



Americas Update

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#IATAMediaDays 23 and 25 November 2020



Good day and welcome to all who are joining us for our virtual briefing today.

It is fair to say that our world has been turned upside down since we met face-to-face in Geneva at our global media day in December last year.

At that time, we were forecasting continued growth for the entire continent.

Airlines in North America were estimated to remain on their profitable path while for Latin America the expectation was that 2020 would also become a profitable year.

January and February turned out to be a promising start, but then COVID-19 forced us into an abrupt shutdown.

And while we fully understand the need for governments to protect the health of their citizens, no one could have predicted that our industry would be grounded for an extended period of time and what an uphill struggle it has turned out to be to get us restarted globally and across this region.

Latest 2020 / 2021 Financial Forecast

Region	2020 Demand vs 2019	2020 Capacity vs 2019	2020 Profits	2021 Demand vs 2020 (vs 2019)	2021 Capacity vs 2020 (vs 2019)	2021 Profits
World	-66.3%	-57.6%	-\$118.5b	+50.4% (-50%)	+35.5% (-43%)	-\$38.7b
North America	-66.0%	-51.6%	-\$45.8b	+60.5% (-45%)	+36.4% (-34%)	-\$11.0b
	<ul style="list-style-type: none"> North American airlines benefit from an earlier recovery in the US domestic market (the largest domestic market in the world) and have already restructured more extensively than other regions which supported their pre-crisis industry-leading financial performance. 					
Latin America	-64.0%	-60%	-\$5.0b	+39.0% (-50%)	+34.3% (-46%)	-\$3.3b
	<ul style="list-style-type: none"> Latin American airlines have received little government support, leading to bankruptcies, and COVID-19 containment has been challenging. Some key markets have remained open and air travel has been helped by the opening of borders with a negative COVID19 test requirement rather than quarantine. However, vaccine distribution and vaccination may be a little behind more developed markets, leading to a more delayed recovery in financial performance. 					

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The latest available figures and forecasts illustrate the dire financial situation our industry is in.

For 2020 we are now predicting a net loss of \$118.5 billion, deeper than the \$84.3 billion we had forecast back in June.

And even looking into 2021, we are expecting a net loss of \$38.7 billion, deteriorating from the \$15.8 billion forecast in June).

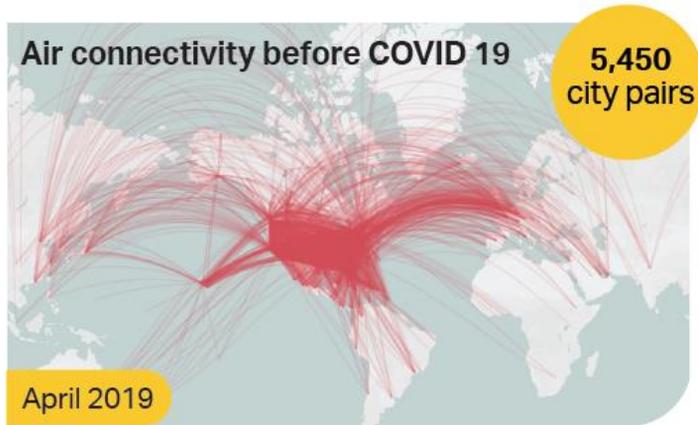
Looking at the regional figures we can see that demand in North America will drop by 66% percent this year resulting in a loss of \$45.8 billion.

And even with a projected increase in demand in 2021, airlines in North America will still lose \$ 11 billion in 2021.

For Latin America and the Caribbean, the drop in demand in 2020 is expected to be 64% with airlines slated to lose \$5 billion. Again, even with a recovery in 2021, the airlines in the region are expected to be \$ 3.3 billion in the red.

But it is not only the financial performance which is worrying, it is also the loss of connectivity which will have a direct effect on the socio-economic contribution of our industry .

Air connectivity in North America before the pandemic



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From a connectivity perspective alone COVID-19 has had a dramatic effect on the continent.

In North America....

The number of unique city pairs connecting the United States and Canada within the region and to the rest of the world reduced by almost 2000.

Air connectivity in North America seriously disrupted



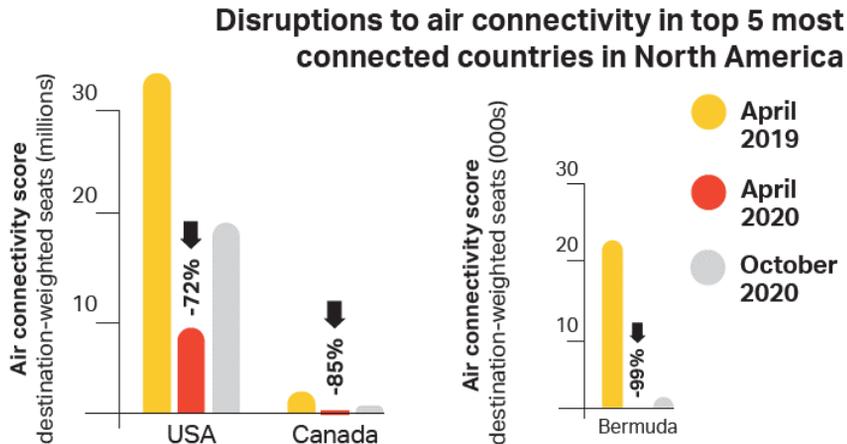
Source: IATA Economics based on data provided under license by FlightRadar 24. All rights reserved

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In April 2020, there were 3,490 unique city pairs compared to 5,450 city pairs during the same period one year ago.

Air connectivity in countries in North America



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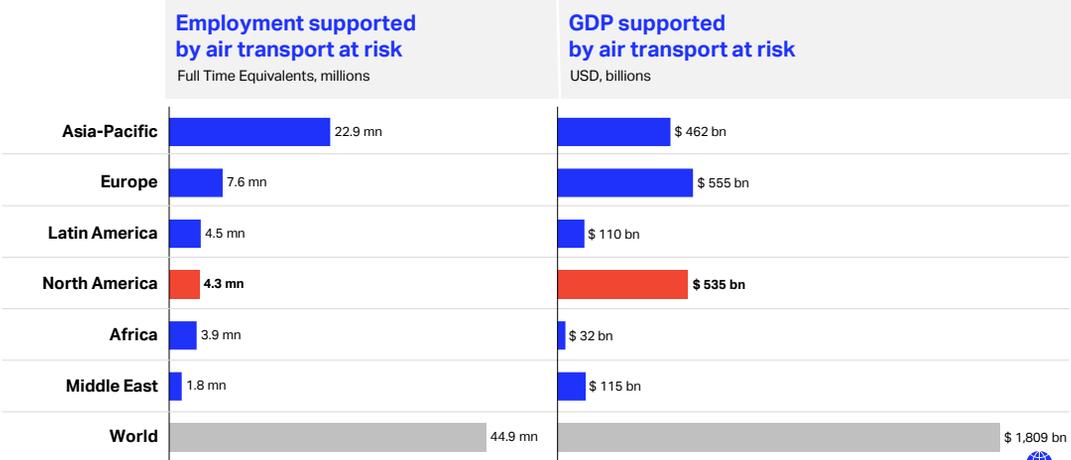
In the United States, connectivity levels were reduced by about 72% in April, reflecting the size of the domestic market.

Connectivity in Canada fell by 85% in April. Since then connectivity has been recovering, although still lagging considerably compared to pre-COVID levels. The evaporation in demand has to a large extent been driven by the fact that only Canadian citizen and residents are allowed to enter the country and quarantine rules are in place for international arrivals and even in some cases for domestic travel.

Restoring air connectivity in North America is essential to support economic recovery in the region. Air connectivity plays a vital role in enabling trade, which stems from globalized supply chains and associated investment.

Air connectivity is also pivotal for supporting tourism flows in the region. Every year 146 million international tourists arrive to the United States and Canada with 60% of those visitors travelling to the region by air.

Impact of COVID-19 on jobs and GDP



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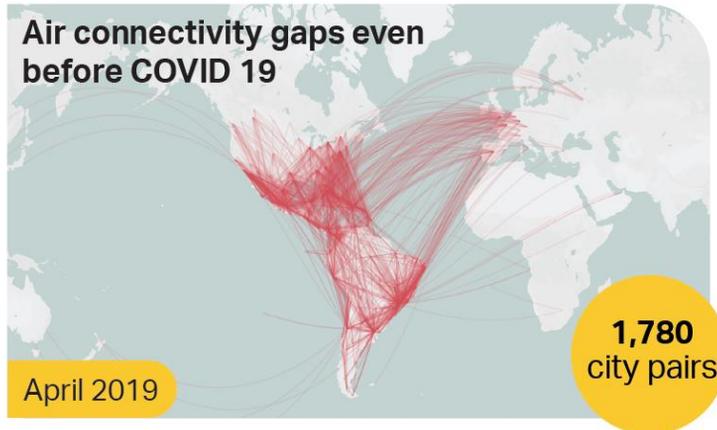
Source: IATA Economics using data from ATAG (2020).
 Note: Economic impacts measure direct, indirect, induced and tourism catalytic impacts.



Another impact on the wider economy comes through the influence that the airline activity has on jobs in the sector, in its supply chain, and the jobs generated as spending ripples through the economy.

In North America, 8.8 million jobs are supported by the air transport industry. Of those, 2.7 million jobs are generated directly by the air transport sector (airports, airlines, ANSPs, manufacturers). The industry also supports about \$1.1 trillion of the region’s GDP. Due to the COVID-19 pandemic, about a half of those jobs and economic activity could be at risk.

Air connectivity in Latin America & the Caribbean before the pandemic



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Looking at Latin America and Caribbean...

Air connectivity has been disrupted significantly due to the COVID-19 pandemic. The number of unique city pairs connecting Latin America within the region and to the rest of the world dropped by more than a half.

Air connectivity in Latin America & the Caribbean seriously disrupted



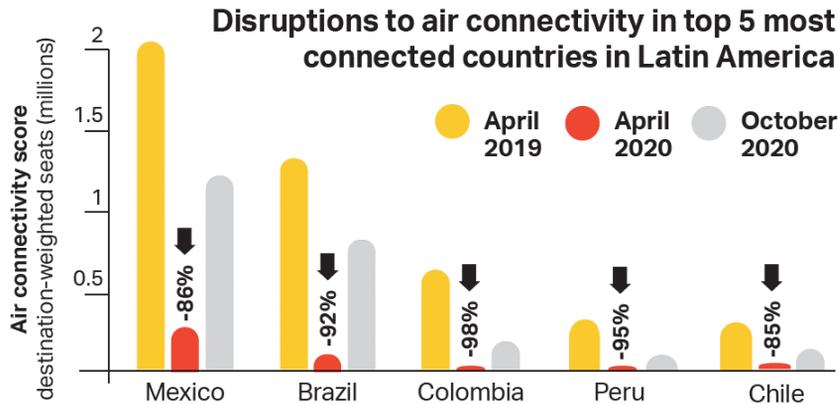
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In April 2020, there were 680 unique city pairs compared to 1,780 city pairs during the same period one year ago.

Air connectivity in the top 5 markets in Latin America & the Caribbean



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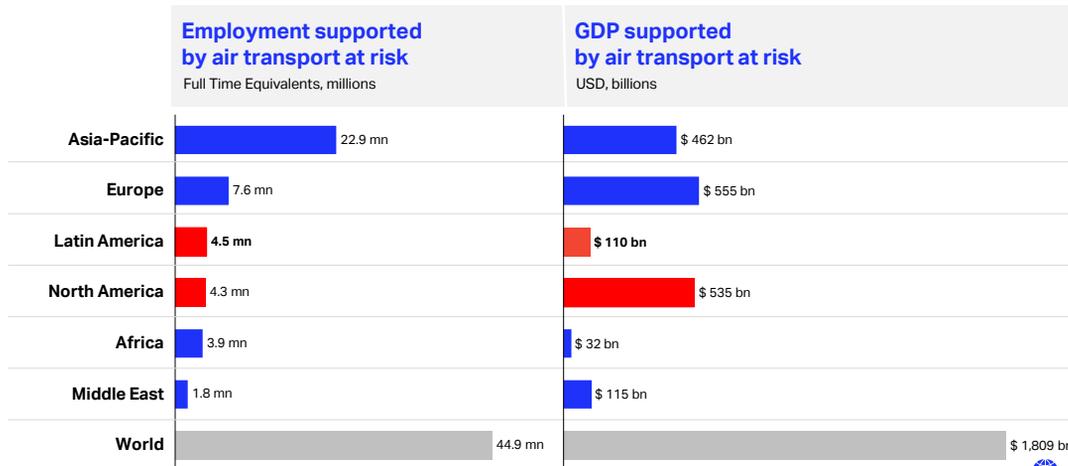


Across the top 5 most connected countries in Latin America and the Caribbean region (Mexico, Brazil, Colombia, Peru and Chile), connectivity levels declined by 85% or more earlier in April. Since then connectivity has been recovering, although still lagging considerably compared to pre-COVID levels.

Restoring air connectivity in Latin America and the Caribbean countries is essential to support the recovery of local economies. Air connectivity is vital for sustaining tourism flows, especially relevant for the economies in the region heavily reliant on tourism as a source of economic growth. Every year 73 million international tourists arrive to Latin America with 51% of those visitors travelling to the region by air.

Air connectivity also plays a vital role in enabling trade, which itself has resulted from globalized supply chains and associated investment. Many airlines have adapted their operations to keep supply chains moving during the crisis. To help in the global response to the coronavirus pandemic, the industry has mobilized resources in novel ways to ensure the delivery of critical medical equipment.

Impact of COVID-19 on jobs and GDP



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Source: IATA Economics using data from ATAG (2020).
Note: Economic impacts measure direct, indirect, induced and tourism catalytic impacts.



Another impact on the wider economy comes through the influence that increased airline activity has on jobs in the sector, in its supply chain, and the jobs generated as spending ripples through the economy. In Latin America and the Caribbean, 7.6 million jobs are supported by the air transport industry. Of those, 722,000 jobs are generated directly by the air transport sector (airports, airlines, ANSPs, manufacturers). The industry also supports about \$187 billion of the region's GDP. Due to the COVID-19 pandemic, more than a half of those jobs and economic activity could be at risk.

For Latin America and the Caribbean this lack of connectivity is even more severe, given the fact that in many cases no viable alternative transport exists.

Despite the catastrophic impact of COVID-19 and border closures on travel, airlines have made **unprecedented efforts to help people wherever they can.**

39,200 repatriation flights

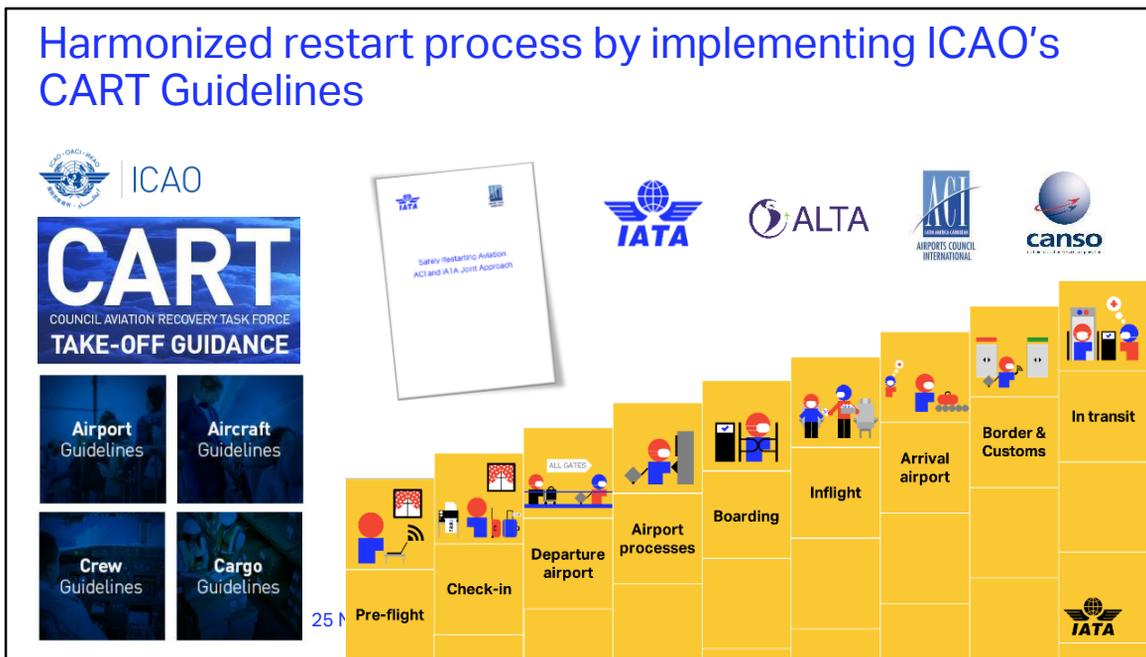
Airlines flew nearly 5.4 million people home on special flights after borders closed in March 2020.

Source: Aviation Benefits Beyond Borders 2020

25 November 2020

Hence, over the past months we worked tirelessly to ensure that the necessary infrastructure was available to at least allow for the continued operation of cargo and humanitarian flights. Globally, airlines flew nearly 5.4 million people home on more than 39,000 flights after borders closed in March with many thousand of flights taking place in this part of the world.

Harmonized restart process by implementing ICAO's CART Guidelines



And while the industry, stakeholders and regulators – such as ICAO, WHO, ACI – came together to devise internationally agreed guidelines on how aviation could operate safely during this pandemic, especially in Latin America and the Caribbean, we have unfortunately ended up with a patchwork of rules and regulations, which is not only hampering the restart of operations, but is also dissuading people from traveling.

Just to cite a few examples:

Nicaragua – non compliance with CART – crew testing, passenger list 72 before arrival and collection of PCT tests by airlines

Peru still mandates face shields in addition to the wearing of masks.

Trinidad & Tobago still has its borders closed

Uruguay has border restrictions and quarantine – even though the country is currently the only one in the Americas deemed as non-high risk for COVID safe by the European Union

Call to Action to Governments across the Region



1

Implement systematic testing

2

Collaborative approach on managing capacities

3

Provide financial support for industry

4

Refrain from additional taxation



What we need from the governments in the region going forward are the following:

Joint approach on implementing systematic testing

Collaborative approach on managing capacities now and investing in the future

Consider financial support for the industry

Avoid returning to seeing this industry as a cash cow.

Systematic **COVID-19** testing is an alternative to quarantine

Testing criteria will need to be:

within
20
minutes

Fast

Results should be delivered quickly, ideally within 20 minutes.

<1%

Accurate

High accuracy is essential with low levels of both false negatives and false positive results.



Affordable

Cost should not be a barrier to travel. New tests are <\$10.

>100s
per hour

Scalable

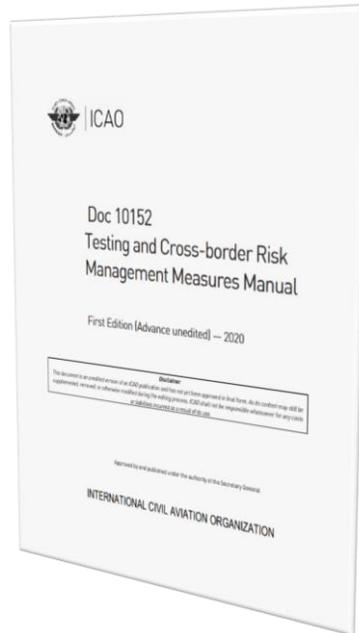
Testing capacities of several 100s of tests per hour are needed to meet demand.



Easy to use

To allow non-specialist operators and avoid needing expensive equipment.

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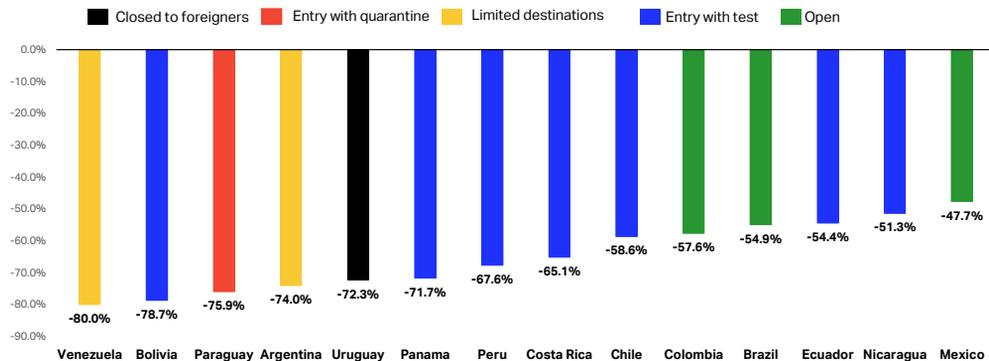
This week the International Civil Aviation Organization issued a new document, *Manual on Testing and Cross Border Risk Management Measures*. This document provides governments a risk-based assessment tool for using testing programs that could alleviate quarantine requirements.

Momentum is building in support of our call for systematic testing to safely re-open borders without quarantine measures.

Latin America shows entry with testing can boost travel

December booking significantly higher if testing rather than quarantine or other restrictions

% change year-on-year in net bookings, Dec. 2020 vs. 2019



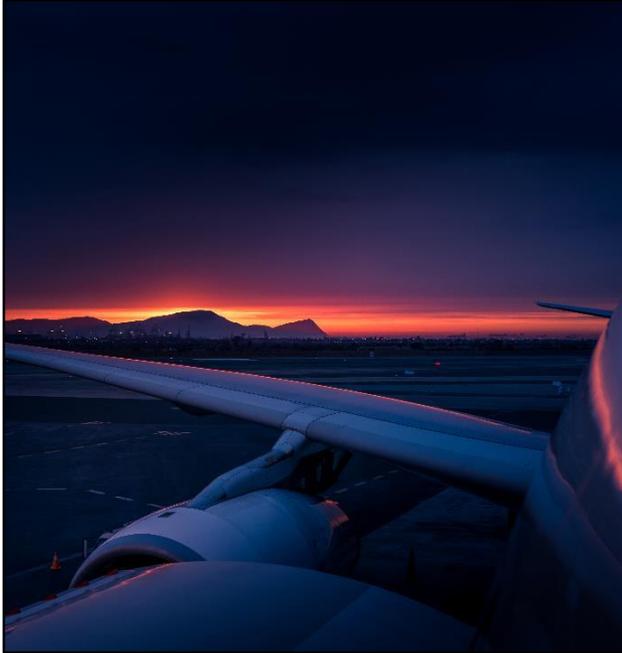
Source: IATA Economics using data from DDS



And that quarantines and border restrictions kill demand can be well illustrated by this slide which shows a snapshot of the region regarding the upcoming December bookings.

Markets that are more restrictive with mandatory quarantine, limited destinations, or completely closed to foreigners, see fewer bookings. Meanwhile, open countries or countries with testing requirement have more bookings for December. More openness generates more demand and a quicker recovery.

Therefore, testing offers a promising way forward to Restart air travel while we wait for the first vaccinations to take place, if governments can be persuaded to use this to replace quarantine requirements.



Allocating Airport Capacity

- Enable a sustainable operational recovery
- Build schedules passengers want to fly



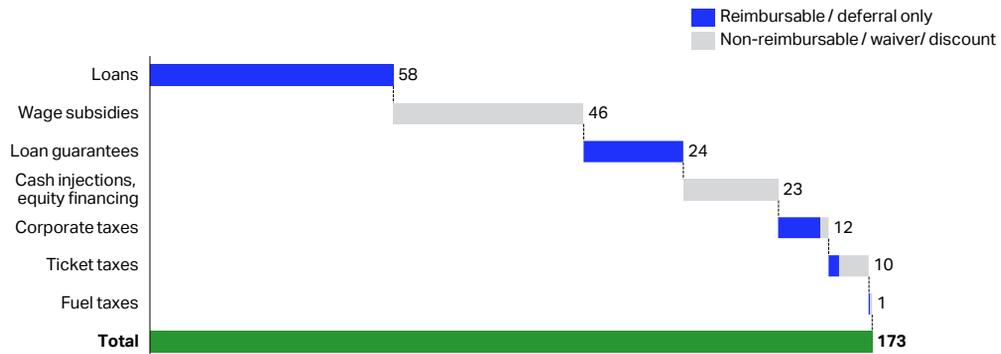
A further call to governments and regulators is for a more collaborative approach on allocating airport capacity. With operations slowly resuming, we are being faced with an increasing number of capacity restrictions both on the ground and in the air. While we fully comprehend the need to ensure the observance of public health protocols, we must ensure that all options are considered in order to make available the required capacity – as for example the use of more technology, for instance automated immigration. In any case, the allocation of slots must be done in coordination with the industry and following the Worldwide Airport Slot Guidelines. In Lima the maximum operations per hour are limited due to the restricted terminal capacity and Bogota is operating with so called sanitary slots which are limiting operations of the airlines.

Along the same lines, we must also ensure those airports which were suffering extreme capacity issues before the COVID-19 crisis hit, do not needlessly delay infrastructure improvements which were already in the planning.

A prime example is Lima Airport which was handling nearly twice the number of passengers that it was designed for. If the planned expansion is delayed, then the airport will not be able to cope as demand starts recovering between now and 2024.

Government aid has kept airlines on life support USD173 Bn of aid from governments worldwide so far

Government aid made available to airlines due to COVID-19, by type (USD bn)



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Airlines across the globe have been provided with US \$173 billion in financial aid and support.

Unfortunately the financial aid provided to airlines in Latin America & Caribbean was less than 1% of the revenues obtained in 2019 .

Where countries did help, this was achieved mainly through the deferral of payments, reductions in taxation, and waiver of airport charges and fees.

With further estimated losses in 2021, governments must continue to help airlines alleviate the current liquidity crisis.

However, we are seeing contrary developments.



New taxes and fees during aviation's biggest crisis

- Industry is once again used by Governments as a “cash-cow”
- Increases will not help in stimulating demand



Our industry is once again being used as a “cash-cow” as in pre-pandemic times. Yes, we understand that governments are under enormous budgetary constraints at present. Stimulating demand is what is needed right now and not measures which will have the opposite effect.

Just to mention some examples:

- **Argentina:** Has implemented 35% additional tax on international airline tickets.
- **Aruba:** ANSP charges to rise by 20% as of January 1, 2021 plus an airport fee increase as of July 1, 2021 and a \$30 travel insurance.
- **Bahamas:** \$40-\$60 insurance fee depending on length of stay.
- **Canada:** Even though NAV Canada has delayed the fee increase to next year – they are still looking at a 30% total increase spread across 5 years.
- **Cuba:** introducing a Sanitary fee of \$30 per person, to be added on the tickets. As per legislation, this is effective next week, on December 1.
- **Curacao:** A passenger facility charge (PFC) increase of \$4 per person for international destinations; as well as an increase of \$1.32 per passenger on their security fee, starting January 1, 2021.
- **Grenada:** Proposing the introduction of a “COVID-19 Security Surcharge” of \$150 per ticket.
- **Jamaica:** Introducing a \$40 per person charge for travel insurance, while this is not added to the ticket, it makes the destination more expensive

These increases will not help in stimulating demand and will ultimately generate less revenues for governments.

Light at the end of the tunnel?

- Vaccine development is promising news
- Bio-safety protocols need to be implemented and followed
- Aviation will play a key role in vaccine distribution

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Before moving to questions and answers, let me briefly touch on possibly the best news in the past weeks – and that is the vaccine development. While this is very promising indeed, we must continue to implement and adapt all the biosafety protocols which the industry has devised to ensure that flying continues to be one of the safest environments to be in during this pandemic.

Moreover, aviation will play a key role in vaccine distribution and hence our call to governments to work with us to ensure that we can continue to access the necessary infrastructure to operate in a safe and reliable manner.

We need governments to work with us to:

- Restore public confidence in air travel
- Reopen borders
- Rebuild connectivity
- Boost economic activity



One more reason for us to renew our call on government to help us restore public confidence in air travel, reopen borders and rebuild connectivity. This will ultimately boost economic activity which will help the government finances.



Questions?



Please use the chat feature to submit your questions.

We will try to answer as many as possible.



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Thank you.

Peter Cerdá

Regional Vice President, The Americas

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