Oct-17
Nth America-Europe	-8.3	13.6	1.1	6.3
Nth America-Asia	-7.2	-0.7	-5.7	-3.4
Nth-Sth America	-17.4	18.1	7.0	10.4
Sth America-Europe	-17.3	22.4	15.8	16.3
Sth America-Asia	-9.1	-8.7	-2.0	-0.3
Within Sth America	-13.8	1.4	1.7	1.2

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

Aircraft deliveries to the Americas (4Q17 data)

deliveries made & due



Source: Ascend