Good afternoon and welcome to our briefing on the Americas at this year’s IATA AGM. The last time I spoke to many of you at such a forum was at our AGM in Boston back in October.
The Americas Region is open for business

At that stage we had predicted that the Americas Region would be open for business again by latest in November and so it was.

Nearly all countries across the continent have lifted most of their travel restrictions—the only outlier really is Chile—where the entry process is still somewhat cumbersome. And the latest figures show that the recovery in this region is well underway.

April Revenue Passenger Kilometers (RPKs) for North America have risen by 78.5% over 2021 and Latin America registered a 139.2% increase over 2021.

Airlines based in North American saw April traffic rise by 230.2% versus 2021 and those based in Latin America experienced a 263.2% growth, compared to April 2021. On the cargo side there has been a downward trend globally which is also reflected in April’s 6.6% decline for North America, with Latin America bucking the trend with a 40.9% increase in demand.
As we clearly leave the COVID-19 crisis behind us, we cannot return to the same operating environment we had in pre-pandemic days.

The critical role that aviation played during the pandemic in keeping supply lines open, enabling the delivery of live saving medical supplies, PPE and of course vaccines, should really have demonstrated to the even most skeptical governments in the region that we are not solely an industry for rich, but in many cases an essential service. Nevertheless, it seems that some still consider this sector as cash-cow which can be used to refill state coffers.

We must however work across the entire value chain to ensure that aviation can operate in a cost competitive environment, and hence we will not shy away from calling out practices which we deem unfair or discriminatory,

Linked to this is also the provision of adequate infrastructure. At many airports across the region, we were already faced with capacity constraints before the crisis hit and as we now see quite substantial growth, we need to ensure that those infrastructure projects essential for aviation to thrive, will be developed as planned.

Furthermore, we must work on a regulatory framework that protects the consumer in a sensible way, while not making airlines liable for things which are outside their control.
So please allow me to take you on a quick journey from North to South providing examples of the priorities just laid out.
In Canada we are seeing pent-up demand driving a strong recovery.

However, we are now facing a dire situation at many airports – especially at the country's main hub Toronto – where international arriving passengers are being held back on planes as the current entry requirements have increased immigration processing times.

The situation at the security checks is not much better.

Hence, we renew our call to the government of Canada to revise its current protocols and increase the staffing levels as soon as possible.
The US market has nearly recovered to 2019 levels and with the recent removal of pre-departure antigen testing the number of international arrivals is set to increase even further.

While not as bad as airports in Canada, government and airports need to ensure that adequate staffing is available to handle the expected passenger demand, particularly as the heavy summer travel season is only days away.

Another topic of concern in the US is the roll-out of 5G telecommunications services. While these have been successfully implemented in many jurisdictions around the world with little to no impact on airline operations, this was not the case in the US. The industry raised its concerns regarding the use of C-band spectrum and the potential for interference with airline radio altimeters as early as 2018.

Despite this, the rollout of C-band 5G operations in January 2022 at certain US airports led to disruption to aviation, owing to the potential risk of interference with radio altimeters that are critical to aircraft landing and safety systems.

Going forward the FAA has now announced a timetable during which airlines will need to retrofit/upgrade certain radio altimeters at their own expense which will be very challenging to meet.
Heading south into the Caribbean where we have seen a steady recovery of the mainly tourism driven traffic, but taxes and fees are what concerns us at present. A steep rise in these could slow down current demand levels if some destinations price themselves out of the market. A case in point is Bonaire where a new tourism tax of US$ 75 will be introduced as of 1 July.

A very deeply disturbing example are the overflight fees being charged by the government of the Bahamas. Ever since the country took back control of its airspace from US, it is effectively holding the industry hostage, by charging US$ 51 per 100 nautical miles for overflying its strategically located airspace—many routes from Europe to the Caribbean or between North and South America have to overfly the Bahamas. Making the situation even more absurd is the fact that the Bahamas asked the FAA to continue to manage the airspace for them, something the FAA had done in the past for US$ 26 per 100 nautical miles.

On September 14, IATA together with the Caribbean Tourism Organization and the Government of the Cayman Islands will hold a Caribbean Aviation Day in the Cayman Islands under the theme, “Recover, Reconnect, Revive” and discuss how the Government and the industry can jointly rebuild a more competitive air transport sector in a post-COVID world.
Crossing over to Mexico, one of the few countries in the region which never shut its borders and has hence already surpassed 2019 levels for domestic traffic and is close to doing the same on the international front.

Our most pressing issue is the capacity situation in the Mexico City metropolitan area. The new Felipe Angeles International Airport opened back in late March of this year. The government has constructed a world class airport that lacks adequate ground transportation links to connect the airport with the city.

While those airlines that began operations at the airport back in March are slowly increasing the number flights, we have made it clear to the government that airlines need to have the freedom to decide on a commercial basis which airport(s) they wish to serve. Also splitting cargo and passenger operations across more than 1 airport is very often not economically feasible.
Central America

- Major infrastructure developments at Palmerola (Honduras) and Panama City
- Investments in airport infrastructure must be coupled with much needed airspace optimization

Central America has recently seen two major infrastructure developments: the opening of a new international airport for Tegucigalpa, Honduras, and the opening of Terminal 2 at Tocumen International Airport in Panama. These two long awaited infrastructure projects will spur connectivity growth in this important region.

We remain vigilant of cost increase initiatives and the need to ensure that, particularly in Panama, investments in airport infrastructure are coupled with much needed airspace optimization.
Colombia has seen a very strong recovery both on the domestic and international front.

Especially country’s larger airports – Bogota, Medellin and Cartagena are operating close to their capacity. Both short-term and long-term solutions need to be considered to avoid a capacity crunch.

On the consumer protection side, many legislative initiatives in congress and at agencies such as the Superintendence of Transport create legal uncertainty, reputational impact, and onerous sanctions, as in many cases service disruptions are outside the airlines’ controls.

The industry’s regulatory structure needs to be urgently clarified.
Similar to Colombia, Ecuador has seen a strong recovery. While the government has pledged its support to the industry during an Aviation Day held in March this year, there is still work to be done regarding high tourism tax, airport charges and specifically overflight and landing fees where international rates are 133% and 321% higher than domestic rates, respectively. This is something the industry is asking the authorities to urgently review.
At present the biggest issue the industry is facing in Peru is the uncertainty regarding the expansion of Lima’s Airport. Even before the pandemic the airport operated beyond its originally designed capacity limits and the approved expansion in terms of a second runway and a new terminal to replace the existing one were to provide the necessary alleviation.

Now the airport concessionaire is planning to build only half a new terminal and keep the old one in operation until 2035 approximately, without the proper operational mitigators. This will increase operational complexities and costs for airlines, as the airport expansion plans never envisaged a two-terminal operation. We have reached out to both Lima Airport Partners and the government to obtain full transparency of the changes now proposed as compared to the originally agreed expansion plans, advocating for an only one new terminal operation. It is completely unacceptable that a project which is already 5 years behind schedule is now to be reduced in scope. With other hubs in the region enhancing their infrastructure—BOG, PTY, SCL—the Peruvian economy and thereby its people will lose out on potential GDP growth.

IATA will hold an Aviation Day in Peru on September 1 to address the key challenges and opportunities facing the country to ensure air transport can play a key role in the country’s socioeconomic recovery.
As I mentioned in my opening remarks, the process for foreigners to enter Chile is still somewhat cumbersome. In essence anyone who wants to access indoor facilities in the country requires the so-called Mobility Pass and for those who got vaccinated outside the country, this means they need to have their vaccination credentials certified online latest 2 days prior to travel.

The result of the strict measures is that only 1.2 million foreign tourists are expected to visit the country this year, which is roughly a quarter of pre-pandemic levels.
Argentina is one of the most expensive countries in the region in terms of fees, charges and taxes. Especially International passenger fees are high and subsidize the domestic ones. To create a truly competitive aviation market they need to be reduced.
Brazil

• Urge National Congress to uphold President Bolsonaro’s veto on free baggage allowance proposal
• Concerns on Sao Paulo – Guarulhos Environment Tax
• Revise jet fuel pricing policy

Last but not least, in the largest market in Latin America the president of the country just this week again vetoed a proposal by congress that would have forced airlines to include a least 1 checked bag in all domestic and international fares sold in Brazil. This would have curtailed the commercial freedom of airlines and forced customers to pay for something which not everyone needs to make use of.

We urge the National Congress to uphold the presidential veto as the proposed law would have also made the market very uncompetitive at a time as traffic is rebounding and low-cost carriers are planning to either enter the market or expand their existing footprint.

Also very concerning are the actions by the City Hall of Guarulhos – the location of the largest international airport of the country – passed a law for the collection of an “environment tax” for each aircraft movement at the airport and use the funding for maintaining the garbage collection services. While their intentions might be “noble” this contraveses Brazilian federal law which regulates airports in Brazil.

Also, we again need to point out the inflated price of jet fuel in the country, which is an issue that needs to be urgently addressed, including the application of state VAT for fuel for domestic flights, as in some provinces this can be as high as 17%.
Before taking your questions, please allow me to touch on the topic of sustainability. As you know the industry has committed to achieving net-zero emissions by 2050. This will require a collaborative approach along the entire value chain, especially on the production of Sustainable Aviation Fuels. Here we are going at two-speeds.

The USA has already put a framework in place to support the production of SAF. Just over a week ago we hosted a round-table coinciding with the Summit of the Americas in Los Angeles to raise awareness of the topic and provide some best practice examples. Airlines are ready to use SAF – as 7 airlines from the region demonstrated along with Boeing by operating SAF flights from LAX during the week of the summit.

What we need is for governments, especially in Latin America, to create the frameworks, especially since most countries have the potential to produce SAF. This would be a win-win situation by creating employment, investment and protecting the environment at the same time.
In closing, I can say that from Alaska to Tierra del Fuego our industry is on the road to recovery and is contributing to the socio-economic recovery of the region. However, as has been highlighted by the pandemic, we need all actors in the value chain to work in a collaborative manner and keep clear and open lines of communication, especially when we might have differing points of view. This includes all our governments in the region.

Our industry was brought to an abrupt halt by COVID-19. In keeping vital supply chains running we faced many administrative and bureaucratic hurdles. The reopening was piecemeal with many hurdles on our way. We now need to look forward to a brighter future together.
Questions?

Peter Cerdá
Regional Vice President, The Americas