



# YOUR SOURCE FOR IATA'S LATEST REGIONAL ACTIVITIES

#3 2022

Dear Colleagues,

It was good to re-connect with many of you in person in Doha at IATA's Annual General Meeting and World Air Transport Summit. We released the latest <u>economic</u> outlook, forecasting that industry losses are expected to reduce to -\$9.7 billion (improved from the October 2021 forecast for an \$11.6 billion loss). North America is expected to continue to be the strongest performing region and the only region to return to profitability in 2022. Supported by the large US domestic market and the reopening of international markets, including the North Atlantic, net profit is forecast to be \$8.8 billion in 2022. Demand (RPKs) is expected to reach 95.0% of pre-crisis (2019) levels, and capacity 99.5%. Further South, traffic volumes in Latin America and the Caribbean recovered robustly, supported by domestic markets and relatively fewer travel restrictions in many countries. The financial outlook for some airlines in Latin America and the Caribbean, nevertheless, remains fragile and the region is expected to record a net loss of \$3.2 billion this year. Demand (RPKs) is expected to reach 94.2% of pre-crisis (2019) levels, and capacity 93.2%.

We also took advantage of the global media presence at the AGM to highlight the current charges issue in the Bahamas in the State of the Industry speech by Willie Walsh and I further highlighted key concerns impeding a full recovery of our sector across the Americas in a dedicated regional <a href="media briefing">media briefing</a>. You can access all AGM related materials <a href="media briefing">here</a>. The 2023 AGM will take place in Istanbul from June 4-6, hosted by Pegasus Airlines.

From a regional perspective, we will hold an <u>Aviation Day Peru</u> in Lima on September 1. We will utilize the event to engage the government to work with the industry and create a joint agenda to ensure Peru's future air transport competitiveness by harmonizing regulatory policies and adequately invest in infrastructure, on the ground and in the air, to prepare for future demand.

The surge in demand has been tremendous and we currently face significant operational challenges across the air transport value chain, mostly in Europe and North America. Unfortunately, this situation is forcing airlines to reduce capacity and offer alternative travel arrangements. In our region, the situation is most severe in Canada, where we are <u>urging the authorities</u> to reduce current delays by ramping up immigration and security staffing and to get rid of remaining COVID travel and entry requirements.

Lastly, together with airlines, ABEAR and ALTA, we met with government officials in Brasilia last week, <u>urging the authorities to ensure continued collaboration between industry and government</u>, highlighting the importance to adhere to global best practices and international standards related to the proposed free baggage allowance, GRU environmental tax and high cost of jet fuel in the country.

As usual, please find below IATA's latest activities and initiatives across the Americas. Please let me know if you have any questions and continue to count on our support.

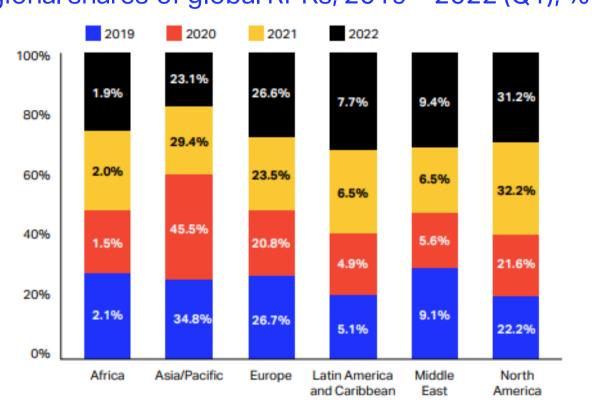


PETER CERDÁ

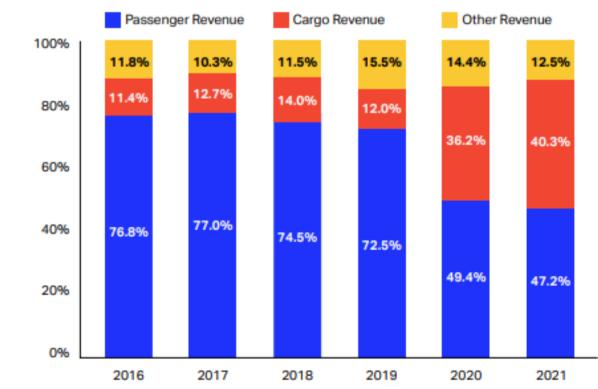
REGIONAL VICE PRESIDENT, THE AMERICAS

# STATE OF THE AIR TRANSPORT INDUSTRY Full Report

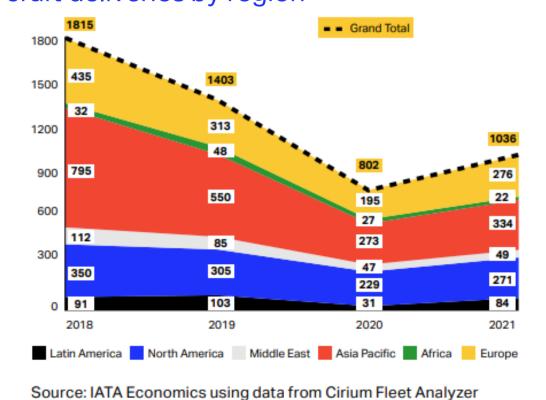
## Regional shares of global RPKs, 2019 – 2022 (Q1), % total



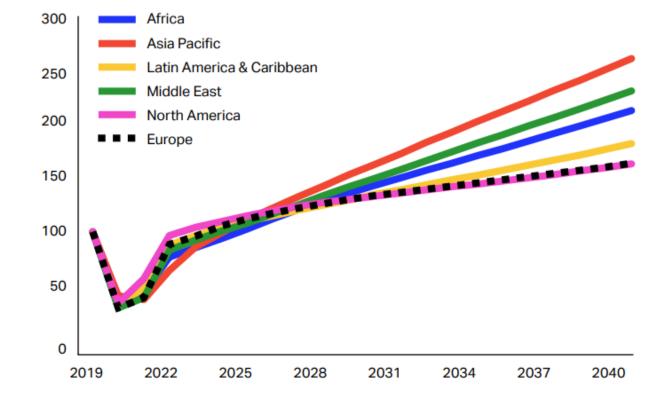
#### Airline revenue by source, 2016 – 2021, % total



### Aircraft deliveries by region



Passengers per region, 2019 - 2040





## ARGENTINA: CONCERNING CENTRAL BANK DEVELOPMENTS TO CURB DOLLAR OUTFLOW

The Central Bank (BCRA) adopted a series of measures to safeguard its reserves and control the strong increase of imports over the past months. The measures impact those companies whose import volumes have increased over 105% (measured in USD) compared to 2021. Air travel and tourism are currently exempt from this new measure and the repatriation of funds has not been restricted for airlines so far. However, BCRA has reached out to all industries, including airlines, to provide information on the origin of funds to be repatriated and specific company's financial transaction data. On July 13, fiscal authority AFIP issued a resolution, effective immediately, increasing income tax retention levied on all international purchases from 35% to 45%, including international air tickets, another measure to discourage the outflow of reserves. IATA is requesting a meeting with Argentina's Government to address the above topics and potential impacts on airlines serving the country. For more details, please contact IATA's Area Manager for Argentina, Paraguay & Uruguay, Maria Jose Taveira.



#### **BAHAMAS: FIR OVERFLIGHT CHARGING SCHEME**

IATA hosted the Bahamas Air Navigation Services Authority (BANSA) for a meeting to discuss the air navigation services charging scheme that has been in place for 12 months, in particular the overflight charge as airlines experienced an increase from \$26 to \$51.60 per 100NM. We requested BANSA to provide transparency on the establishment of its organization and infrastructure investment plan and to indicate what costs for the investment plan will be assigned to which users. IATA confirmed a meeting with the Deputy Prime Minister and Minister of Tourism, Investments & Aviation of the Bahamas on July 26 where we will request a new consultation that is aligned with ICAO's principles of transparency and cost-relatedness. Besides highlighting the issue in the media, IATA also escalated the industry's concerns to the FAA and US State Department, and we are further exploring options individual governments could take regarding the potential violation of air services agreements by the Bahamas. For more details, please contact IATA's Area Manager for the Caribbean, Annaleen Lord.



## **BRAZIL: UPDATE ON BAGGAGE ALLOWANCE**

On 14 June, President Bolsonaro vetoed the article of MP1089 that intended to reinstate the free baggage allowance requirement in Brazil for domestic and international flights after an intense advocacy effort with the Government via a series of letters, op-eds, and meetings to highlight the detrimental effects of this proposal. MP1089 now returns to Congress, where the President's veto will be discussed again and ultimately confirmed or potentially overridden. IATA and other associations met with parliamentary authorities in Brasilia on July 6 to urge the Congress to maintain the veto. We anticipate that congressional discussion of the veto could be deferred until after the presidential election is held in October. For details, please contact IATA's Assistant Director of External Relations for Brazil, Marcelo Pedroso.



# **BRAZIL: GRU ENVIRONMENTAL PRESERVATION TAX**

The Municipality of the City of Guarulhos fast-tracked and approved legislation that will impose an environmental preservation tax (TPA) to be paid by airlines operating at GRU airport, effective 1 January 2023. The total TPA will be calculated by multiplying 3 Guarulhos Tax Units (UFGs [3UFGs average R\$ 11.81 ≈ US\$2.45]) per ton of aircraft weight before take-off (MTOW). The industry has expressed its concerns on the proposed tax and we are pursuing legal action against the City of Guarulhos as the measure contravenes the federal law under which aviation-related emissions are regulated. For more details, please contact IATA's Country Manager for Brazil, Dany Oliveira.



# COLOMBIA: ANLA APPROVED RESOLUTION RESULTING IN INCREASED CAPACITY

Following efforts from IATA and the industry, Colombia's National Authority of Environmental Licenses (ANLA) approved a resolution authorizing Aerocivil (CAA) to implement Phase II of the environmental license at BOG. This new phase increases capacity at BOG between 0500 and 0600 from 18 to 50 ops/hour. ANLA also adopted IATA's recommendations to implement "reference noise values" instead of previous "chapter/stage values," further alleviating some restrictions. For more details, please contact IATA's Country Manager for Colombia, Andres Uribe



#### MEXICO: DIFFICULTY FOR BRAZILIAN NATIONALS TO ATTAIN ELECTRONIC VISAS

Mexico implemented an electronic travel authorization process for select nationalities (including Brazilians) aiming to better control entry to Mexico and ease the process for immigration authorities. Unfortunately, the process has not been successful and many fraudulent electronic travel authorizations for Brazilians have been identified. As result, Mexico's Foreign Affairs Ministry made the process more stringent by limiting the number of visas allowed to be processed at the website, resulting in no shows at airports in Brazil and is impacting operations in CUN and MEX where arriving Brazilians are refused entry by Mexico's immigration. IATA pressed Mexico's authorities for swift action who confirmed to IATA that they are working to re-establish a physical process for visa issuance for Brazilians. IATA further voiced concerns by engaging the Ministries of Foreign Affairs, Tourism, Communication and Transportation and Civil Aviation Authority AFAC. For more details, please contact IATA's Country Manager for Mexico, Cuit Gutierrez.



#### PERU: MTC AND LAP AGREE ON A SINGLE TERMINAL SCHEME FOR NEW LIM AIRPORT

The Ministry of Transport and Communications (MTC) and Lima Airport Partners (LAP) announced they will stop pursuing a two-terminal proposal and committed to refocus efforts on building one new large terminal which is preferred by airlines as it will ensure operational efficiencies and appropriate infrastructure to meet passenger demand at the country's main airport. We expect the written termination of the agreement between MCT with LAP for the two-terminal option in the coming weeks to formalize that new LIM will only have a single new terminal. For more details, please contact IATA's Country Manager for Peru & Bolivia, Martin la Rosa.



## **UNITED STATES: CLIMATE RISK IMPACTS ON FINANCING**



The U.S. Securities and Exchange Commission (SEC) issued a Notice of Proposed Rulemaking that would require publicly-traded companies to explain in their regular disclosures to investors how certain climate-related risks can affect their finances. Companies will be required to calculate these potential costs from data they already compile for periodic disclosures to investors. In addition, companies will be required to disclose detailed data on their scope 1,2 and 3 greenhouse gas emissions. IATA and A4A filed comments on behalf of the industry. For more details, please contact IATA's Vice President, Member & External Relations for North America, Doug Lavin.