



# AMERICAS *focus*

Q2 2017

YOUR SOURCE FOR IATA'S LATEST REGIONAL ACTIVITIES

Dear Industry Colleagues,

We have just concluded IATA's 73rd [Annual General Meeting](#) (AGM) and World Air Transport Summit in Cancun which provided us with a great forum to highlight our [region's](#) various challenges and key opportunities, including overreaching government regulations and infrastructure readiness to accommodate anticipated passenger growth across the Americas. On a global level, the uncertainty of a potential expansion of the current ban on large portable electronic devices in the cabin remains. IATA continues to work with DHS to utilize alternative security measures as the current ban poses significant safety, operational and economic risks that must be addressed before any expansion should be contemplated. In more positive news, the economic performance of carriers in the region has been quite positive. Latin American airlines experienced a 16.1% rise in April demand compared to the same month last year, which was the

fastest rate for the region's carriers since December 2011. North American airlines posted a 10.3% demand increase compared to April a year ago. This appears to reflect a combination of the comparatively robust economic backdrop and the strength of the US dollar supporting outbound passenger demand.

Please find the latest economic state of the Americas attached as well as our key second quarter activities. Please count on my team's continued support and let me know if you have any questions.

With kind regards,

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



## EANA NAVEGACIÓN AÉREA ARGENTINA

### ARGENTINA: EANA CONSULTATION SUMMARY

In April, IATA and airlines met with EANA's authorities to understand the recent 20% tariff increase (totaling 116% in <1yr.), discuss the expertise at IATA and airlines available to EANA and explain the reasoning and benefits of consultation with airlines. The ANSP presented the new organizational structure and a summary of their investment plan and apologized for not having consulted before. EANA rejected IATA's request of a 6-month delay in the implementation of the increase due to their current deficit situation. Nevertheless, they agreed to follow the ICAO Charges principles from now on. IATA has written to Minister Dietrich conveying the industry's position and concerns. For more information, please contact IATA's Country Manager for Argentina, Paraguay & Uruguay, [Maria Jose Taveira](#).

### BRAZIL: UPDATE ON BAGGAGE FEES

On 29 April, the injunction placed by a federal judge of Sao Paulo which prevented Article 13 of ANAC's resolution 400 to go into effect was revoked. Article 13 allows airlines the flexibility to charge for checked baggage as part of ANAC's reforms presented in December 2016, and that went into effect in early March of 2017. While still a provisional decision as the matter is pending review by the Superior Court, in the interim, baggage fees can be imposed by airlines willing to charge for this service. For more details, contact IATA's Regional Head of Member & External Relations, Latin America & Caribbean [Oracio Márquez](#).

### BRAZIL: UPDATE ON SLOT RESOLUTION 338

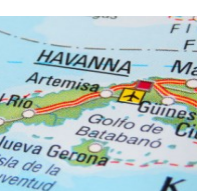
IATA met with ANAC officials in Brazil on 30 May – 01 June to review Slot Resolution 338, and discuss its deviations from WSG and seek ANAC's cooperation toward closer alignment with international best practices (WSG) on its slot monitoring process. A series of workshops were also held in Sao Paulo with industry stakeholders that included airlines, the airport concessionaire, INFRAERO and representatives from ABEAR. Webinars were also held to help inform airline slot representatives and allow for further engagement and interaction with ANAC. All participants thought it was a constructive effort intended to help remedy the current dysfunction taking place affecting airline operations at GRU. For more information, please contact IATA's Senior Manager for Worldwide Slots [Arantza Mendicoa](#).

### CUBA: UPDATE ON BSP, SMARTER REGULATION AND WORLD SLOT GUIDELINES

On 24-25 April, IATA held high-level discussions with Cuban authorities that have oversight for the aviation industry on the island. Key points of discussion included the need to establish a Billing and Settlement Plan (BSP) in Cuba and finalize plans for an initial airport infrastructure assessment, which is scheduled for late May 2017. IATA also reiterated its desire to hold a proactive smarter regulation workshop and further advancement of slot methodologies (WSG) in Cuba. In addition, IATA conducted a technical mission and visited HAV, SNU and VRA airports. For more information, contact IATA's Country Manager for Venezuela & Cuba, [Marisela Loaiza](#).

### CANADA: TRANSPORTATION MODERNIZATION ACT

On 16 May 2017, Canadian Minister of Transport Marc Garneau tabled Bill C-49, entitled "The Transportation Modernization Act" (GOVAF 1347 refers). A key part of the Canadian government's effort to modernize regulation is to introduce air passenger rights in the country. General parameters have been shared, including addressing denied boarding, delays, and cancellations, reporting requirements from airlines and lost or damaged baggage. IATA met with Transport Canada for an initial technical briefing on 18 May and will provide further updates. For more information, please contact IATA's Area Manager for Canada & Bermuda, [Nicola Colville](#).





## CANADA: NAVCANADA RATE DECREASE TO BE EXTENDED

On May 30, NAVCANADA proposed to reduce charges for the 2018 fiscal year due to continuous strong traffic. Specifically, tariffs are expected to decrease 3.9% (3.5% permanently and 0.4% temporarily, for one year) on average, which matches the 3.9% temporary decrease from 2017 set to expire on August 31, 2017. On average, 2018 tariffs will remain unchanged. Furthermore, NAVCANADA expects to return ~CAD\$60M, as a one-time refund, around January 2018. Corresponding savings will be calculated in 4Q17. Separately, the tentative date for NAVCANADA's annual consultation is November 3. IATA will continue its close collaboration with NAVCANADA. For more information, please contact IATA's Charges Manager for the Americas, [Federico Munoz](#).



## JAMAICA: FIRST TO IMPLEMENT CARGO XML USING ASYCUDA WORLD

IATA has worked closely with The United Nations Conference on Trade and Development (UNCTAD) which resulted in the integration of IATA Cargo-XML in ASYCUDA World. Recognizing that 90+ countries in the world are using ASYCUDA World, Jamaica Customs Authority (JCA) is the first among those countries to implement IATA Cargo-XML standards. IATA Cargo-XML implementation will help JCA in modernizing operations, facilitating trade growth and enhancing security risk assessment measures, in line with the expectations set by the World Customs Organization through their SAFE Framework of Standards. At the same time, this important breakthrough will also benefit IATA members, as the use of global Cargo-XML standards will enable airlines to comply with JCA legislation with improved data quality. For more information, please contact IATA's Area Manager for the Caribbean, [Annaleen Bobb](#).



## MEXICO: UPDATE ON PROPOSALS FOR SLOT MANAGEMENT AT MEX

In mid-May, the Federal Commission for Regulatory Improvement (COFEMER) received proposals from the SCT/DGAC (Civil Aviation Authority) to modify the current airport law pertaining to slot management at MEX. While the recommended changes contain significant progress in alignment with WSG, key components of the regulation regarding the role of the independent coordinator, punctuality compliance, and 85/15 rule are not in adherence to WSG principles and to international best practices. On 02 June, IATA submitted comments to COFEMER asserting that it is critical that Mexico implement a neutral, transparent and efficient slot allocation system to address the current unpredictable and administratively complex processes that have proven to be a significant challenge for operators at MEX. IATA remains committed to pursuing the full adoption of the World Slots Guidelines (WSG) at AICM. For more information, please contact IATA's Senior Manager for Worldwide Slots, [Arantza Mendicoo](#).



## MEXICO: PASSENGER RIGHTS MODIFICATION

The Mexican Senate approved the Project of Law (PL) that makes modifications to the Civil Aviation Law and the Federal Consumer Protection Law applicable to passenger rights. Airlines will be given a period of 90 days from the publication of the PL to implement procedures in accordance with the revised requirements. As previously informed, the bill includes compensation requirements for delays and cancellations, use of non-sequential flight coupons, free baggage allowance, right of repentance up to 24-hours prior to flight, and free infant travel on all flights, amongst others. IATA will continue to engage local stakeholders to evaluate possible actions to reduce the effect of the changes to the Civil Aviation Law. In addition, IATA's DG & CEO Alexandre de Juniac has written a letter to Mexico's President Peña Nieto to express our concerns and ask for his intervention. For more details, contact IATA's Regional Head for Member & External Relations, Latin America & Caribbean, [Oracio Márquez](#).



## PANAMA: WAIVER OF FINES IMPOSED BY IMMIGRATION DUE TO ERRORS IN APIS

In a joint effort between the local airlines association and IATA, airlines secured a four-month waiver of fines imposed by immigration due to errors in APIS transmissions. Following investigations and several working group meetings, it was determined that the errors were being produced by a technological error and not attributable to airlines. Panama's immigration authorities report that said error has been resolved and that the fines produced by it will not be imposed. For more information, please contact IATA's Area Manager for Central America, [David Hernandez](#).



## USA: UPDATE ON LARGE PORTABLE ELECTRONIC DEVICES

IATA is working with regulators in the United States and Europe to identify opportunities to address the increased security threat posed to commercial aviation. IATA is urging regulators to consider alternative security measures to the ban on large portable electronic devices (PEDs) in the cabin of certain flights. The current ban poses significant safety, operational and economic risks that must be addressed before any expansion should be contemplated. IATA is particularly concerned about the potential safety risk posed by the significant increase in passenger - packed lithium powered devices in the cargo hold of commercial aircraft. The US Government is considering whether to expand this ban to either European airports or all airports with direct flights to the U.S. It is unclear at this time when or if the USG will expand this ban. For more information, please contact IATA's Director for Aviation Security, [Matthew Vaughan](#).



## USA: MIA'S NEW AIRPORT USER AGREEMENT UNDER NEGOTIATION

In December 2015, negotiations began on Miami's airport user agreement (AUA), between the airline group (MAAC) and MIA (also known as "MDAD"). Towards the end of 2016, MIA has highlighted that it will be reworking the base of its charges, which is area (square footage), as it is yielding discriminatory charges. Specifically, costs related to a significant portion of the international-only area are being paid by domestic passengers (i.e. international facility costs are subsidized by domestic passengers). As a result, based on ICAO's charging principle of non-discrimination, the international facility fee will likely increase from \$2.20 to ~\$14. A detailed proposal is expected to be shared during the next AUA negotiating meeting, scheduled for June 27th at MIA. IATA will attend the meeting and continue to work with MIA's stakeholders to ensure the AUA follows global best practices. For more information, please contact IATA's Charges Manager for the Americas, [Federico Munoz](#).

## CONTACT US



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# STATE OF THE REGION: THE AMERICAS

MAY 2017

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2016Q3	2016Q4	2017Q1
United States	2.6	1.7	2.0	1.9
Brazil	-3.8	-2.9	-2.5	--
Mexico	2.6	2.0	2.4	--
Canada	0.9	1.4	1.9	--
Argentina	2.6	-3.7	-2.1	--
Colombia	3.1	1.2	1.6	--
Chile	2.2	1.7	0.8	0.3
Peru	3.3	4.5	3.0	2.1
<b>World*</b>	<b>2.4</b>	<b>2.2</b>	<b>2.5</b>	<b>2.6</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2016	Feb-17	Mar-17	Apr-17
US\$ broad index	127.7	125.8	125.3	124.3
Brazilian real (BRL)	3.26	3.11	3.16	3.19
Mexican peso (MXN)	20.63	20.00	18.83	18.94
Argentine peso (ARS)	15.73	15.48	15.38	15.43
Colombian peso (COP)	2997	2925	2884	2951
Chilean peso (CLP)	668	650	662	666

Source: Datastream, XE

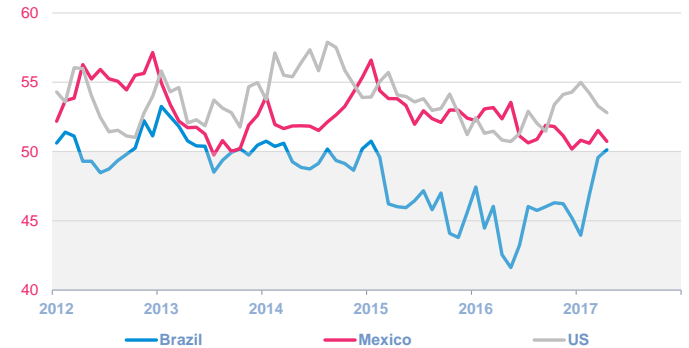
### World oil and jet fuel price

US\$/barrel	2016	Feb-17	Mar-17	Apr-17
Crude oil (Brent)	52.4	54.9	51.6	52.3
Jet fuel	64.0	65.0	60.7	63.4

Source: Platts, EIA Monthly average data

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence in Brazil moved above 50 for the first time since Jan 2015. Renewed political turmoil may mean this gain is short-lived. Confidence eased modestly in both Mexico & the US this month.
- The US\$ eased further on a trade-weighted basis in April, down 0.7%. Even so, all of the region's main currencies fell relative to the US\$ this month. The largest declines were in the COP & BRL bilateral rates, which were down 2.4% & 0.8% respectively.
- Brent crude oil & jet fuel prices ended the month higher (the latter up a sizeable 4.5%), buoyed by statements of support from Russia & Saudi Arabia to extend the production cuts.

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	Jan-17	Feb-17	Mar-17
<b>Region (registration basis)</b>				
N America	3.2	3.4	-0.2	3.2
Latin America	3.6	5.1	2.3	7.8
World	6.3	9.0	4.9	6.8
<b>Routes (segment basis)</b>				
US domestic	3.4	3.7	-0.5	3.4
Brazil domestic	-5.5	-1.4	-4.9	5.9
Nth America-Europe	2.5	1.2	-0.2	-0.1
Nth America-Asia	6.4	7.5	2.2	5.7
Nth-Sth America	-0.5	-3.4	-3.7	1.3
Sth America-Europe	3.5	3.5	1.2	7.3
Within Sth America	8.0	11.5	10.4	14.5

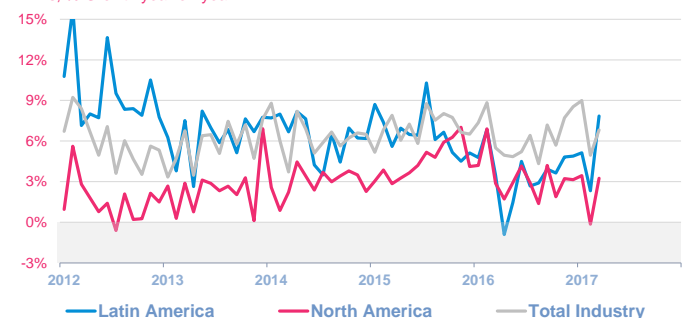
Source: IATA Statistics

- Growth in global RPKs recovered some of last month's fall, recovering to be 6.8% higher yoy in Mar. This completes a robust first quarter – industry-wide RPKs were 7.0% higher than in the same period a year ago, well ahead of the long-run average rate of ~5.5%
- At the regional level, the pace of RPK growth also recovered, to a brisk 7.8%yoy for Lat.Am carriers & a more modest 3.2% for those in NthAm.

- RPK growth in the domestic Brazil market returned to positive territory (+5.9%yoy) in Mar – the first time since July 2015.
- Amongst the key markets for the region's carriers, growth recovered on all routes except NthAm-Europe which was broadly unchanged, with RPKs down 0.1%yoy. Within SthAm remains the standout performer, with very strong growth of 14.5%yoy. SthAm-Europe follows with RPKs up 7.3% on a year ago.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics



## Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Jan-17	Feb-17	Mar-17
<b>Region (registration basis)</b>				
Nth America	2.2	5.0	6.0	9.5
Latin America	-4.2	-3.9	-4.8	-4.2
World	3.8	6.2	8.4	14.0
<b>Routes (segment basis)</b>				
Nth America-Asia	-1.2	6.3	8.4	12.3
Nth America-Europe	2.5	8.4	7.1	12.2
Nth-Sth America	-5.1	1.5	-2.7	-0.2
Sth America-Europe	1.2	1.6	1.5	6.7
Within Sth America	-18.6	-20.1	-16.9	-9.8

Source: IATA Statistics

- Global FTKs grew by 14.0%yoy in Mar – the fastest pace since October 2010. For Q1 overall, freight volumes rose almost 10% on the same period last year.
- At the regional level, performance remains mixed. NthAm FTKs strengthened further, to a hefty 9.5%yoy pace this month but freight volumes for Lat.Am carriers are down 4.2% on a year ago, despite a small improvement in Mar.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK	2016	Jan-17	Feb-17	Mar-17
<b>Passenger</b>				
Nth America ASK	3.7	4.0	-0.6	3.3
Nth America PLF	83.5	80.1	79.4	83.6
Latin America ASK	1.9	3.8	0.5	5.3
Latin America PLF	80.8	83.3	80.7	80.2
World ASK	6.3	7.3	2.8	6.1
World PLF	80.5	80.3	79.5	80.4
<b>Freight</b>				
Nth America AFTK	3.5	0.5	-1.6	2.8
Nth America FLF	34.4	35.1	35.6	36.9
Latin America AFTK	-1.7	0.6	-5.1	-1.9
Latin America FLF	33.2	28.0	31.7	31.9
World AFTK	5.3	3.3	0.1	4.2
World FLF	43.0	41.9	43.4	47.4

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

- At the global level, airlines have increased capacity solidly over the past year; ASKs are up 6.1% & AFTKs up 4.2%. NthAm carriers have increased pax & freight capacity only modestly over the past year; by ~3% for both ASKs & AFTKs. Lat.Am carriers have increased ASKs by a solid 5.3%yoy, but reduced AFTKs by ~2%.
- Pax loads returned to above 80% in Mar, with NthAm outperforming all regions at 83.6%. Freight loads for the region's carriers are relatively soft, however, with only

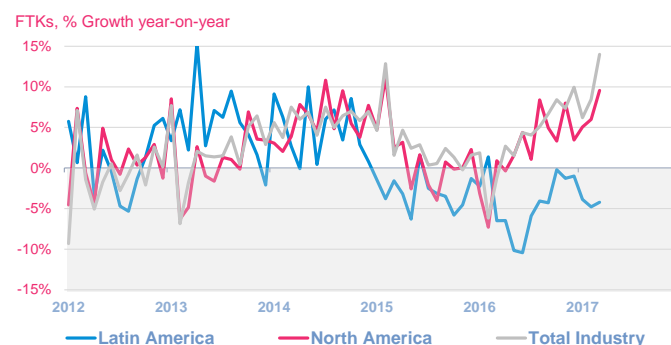
### Airline operating (EBIT) margins\*

%revenues	2015	2016	2016Q1	2017Q1
Nth America	14.8	13.2	15.4	8.0
Latin America	1.5	4.2	9.2	-1.5
Industry	8.5	8.8	9.6	4.8

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

- FTK growth on the two main NthAm markets (those of Asia & Europe) lifted – into double-digit territory – this month, with both up just over 12%yoy.
- The robust 6.7%yoy growth rate on the SthAm-Europe market contrasts with weakness elsewhere for the Lat.Am carriers; Nth-SthAm FTKs are down 0.2% while traffic within SthAm, despite recent improvement, is still down almost 10%yoy.

### Growth in air freight volumes



African carriers returning a lower FLF (at just 29.8%).

- The initial Q1 data show softer EBIT margin outcomes at both the region & industry level. NthAm (now 8.0%, down from 15.4% a year previous) still outperforms the industry average (4.8% from 9.6%) while the Lat.Am margin is now negative (-1.5% currently vs 9.2%).
- Despite being 8-9%yoy lower, global average pax yields continue to show tentative indications of having possibly bottomed. At the regional level, yoy yields have clearly narrowed & have now risen for the Within SthAm market.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Jan-17	Feb-17	Mar-17
US domestic	-4.5	-4.4	-2.8	-2.4
Nth America-Europe	-8.3	-10.8	-10.3	-0.6
Nth America-Asia	-7.2	-5.3	-2.3	-0.7
Nth-Sth America	-17.4	-17.3	-13.3	-9.8
Sth America-Europe	-17.3	-6.9	-2.7	-1.4
Sth America-Asia	-9.1	-10.7	-8.8	-6.4
Within Sth America	-13.8	-7.2	-3.3	1.7

Source: IATA PaxIS

### Aircraft deliveries to the Americas (latest data)

