Globalisation and the airline industry
Ownership and control rules: a real constraint on how airline models evolve

“Isolationism has never yet succeeded anywhere in the world. If it did, North Korea would be the world’s greatest economy....”
Michael O’Leary, CEO Ryanair
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INFORM. CONNECT. INSPIRE.
For those traditionalists who like a quiet life, 2016 was not one of the best years. And its leftovers point to some more uncomfortable times in the year ahead.

Terrorism is one thing. There is no other way of addressing the appalling threat of senseless terrorist attacks than constant vigilance and a preparedness to deal with the horrific consequences. That much is beyond rational dealing. And an increasingly unstable Middle East does not help.

But for some of the other prickly issues – the withdrawal of the UK from the European Union, the unpredictability of a Trump administration in the US – the news doesn’t necessarily have to be all bad. It might be, but there will be opportunities for innovation. New foundations, however shakily conceived, will open up new avenues.

These are times of great change (although, to put in perspective, by the standards of the first half of the 20th century, we may count ourselves lucky. Upheavals are not just external to aviation; the industry itself is facing massive adjustment.)

At CAPA - Centre for Aviation, we constantly delve into the issue of airline industry change - across both our analysis and our CEO Events, presenting views on the way the industry will evolve over the next decade, in terms of flying aeroplanes and of selling tickets. This envisages the rapid erosion of the archaic ownership and control restrictions, as well as anticipating how the new global social media and retail tech giants may change the face of retailing in the airline industry.

But to underwrite the future growth and success of the industry, much will depend on the continuation of globalisation. Rejecting nationalism in its more virulent forms is essential not just to airline and travel growth, but to healthy economic growth worldwide.
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Dubai Airports
On the need to rethink the airport process
“There are only 2 places in the world where we still have to queue… one is the post office; one is the airport. I’d love to hand that monopoly back to post office.”
Paul Griffiths, CEO

Emirates
Bracing for ‘gathering storm’ of long-haul LCCs
“At the back end of ‘90s I did a paper on long-haul low-cost... Everyone laughed at me, but what I predicted then has finally started to happen. We have players in all arenas – Europe, America, Asia. It’s a gathering storm”.
“The way people travel, their decisions for travelling, the amount of money they’re prepared to pay, new entrants coming to market, long-range single aisles, it’s all changing”.
Sir Tim Clark, President

Ryanair
On recent political events in the UK and the US.
“Isolationism has never yet succeeded anywhere in the world. If it did, North Korea would be the world’s greatest economy... Britain wants to be a global trading nation with free trade? So why don’t you have free trade with the biggest trading bloc of the world, Europe? It’s mad”.
Michael O’Leary, CEO

Malaysia Airlines
Noting that there is still romance to the brand and people still love to fly.
“The more we make them feel like James Bond, the more chance you have of keeping the customer.”
Peter Bellew, CEO

IAG
On the need to build strong brands to rise above commoditisation
“Brands are important, they allow you to compete in different segments with different propositions. If that premise holds, we will continue to see airline brands – maybe not individually owned.”
Willie Walsh, CEO

Qatar Airways
On the ban on large electronic devices on services from the Middle East
“If [Trump] continues this way, at the end of the day you will have people sitting in the airplane with underwear and nothing [else] on them... I don’t think this is really the correct way of solving security problems. In today’s day and age, we have so much advancement in detection systems that we should utilize them....We are today living in a globalized world and you really cannot close your doors....Trump is not a nationalist, Trump is a pragmatist. He is looking after America first and we are supporting him in America first”
Akbar Al Baker, CEO

AirAsia Group
Noting that AirAsia ‘can’t do what Emirates does because they’re geographically in the centre of the world,’ but it is “perfect for Asia”
“I’ve always said in time I think you’ll have two different models. You’ll have predominantly low-cost carriers doing an economy product and long-haul carriers like Emirates, for example, doing business and first class products... It’s evolving into that process. In some ways we’re a traditional network carrier already...Point-to-point low-cost model will definitely happen in the long-haul market. AirAsia has been very successful in going to metro cities but also secondary cities. That’s going to start happening in the long-haul market”.
Tony Fernandes, CEO
Globalisation and the airline industry
Ownership and control rules: a real constraint on how airline models evolve

“Isolationism has never yet succeeded anywhere in the world. If it did, North Korea would be the world’s greatest economy....”
Michael O’Leary, CEO Ryanair
Global liberalisation of trade flows has a notably synergistic relationship with the airline and travel industry. Each stimulates the other, just as neither is fully viable in isolation. Yet, in an industry as global as the airline business, it seems implausible that there could be major artificial constraints imposed on international cooperation, let alone on mergers. Now there is a growing consensus in the airline industry that the 70 year old provisions preventing foreign ownership and control of airlines are archaic and should be significantly liberalised - or abolished. However, a majority of delegates at the CAPA Airline Leader Summit in Dublin on 11-May-2017 did not expect the rules to be discarded in the short term. The discussion had as its foundation the report published in Airline Leader, issue 37, Nov-Dec 2016: “Disruption in the airline industry: It is coming, faster and bigger than you think”

Removal of the restrictions would allow meaningful cross border mergers and acquisitions on a global basis and lead to significant benefits to the airline industry’s economic performance. There has been some change in this area and some significant examples of government relaxation, or implicitly waiving of the rules.

Nevertheless, the provisions, which originate in host of bilateral intergovernmental agreements that govern international air transport, have proven notoriously durable over many decades. Currently, most of the change is coming from efforts exerted by airlines to find new ways to circumvent the ownership and control restraints. This simultaneously illustrates both the increasing irrelevance of the rules and their enduring stickiness.

That the regime is the essence of nationalism and where the winds of nationalism and “making countries great” resonates with seemingly wider sections of the global community, fears grow that a rising tide will wind back many of the advances made over recent decades. We will all be losers.

As their name suggests, airline ownership and control (O&C) restrictions have two elements. The first, which is easier to define and monitor, involves placing explicit numerical limits on foreign nationals’ ownership of the voting equity share capital of airlines.

As examples, the US is one of the most restrictive, placing a limit of 25% on foreign ownership of its domestic airlines; for Japanese airlines the limit is 33%; and the European Union limits non-EU ownership of the airlines of its member states to 49%. Occasional exceptions like Australia and New Zealand (each of whom have thriving and cost efficient airline industries) allow 100% foreign ownership of their domestic airlines, provided management control is locally based.

Internationally, the main element of O&C restrictions stems from the nationality clauses present in the myriad bilateral air services agreements between states. In essence, the traffic rights granted under these bilaterals require that airlines authorised to operate pursuant to these grants are substantially owned and effectively controlled by nationals of the state in question.
Ownership is relatively easy to establish, but “effective control” is more blurred. It is not always possible to express numerically the level of influence that an investor has in the management of an airline in which the former has invested. Of course, factors such as entitlement to appoint directors are taken into account, but this is not always clear cut. What is clear is that the industry has increasingly found ways to circumvent O&C rules. Moreover, governments in a number of regions have lowered the restrictions.

**Government action to dilute or otherwise lower O&C restrictions has taken a number of forms.** As a replacement for imposing strict limits on foreign ownership or board membership, there has been some progress towards requiring airlines only to have their principal place of business in the state that is granting traffic rights.

The adoption of this approach in Latin America (specifically Chile, Costa Rica and El Salvador and in an increasingly liberal stance by Brazil) helped to facilitate the formation of LATAM through the merger of LAN and TAM.

However, attempts by the Qantas subsidiary Jetstar to establish a minority owned affiliate in Hong Kong, as it has done elsewhere, were rejected in 2015 when the regulator broadened the definition of principal place of business to include the likely influence of its foreign parent company in Australia. (Uniquely in Asia, where this form of cross border joint venture proliferates, the Hong Kong authorities chose a protectionist approach, following strenuous interventions by Cathay Pacific - itself ironically a beneficiary of foreign governments permitting it to operate, despite not being majority owned by local interests.)

In Australia there is no foreign ownership limit on airlines operating only in the domestic market, although in deference to the bilateral web of constraints, there is a 49% limit on airlines flying international routes.

India has progressively relaxed its rules from banning foreign airlines taking any stake in Indian airlines, to allowing a 49% stake (in line with non airline foreign investors) to, most recently, allowing 100% foreign ownership of domestic carriers. India, uniquely, has taken the next important step, of placing a numerical value on “control”: the Chairman and two thirds of the board members must be Indian nationals.

In the specific example of the European Union and the European Common Aviation Area, O&C provisions have been abolished entirely for airline operations within the European single market. The ASEAN bloc (Association of Southeast Asian Nations) has also taken some steps towards liberalisation. On paper, at least, ASEAN intends to move to a fully liberalised EU style single aviation market, although progress is slow.

**O&C rules are often overlooked, or are liberally interpreted.** There are also examples of the selective ignoring of nationality clauses in air services agreements, although this tends to be only if it is in the interests – or at least not actively against the interests – of the nation choosing to waive the restrictions.
However, this approach is unreliable, is subject to abuse, and does not allow a long term planning horizon for airlines.

There are certainly examples where the requirement for effective control to be in the hands of nationals from the same state as the designated airline has been overlooked or interpreted in a particularly liberal manner.

Delta Air Lines of the US owns 49% of the equity of Virgin Atlantic of the UK. This ensures that it does not contravene the EU’s 49% limit on foreign ownership. However, effective control is not so straightforward.

The biggest part of Virgin Atlantic’s operation is on routes between the UK and the US.

75% - effective control by Delta in the Virgin Atlantic JV.

According to data from OAG, routes to the US account for 72.5% of Virgin Atlantic’s seats in the week of 15-May-2017, while its 2016 accounts show that routes to North America were the source of 66% of its scheduled revenue last year.

Its US routes are operated in a 50/50 joint venture with Delta, which means that Delta has effective control over the JV (Delta’s interest in the JV is almost 75%, consisting of its own direct 50% and its 49% of Virgin’s 50%). 75% - effective control by Delta in the Virgin Atlantic JV

Delta’s effective control of the JV gives it effective control over Virgin Atlantic’s biggest business segment and, in the eyes of many observers, it effectively controls Virgin Atlantic as a result. Yet the European Commission approved Delta’s stake in Virgin, and not one government has raised any objection to the control arrangements.

Other examples include Etihad’s minority equity stakes in a number of airlines, some of which have been examined by the European Commission. These include its 49% stake in Air Serbia; its 33.3% stake in the Swiss carrier Darwin Airline (rebranded as Etihad Regional Airlines); its 29% stake in airberlin; and its 49% stake in Alitalia.

Although demonstrably minority voting stakes, these Etihad investments go further than the typical equity participation, with their talk of cost synergies, close commercial cooperation and the appointment of senior executives by Etihad. Etihad also contributed to, and approved, new business plans.

Moreover, particularly in the case of airberlin and Alitalia, the weak financial state of the target company meant that they were effectively rescued from collapse by cash from Etihad (in airberlin’s case — many times), giving the Abu Dhabi airline a strong hold over the investment airline.

Again, the European Commission approved these stakes by Etihad in European airlines and there have been no objections by governments. (See related report: Airline ownership & control. Why might Europe uphold something its officials call “stupid”?)

European holding company structures are a self-fulfilling prophesy. Slightly more opaque, but creating the perception of respecting O&C rules, are the holding company structures of European groups such as IAG and Air France-KLM. Majority economic ownership is visibly held by the parent company at the top of the respective groups, but each has devised more complex structures to project a kind of legal fiction that purports to keep voting control with nationals of the respective subsidiary airlines.

No doubt, these were constructed by highly experienced and remunerated aviation lawyers and were designed to comply with the rules. However, in a sense they have become a kind of self fulfilling prophesy: they work because they work, and this is because nobody has challenged them. It helps that they are large airlines with substantial market power.

**Note:** Week of 29-May-2017
KLM did not lose its traffic rights to fly to Japan, for example, because the government of Japan accepted KLM’s new ownership structure after it was acquired by Air France to form Air France-KLM. Lufthansa took a more watertight approach when buying Austrian and SWISS. When European behemoth Lufthansa acquired Austrian Airlines and SWISS, it took a different (and more watertight) approach. It enlisted the support of the Austrian and Swiss governments to secure all the relevant traffic rights from the governments at the other end of the airlines’ route networks.

This required those third party nations to waive the nationality clauses in their bilaterals, something that quite a large number of governments agreed to do.

Governments recognise there are benefits to liberalising O&C rules. As described above, there are many examples of ways in which governments are often more than willing to relax O&C rules. This is because liberalisation produces benefits.

They are keen to widen the available pool of investment capital and management talent for their country’s airlines. One of the reasons for the historic inability of the airline industry to earn its cost of capital is the fragmented market structure forced upon it by O&C rules.

Without these rules, greater consolidation through cross border mergers and acquisitions would be possible on a global basis, allowing for more efficient use and allocation of capital and capacity, and the elimination of duplicated costs.

The US airline industry, which is predominantly reliant on the domestic market, can be seen as a kind of control experiment that illustrates the benefits to airline profitability from consolidation.

However, in spite of the benefits of abolishing the restrictions, and the many illustrations of governments and regulators relaxing the O&C regime, the pace of change is slow. The fact is – ownership and control restrictions still persist.

To some extent, the stickiness of O&C reflects the complexity of achieving simultaneous change in a complex global web of bilateral agreements.

As Ulrich Schulte-Strathaus said at the CAPA Airline Leader Summit, “governments need ownership and control rules to negotiate with others”. There has been a reluctance by governments to move ahead with unilateral change. Bigger governments are still able to leverage better terms for their own airlines by using the old “currency” of allowing the other party’s airlines access to its larger travel market.

The EU-US “open skies” agreement of 2007 brought some important changes in that it allowed all EU airlines and all US airlines to fly between any point in the EU and any point in the US. Moreover, at the time the negotiations also raised the prospect of meaningful change in ownership restrictions, with both sides agreeing to a second stage, where foreign ownership limit would be equalised at 49% for both.

However, the US – pressured strongly by its labour unions - has not been prepared to move to this next stage, so this has not happened, and the EU (already at 49%) has left nothing to push the US up to the same limit. In the past a global leader in the liberalisation of aviation, the EU is now unlikely to make any unilateral move to increase or abolish the foreign ownership limit.

O&C rules are seen as an expression of national sovereignty. For many governments the O&C rules are an expression of national sovereignty, although they are increasingly anomalous in a globalised economy. They often appear as barely disguised protectionism, as illustrated by the protracted struggle forced upon Virgin America in establishing itself as a US airline, even with a minority foreign owner in the form of Sir Richard Branson’s Virgin Group.

Of course, governments have a legitimate interest in protecting national sovereignty, but this does not necessarily require foreign ownership limits. Indeed, few other industries are treated in the

Governments have a legitimate interest in protecting national sovereignty, but this does not necessarily require foreign ownership limits.
same way as the airline industry in this respect. Governments can retain control over national aviation policy and regulation, whether individually or through collaboration with other nations, without worrying about who owns the airlines operating in their air space.

The World Economic Forum has proposed a change to O&C rules that would replace a citizenship definition of nationality with a concept of regulatory nationality. This is similar to the idea of principal place of business, but more narrowly defined and therefore less likely to restrain airlines planning subsidiaries in foreign locations.

Regulatory nationality would refer to the state that oversees the airline's compliance with safety, labour and environmental regulations; where the majority of its aircraft are registered, and where it pays taxes. This would separate the nationality of an airline as determined from a regulatory point of view from the nationality of those owning its shares or making operational decisions.

**In any event, airlines increasingly circumvent the rules in many ways.** The global alliances and the antitrust immunised joint ventures within them are obvious examples. In the words of Professor Rigas Doganis at the Dublin CAPA Airline Leader Summit, “the ATI JVs make a mockery of ownership rules”. They control 80% of North Atlantic capacity, but their nationality cannot be defined. “The nationality issue is irrelevant”, said Professor Doganis.

Beyond these commercial tie ups between airlines, equity relationships of the kind already described are a more committed way to circumvent O&C rules. Taking the equity investment approach even further, with common branding and the external perception of a single airline group, are the low cost groupings in Asia. AirAsia and Jetstar are the two best examples, where the brand’s original airline has established new operators under the same brand and overall product in foreign countries with the support of a local investor taking a majority stake on a more passive basis.

**A cyclical downturn may be necessary to catalyse more radical change to O&C rules.** The increasingly inventive ways devised to work around the O&C rules have led to significant change in the world airline industry landscape, perhaps most interestingly illustrated in recent times by Norwegian’s attempts to construct a truly global airline.

However, all of the circumventions that have been adopted have produced produce structures that are economically less efficient than full scale mergers and acquisitions.

Intriguingly, there is not really a concerted lobbying effort from the industry for radical change to the rules. Perhaps some airlines are also mindful of perceived benefits from the protectionist angle. There is change, but change is seen more in the airlines’ ability to find ways around the rules than in government actions to abolish the rules – or even to seek significant liberalisation of the rules.

While the industry is enjoying a period of cyclically high margins and, according to some estimates, actually earning its cost of capital, the more powerful airlines may be content with the current rules.

However, a cyclical downturn could lead to greater pressure for meaningful global consolidation, perhaps sparking further significant pressure and change in the O&C regime. This would be a positive outcome, for consumers, for airlines themselves and for investors. In fact it is a struggle to understand why the O&C provisions still exist, aside from some largely misguided concerns of some industry unions.

And, so long as they persist, the risk of coinciding with the extremes of nationalism carries with it the threat of stifling global growth and wellbeing.
Analysis

Long haul narrowbody operations are coming – with important implications for route networks

Until very recently, the concept of long haul, low cost international service with narrowbody aircraft was merely an intriguing thought as the specifications of new generation aircraft in development by Airbus and Boeing began to materialise. Ryanair had for years toyed on and off with the idea of trans-Atlantic low cost flights, but never solidified those ambitions; meanwhile airlines focused solely on the premium market in the North Atlantic experienced a short shelf life. The status quo persisted, with joint ventures created by the three large global network alliances accounting for more than 80% of seat capacity on North Atlantic routes...[Read full article centreforaviation.com/IATA5]

C-level Update

Q&A with Pedro Heilbron, CEO of Copa Holdings

Copa Holdings SA is an airline holding company that operates Panama’s Copa Airlines and Copa Airlines Columbia. Founded in 1947 by a group of Panamanian businessmen in partnership with Pan American World Airways, Copa Airlines is a full-service carrier that provides services to destinations throughout North America, South America and the Caribbean from its hub at Panama City Tocumen International Airport. After a series of separate ownership changes and alliances, Continental Airlines acquired a 49% stake in Copa in 1998. By May-2008, Continental had sold its out of its holding. lowing Continental’s merger with United Airlines, Copa continues to cooperate extensively with the carrier on codesharing agreements...[Read full article centreforaviation.com/IATA6]

C-level Update

Q&A with Juan Carlos Zuazua, CEO of VivaAerobus

VivaAerobus launched services in Nov-2006. The Mexican low-cost carrier operates from its main base at Monterrey Escobedo International Airport, providing primarily domestic services. VivaAerobus was initially formed as a result of a strategic alliance between Grupo IAMSA, one of Mexico’s leading bus transportation providers and Irelandia Aviation, the investment vehicle of the Ryan family. Irelandia retained a 49% stake in VivaAerobus until 2016, when it was taken over by Grupo IAMSA. However, in terms of branding VivaAerobus remains part of the Viva Group, which includes VivaColombia and newly launched Viva Air Peru – both of which are owned by Irelandia. VivaAerobus initially operated a fleet aircraft and 39 orders...[Read full article centreforaviation.com/IATA6]
Q&A with William Shaw, CEO of VivaColombia

VivaColombia was founded in 2008 and commenced operations in May-2012. The LCC provides domestic and regional services from its bases at Medellin Jose Maria Cordova Airport and at Bogota El Dorado International Airport. VivaColombia cooperates closely with sister carrier, VivaAerobus, based in Mexico, both of which form part of Grupo Viva.

VivaColombia is wholly-owned by Irelandia Aviation. In May-2017 Group Viva launched an LCC in Peru, which is also owned by Irelandia with some support provided by VivaColombia. As of the end of May-2017, VivaAerobus operated a fleet of nine A320s...

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Q&A with Enrique Beltranena, CEO of Volaris

Volaris commenced operations in Mar-2006, backed by managers of the Discovery Americas I and Columbia Equity Partners funds, in partnership with TACA Airlines (now part of Avianca but Avianca Holdings does not have a stake in Volaris). Volaris is a self-described ‘ultra low-cost carrier’ that operates services throughout Mexico and the US. The carrier primarily targets visiting friends and relatives, or VFR traffic as well as cost-conscious business and leisure travellers. Volaris is based at Mexico City Toluca Airport. The carrier completed an initial public offering in Sept-2013 with a dual listing on the NYSE (VLRS) and Mexico’s BMV (VOLAR). In Nov-2016 Volaris launched an LCC in Costa Rica, Volaris de Costa Rica, which currently operates...

[Read full article centreforaviation.com/IATA6]

Q&A with David Neeleman, CEO of Azul

Azul Linhas Aéreas Brasileiras (Azul) was established by former JetBlue Airways CEO, David Neeleman in Mar-2008, with the Brazilian low-cost carrier commencing operations nine months later in Dec-2008. Azul offers one of the largest domestic networks of any airline in South America, covering more than 100 destinations across Brazil. Azul also now operates long haul services to the US and Portugal as well as a limited number of regional international services within South America. The carrier is based at CampinasViracopos Airport with a secondary hub at Belo Horizonte Tancredo Neves International Airport. Azul announced that it would merge with fellow domestic airline, TRIP. The merger was...

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“Governments in the region are only starting to see the benefits of opening up markets and encouraging low-cost carriers”

“It is extremely important that governments review their policies if they wish to increase air service to their countries”

“Azul remains hopeful”
The inaugural CAPA Latin America Aviation Summit in Cartagena, Colombia, on 11-12 September 2017, will bring together high ranking executives of airlines, airports and travel and government organisations from across Latin America and beyond to address the key strategic and commercial issues affecting aviation development in the continent.

**Topics to be covered include:**

- Latin American Aviation & Tourism: Gold (Re)Discovered?
- The Big Picture of Travel & Tourism: What happens when you change the rules?
- Sales, distribution and payments: what are the priorities, objectives and challenges in Latin America?
- Market Reviews & Case Studies
  - Peru, Viva Peru and the Growth of Tourism
  - Brazil On The Rise (again)
  - The Future of the Caribbean Market
- Handling the growth: Airport and ANSP Infrastructure outlook in Latin America
- The future Latin American traveller: How Mobile, OTAs and metasearch are transforming airline marketing, and the changing “customer proposition” in Latin America
- The role of connectivity in both long haul and intra-LATAM business: The future of Latin American hubs and alliances
- Low Cost Airlines and Latin America – Pure LCC, ULCC, hybrids, low cost long haul?
- Closing Keynote - Consolidation and Alliances in Latin America
REGIONAL PROFILE: LATIN AMERICA

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Latin America REGION

IATA Code: LA

Countries
46

Airports
732

Airlines
382

Latin America domestic seats for all business models

Gol
TAM Airlines
Azul
LAN Airlines
Avianca
Aeromexico
Volaris
Avianca Brazil
Interjet
Aerolineas Argentinas
Others

0 200k 400k 600k 800k 1m

Latin America international seats for all business models

American Airlines
Copa Airlines
Avianca
United Airlines
Delta Air Lines
LAN Airlines
Aeromexico
jetBlue Airways
TAM Airlines
Southwest Airlines
Others

0 250k 500k 750k 1m 1.2m 1.5m 1.7m 2m
Brazilian Association of Airlines (ABEAR) reported (24-May-2017) the following traffic highlights for Apr-2017:

- **Passengers:**
  - Domestic: 6.9 million, +2.8% year-on-year;
  - International: 636,866, +18.0%;
- **Passenger load factor:**
  - Domestic: 80.2%, +0.9ppt;
  - International: 85.3%, +4.0ppts.

ABEAR (Brazilian carriers’ association) outlined (23-May-2017) Brazilian domestic market share in Apr-2017 as follows:

- **Gol Linhas Aereas:** 35.27%;
- **LATAM Airlines Brazil:** 33.04%;
- **Azul:** 18.93%;
- **Avianca Brazil:** 12.76%.

International Brazilian market share by domestic operators was as follows:

- **LATAM Airlines Brazil:** 77.61%;
- **Gol Linhas Aereas:** 11.16%;
- **Azul:** 11.11%;
- **Avianca Brazil:** 0.12%.

**RASG-PA leverages data sharing concept to reduce unstable approach rate at selected airports**

ICAO North America, Central America and Caribbean (NACC) Regional Office RD Melvin Cintron stated (24-May-2017) the Regional Aviation Safety Group-Pan America (RASG-PA) achieved an approximately 50% reduction in the unstable approach rate at selected airports in the region over the last four years by collating and sharing reactive, proactive and predictive aviation safety data. Mr Cintron reported: “By leveraging the data sharing concept, RASG-PA was able to monitor unstable approaches at select airports within the region and evaluate the effectiveness of mitigating actions”. Going forward, RASG-PA aims to reduce fatality risk in Latin America and the Caribbean 50% by 2020 compared with 2010.

**Infraero promotes commercial opportunities throughout its network**

Infraero organised (24-May-2017) an event to promote commercial opportunities throughout Infraero’s network. The event occurred 25-May-2017 at Rio de Janeiro Santos Dumont Airport. 86,200sqm is available for commercial operations.

**Dominican Republic JAC discusses Jet Airways’ intention to operate in the country**

Dominican Republic Junta de Aviacion Civil (JAC), via its official Facebook account, announced (23-May-2017) JAC president Luis Camilo met with Dominican Republic Ambassador for India Hans Castellanos to discuss increasing connectivity between both nations based on the air services agreement signed in 2012, in addition to discussing Jet Airways’ intention to operate to the Dominican Republic.

**Santiago International Airport pax up 13%, cargo down 6% in Apr-2017**

Santiago International Airport passenger numbers up 13% - traffic highlights for Apr-2017:

- **Passengers:**
  - Domestic: 782,751, +6.7%;
  - International: 787,184, +20.0%;
- **Cargo:**
  - 27,675 tonnes, -6.0%.

**Air Navigation Services Aruba adopts Thales’ TopSky technology**

Thales announced (24-May-2017) Air Navigation Services Aruba (ANSA) became operational with TopSky-AMHS and TopSky-AIS Aeronautical Information Services. The deployments went live only nine months after the contract award. Thales noted tourism in Aruba peaks at intervals throughout the year, making the immediate, secure and efficient flow of information “most critical”.

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**Avior Airlines commences public issuance of bonds**

Avior Airlines commenced (24-May-2017) public issuance of bonds on 18-May-2017, valued at VEF3 billion (USD300.5 million) with maturity in 36 months and with quarterly interest. This is Avior’s first bond issuance in 22 years.

**Minister for Infrastructure and Transport: Australia–Peru aviation agreement signed**

Australia’s Minister for Infrastructure and Transport Darren Chester announced (24-May-2017) a bilateral agreement on air services between Australia and Peru. The agreement will facilitate opportunities for new services between the countries, supporting tourism, encouraging investment and improving cultural and people-to-people links. Mr Chester stated: “Both Australian and Peruvian airlines will be able to provide air services between countries either using their own aircraft or via codeshare arrangements with other airlines. Australia and Peru have enjoyed a strong tourism, trade and investment relationship which has continued to grow. In 2015, there were 3500 short-term arrivals to Australia from Peru, an increase of 12.7% year on year, while nearly 40,000 Australians visited Peru”.

**Odebrecht and HNA Group conclude negotiation over Galeao Airport**

Odebrecht concluded the negotiation for selling its ownership share at Rio de Janeiro Galeao International Airport to HNA Group (Volar, 23-May-2017). The sale will be analysed by Brazil ANAC and a resolution is expected within 90 days. According to CAPA’s profile on the airports, ownership composition is 51% private investor RIOgaleao and 49% Infraero. Odebrecht owns 60% of the private share of the airport, while Changi owns 40%. The new agreement could see Changi increasing its share.

**Avianca Argentina scheduled to launch operations on 11-Jun-2017**

Avianca Argentina is scheduled to commence operations on 11-Jul-2017 (Infobae/Clarin, 23-May-2017). Synergy Aerospace CEO German Efromovich stated: “We’re going to start with routes that are not covered with planes. Everyone goes for the filet mignon, but someone must connect Argentina”. Mr Efromovich stated initial plans were to commence operating in May-2017, however as previously reported by CAPA, the Argentine Government delayed approving Avianca Argentina’s route applications. The carrier is forecasting 25,000 passengers during the first year of operations supported by six turboprop aircraft. As previously reported by CAPA, the carrier ordered 12 ATR 72-600s, and has taken delivery of two of the aircraft type. Mr Efromovich also clarified the model for Synergy’s Argentine subsidiary, Avianca Argentina, stating: “We are not a low cost... I don’t have anything against the low cost... The difference is in the service. There you fly in a fetal position”.

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24-May-2017

**Visitor arrivals to Jamaica down 3% to 212,600 in Mar-2017**

Jamaica Tourist Board reported (23-May-2017) visitor arrivals to Jamaica down 3% in Mar-2017. Detail include:
Visitor arrivals: 212,600, -3.2% year-on-year;
US: 131,644;
Canada: 44,256;
UK Europe: 28,451;
Caribbean: 4338;
Latin America: 2319;
Asia: 935;

24-May-2017

**Avianca reaches highest A320 operational performance index in the Americas**

Avianca reached (22-May-2017) a 99.73% operational performance index for its A320 operations, as measured by Airbus, being the highest in the Americas. The measurement took into consideration operations and average fleet size, and the index represents an average of around six operations per day of around one and a half hours duration.

24-May-2017

**Avianca seeks to strengthen operations in Lima with services to Argentina**

Avianca said it is seeking to strengthen its operations from Lima Jorge Chavez International Airport (El Comercio Peru, 22-May-2017). The carrier sets target at destinations in Argentina, with Cordoba, Mendoza and Tucuman being possible destinations.

24-May-2017

**Avianca to launch five new domestic routes in Aug-2017**

Avianca announced (23-May-2017) plans to launch five new domestic routes effective from 17-Aug-2017. Services will be operated with two class 150 seat A320 aircraft. Services details as follows:
Cali-San Andres: Daily frequency;
Cali-Santa Marta: Four times weekly;
Cali-Bucaramanga: Three times weekly;
Medellin-San Andres: Four times weekly;
San Andres-Cartagena: Three times weekly.

Avianca CEO Hernan Rincon stated: “We are incentivising the consolidation of San Andres, Santa Marta and Cartagena as tourism destinations for the Colombians”.

24-May-2017

**Aerolíneas Argentinas deploys A330 on Buenos Aires-Rome service**

Aerolíneas Argentinas, via its official LinkedIn account, announced (20-May-2017) the arrival of its A330-200 aircraft for the first time at Rome Fiumicino Airport. The carrier operates five times weekly on the route and plans to add a sixth frequency in Jun-2017 and a seventh frequency in Jul-2017. As previously reported by CAPA, former Aerolíneas Argentinas CEO Isela Costantini led the negotiations with Asociacion de Pilotos de Lineas Aereas (Commercial Pilots Association – APLA) to persuade 33 A340 pilots and 57 A340 co-pilots to agree to operate the route with A330 equipment on 14-Sep-2016, this outcome being the only manner for the carrier to maintain operations on Buenos Aires-Rome route.

24-May-2017

**Wamos Air to launch Madrid-Guatemala service**

Wamos Air announced plans to launch Madrid-Havana-Guatemala City service, effective 20-Jun-2017 (Expresso.info, 23-May-2017). The carrier will have the flexibility of operating the route with 527 seat Boeing 747-400 or 327 seat A330-200 aircraft, depending on demand.
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