PARIS—European airlines are getting creative. They are venturing into areas they traditionally left to their rivals in a bid to thrive amid chronic excess capacity, intense competition and geopolitical upheaval—not to mention the risk of terrorist attacks and related evolving-security regulations which discourage travelers.

Excess capacity is a problem for Europe’s airline industry and, so far, restructuring has failed to solve it. But if either or both of Etihad’s two European airline partners, Alitalia and Air Berlin, fail to find buyers, that could change. Italy’s Alitalia is hoping once more for a savior after workers rejected an agreement that would have allowed for the funding of a rescue plan. Instead, the carrier has filed for bankruptcy. Bidders have until June 6 to make their offers for part or all of the airline, which 49% owner Etihad rescued from bankruptcy in 2014. But it is unclear who might want to invest in the struggling carrier, and Italy has ruled out re-nationalizing the airline.

A ban, airlines agree, would lead to serious disruptions in international long-haul travel, particularly as the U.S. has indicated it is now considering the move for all international flights into the country—a step that would hit demand as well as raising safety concerns, with hundreds of battery-powered devices stored in cargo holds.

The IATA estimates an extension of the ban to flights from Europe to the U.S. would mean a $1.4 billion hit to productivity. Fifteen percent of business travelers the group estimates travel to Europe, and if they avoid flying to the U.S., the impact could be even greater.

As Traffic Grows, IATA Warns Of Electronics Ban’s Impact

PARIS and FRANKFURT—The IATA has warned that the U.S./UK electronics ban is affecting demand on routes from the Middle East to North America—and urged governments to consider alternative security measures, as April passenger traffic grew at its fastest pace in six years.

IATA Director-General Alexandre de Juniac, who is presiding over his first IATA annual general meeting (AGM) in Cancun, Mexico, describes the U.S. and UK bans on electronic devices in aircraft cabins as “inappropriate.”

“We think this decision is not effective[ and] not a good way to protect passengers and crew against the threat. We are strongly advocating rethinking the decision,” de Juniac said.

“April showed us that demand for air travel remains at very strong levels,” the IATA said in a statement. “Nevertheless, there are indications that passengers are avoiding routes where the large PED [personal electronic device] ban is in place.”

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made no secret of his view that less control would be beneficial

directorate general for mobility and transport (dg move), has
control reform, and henrik hololei, director-general of the eu's
governments, de juniac said.

while the iata does not know if and when the ban will be
extended, the u.s. government is “much more in listening mode
than when the ban was first implemented,” de juniac said. he has
written to the u.s. government, urging consultation.

that the ban has not already been implemented can be seen
as a success of that lobbying by the iata as well as the european
commission (ec). the u.s. carriers would likely be hurt the most,
as their entire international networks would be affected.

the electronics ban may be the most dramatic and visible threat
to the airline industry, but there are more subtle, yet fundamental
challenges in store.

de juniac highlighted climate-change targets and infrastruc-
ture bottlenecks, and added he wants the agm to be a forum for
airlines to discuss “protectionist rhetoric that is popping up here
and there in powerful and significant countries, in the u.s. and in
europe. we view that as a threat to our industry,” he said. “the prosperity of the industry relies on open borders, open for trade
and open for people.”

in terms of traffic, both passenger and cargo segments have
had a strong start to the year, with economic improvements and
cheaper fares contributing to the growth. april demand measured in
revenue passenger-kilometers (rpk) rose by 10.7% compared
to april 2016. april 2017 capacity or available seat-kilometers
(ask) increased by 7.1% year-over-year, and load factor climbed
2.7 percentage points to 82%, a record for the month.

middle eastern carriers posted a 10.8% traffic rise in april, with
capacity up 8.9% and load factor 1.3 percentage points higher
at 76.5%.

in contrast to the other regions, the april growth rate for middle
eastern airlines was slower than the five-year average growth pace, the
iata said. “the route-level data from march show that rpk's flown by middle east airlines to the u.s. fell in year-on-year terms by
2.8% for the month. this was the first annual decline recorded for this market in at least seven years.

“while traffic growth on the market segment already was slowing, the decline is consistent with some disruption from the ped
ban that was announced [march 21], as well as a wider impact on inbound travel to the u.s. from the trump administration's proposed travel bans,” the association said.

as for further liberalization of ownership and control rules, for
which some players have lobbied, de juniac is pessimistic. “i don’t see governments releasing control,” he said.

the ec will soon publish its new guidelines for ownership and
control reform, and henrik hololei, director-general of the eu's
directorate general for mobility and transport (dg move), has
made no secret of his view that less control would be beneficial
for the sector. the iata has to take a cautious approach as its
members “are not expressing strong views about it,” de juniac said.

as the former ceo of partially state-owned air france-klm,
de juniac has noted that, “for many european countries the own-
ership issue is important, and flag carriers are still important.”
therefore, he believes that any change will be gradual rather than radical.

africa is where he does see a need for governments releasing at
least some of their hold on airlines. “more independent airlines
are needed,” de juniac said. he has hands-on experience trying
to deal with african countries: air france-klm helped set up
air cote d'ivoire, and still holds a 20% stake in the carrier. but
for now, he still considers africa “the next border for aviation.”

following a series of mergers in the u.s. that resulted in the
establishment of four large players, de juniac believes consolid-
aition in europe, too, is “almost complete.” at this point, three
large players (air berlin, scandinavian airlines and alitalia) are
for sale—but several smaller european carriers, like air baltic,
seek new investors, too. most of them are entering discussions
with potential buyers with a varying degree of financial pressure.

de juniac said he “would be happy to include” more low-fare
airlines into the iata in order to enlarge the membership.

—helen massy-beresford, helen.massy-beresford@aviationweek.co.uk
and jens flottau, jens.flottau@aviationweek.com

industry, from p. 1

in a crowded market, lccs have been the winners in recent
years. legacy carriers may have cut back individually, but that
hasn’t decreased overall industry capacity, as their low-cost peers
have moved straight in to grow their market share.

hungary’s wizz air has been growing rapidly and is planning
more rapid expansion. ryanair is pursuing its bid to reinvent
the lcc business model, positioning itself as “the amazon of
travel.” most recently, ryanair offered passengers the chance to
book long-haul air europa flights through its website. it launched
connecting flights, in rome at first, with the possibility of rolling
out the concept elsewhere if it is a success. ryanair says it wants
to add to its fleet faster than planned so as to seize opportunities
as competitors struggle.

ryanair is also continuing to focus on ancillary revenues, invest-
ing in its app- and it-development business ryanair labs. it
boosted ancillary revenues by 13% to €1.8 billion ($2 billion),
accounting for 27% of overall revenues in its most recent financial
year to march 2017. ryanair says it is on track for that proportion
to reach 30% by march 2020.

the lcc is bullish about its various plans for new routes, mar-
kets and business models, but admits there is one big cloud on the
horizon: brexit. ryanair has said that it will continue to pivot its
growth away from the uk in 2017 and 2018, seizing opportunities
elsewhere in europe.

for international airlines group (iag)—the parent company
industrial, p. 5
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U.S. Airlines Bank On Havana

U.S. carriers rushed in to offer flights to Cuba when scheduled flights between the two countries again became legal last year, but in many ways the industry did so without knowing how the market would respond.

In fact, the original enthusiasm has waned, as three airlines have dropped their U.S.-Cuba flights. Spirit Airlines, Frontier Airlines and Silver are ending their flights to the island, citing low demand.

U.S. carriers essentially were flying blind into Cuba, with little data to indicate how strong demand for flights would be. Despite the lack of data, airlines fought for the 110 weekly frequencies offered by the bilateral agreement signed in 2016, saying at the time that the liberalization was a once-in-a-lifetime opportunity to open a new market.

But demand did not pan out the way they thought it would. One factor crimping demand is that the U.S. State Department still restricts travel to Cuba by U.S. citizens to 2 approved categories, making leisure travel to the island difficult.

A second factor is Cuba’s lack of infrastructure. Travel industry analysts have pointed out that Cuba’s hotel and restaurant infrastructure—particularly outside of Havana—remains underdeveloped. Furthermore, U.S. citizens cannot use U.S. banking facilities or credit cards, and that helps limits the market to more adventurous travelers.

Finally, the Trump administration is signaling that it may roll back some of the liberalization begun by the Obama administration. It is unclear whether travel is in the administration’s sights. President Donald Trump reportedly is considering rolling back economic relations with Cuba’s government, which controls the tourism industry.

“ASTA and its more than 9,200 members have long believed that U.S. citizens deserve the freedom to travel across the globe without restriction from their own government, allowing them to act as ambassadors of freedom and American values abroad,” said Zane Kerby, president of the American Society of Travel Agents (ASTA). “With our recent consumer research showing Americans support lifting the Cuba travel ban by a 3-to-1 margin, we urge the Trump administration to not only keep in place current regulations, but to call for a lifting of the statutory ban on Cuba travel.”

Despite the unknowns, Spirit’s and Frontier’s exits from Havana have touched off a feeding frenzy among U.S. airlines for the coveted slots to the capital. Together, these two carriers account for 21 weekly frequencies to the Cuban capital, flights to which by U.S. carriers are limited to 10 per day, or 70 per week. Demand for the nine secondary cities has been low, but airlines see more potential in Havana (Aviation Daily, Feb. 12, 2016).

This has not stopped American Airlines; Delta Air Lines; Southwest Airlines; Jet Blue Airways; United Airlines; and FedEx from vying for the 21 frequencies that will become available by July. Each of the carriers already serves Havana and is seeking to bolster its presence in the Cuban capital. But applications already exceed the number of slots that will become available.

American and Delta have applied for seven weekly frequencies (one flight daily) each from Miami-Havana. Southwest has requested seven weekly frequencies from Fort Lauderdale-Havana. JetBlue is asking for six weekly frequencies from Fort Lauderdale-Havana and one weekly flight from Boston-Havana. United has requested six weekly frequencies to convert its current Saturday-only Houston-Havana flight into a daily flight. In addition, FedEx, which supports JetBlue’s application, is applying for one daily all-cargo flight.

Each airline has argued why it should receive the flights requested. However, they differ on how they think the DOT should allocate the frequencies being vacated by Spirit and Frontier. JetBlue, American and FedEx say the frequencies allocated to Spirit and Frontier.
AIRPORTS

L3 Chief: How Airport Security Will Get Better

Michael T. Strianese, chairman and CEO of defense and security contractor L3 Technologies, recently spoke with Aviation Daily editors Joseph Anselmo and Jen DiMascio about how to improve and speed up security at airport passenger checkpoints.

Aviation Daily: Concerning airport security, two years ago L3 introduced a product called ClearScan that provides enhanced scanning of passengers’ carry-ons. How does it work?

Strianese: Right now, we’re relying on an operator to look at an X-ray of a bag and find an item that doesn’t belong there. By having an automated CAT scan, if you will, you can see right through everything and analyze what it is. That’s what the checked-bag machine does. It has algorithms that can determine what the material is in the bag, or computer, or bottle.

My wife kicked me one time and said, “Can you fix this, please?” because they took her hand lotion away. I said, “We’re working on it.” Essentially ClearScan will tell whether that’s water in the bottle or something that’s flammable—something that you can sprinkle around the plane and light on fire. The machine will do that.

Aviation Daily: L3 continues to make acquisitions in the airport security space?

Strianese: Part of the reason for acquiring MacDonald Humfrey [Automation, in November] was to give more visibility to the management at TSA [the U.S. Transportation Security Administration] as to why certain airports or terminals are slower than others. They’ll give them data that will say one airline in Atlanta is passing 50 people an hour, whereas LaGuardia is passing 20 people. Why is that? They’ll be able to determine whether the machine’s not working right, if it’s calibrated properly, or whether they’re relying too much on [screeners] who aren’t trained. They don’t have any metrics to manage that sort of thing.

We want to give them a system they can manage and start to stitch all these things together—the walk-through; the baggage; the magnetometer; the ticket reader. You get a much more accurate view of the passenger with the goal of speeding things up. [The] last time I had a meeting [in Washington] they were really upset. The airlines were complaining because people were missing their flights and were going to ask TSA to reimburse them for these flights. TSA is a relatively young federal agency and its funding has been sporadic. They just don’t have the money to create systems.

Aviation Daily: What is the size of the opportunity for L3?

Strianese: If [the U.S. government] decided to upgrade every airport, the answer would be much better. We see a business that has the potential to go from being flatish to growing in excess of 10% a year. It’s worth mentioning that those machines that were originally installed in the post-9/11 era are nearing the end of their service life. They’ve been in for well over a decade. They’re going to need upgrading or replacing at some point.

Aviation Daily: Does it bother you at all that we’re 15 years beyond 9/11 and when you go into a U.S. airport, most of the time, you still go through an old-fashioned metal detector?

Strianese: I know a little more about what happens behind the scenes, and there’s a lot more going on than meets the eye. I’m more distressed by the lines and the inconvenience to the traveling public. I believe it could be better if we took a more thoughtful approach to the checkpoint. But there are a lot of other [technologies] that have been added that aren’t visible.

Aviation Daily: But the checkpoint system still does not always function smoothly?

Strianese: We make the equipment, but we don’t make the rules, and it’s a logistics nightmare for the TSA and the airports to change anything because of the number of employees and shifts. You’re talking about every lane in every terminal in every airport. I’m sure there’s a systematic way to address it, and hopefully that happens sooner rather than later. But I think it really does go hand-in-hand with any infrastructure upgrading that goes on—that the security systems are spec’d into new construction. It will make it work and look a lot better than it does today.

INDUSTRY, from p. 2

of Aer Lingus, British Airways, Iberia and Vueling—its existing international footprint will provide a shield from the potential impact of Brexit (which is as yet unclear). Meanwhile Level, the group’s low-cost long-haul project which is set to launch in Barcelona, reflects a new strategic direction that some legacy carriers are adopting in a bid to compete, hoping to emulate the success of Norwegian.

Air France-KLM is also betting on low-cost long-haul as it seeks to close the profitability gap with its rivals. A key part of its turnaround strategy, unveiled in 2016, is the new long-haul operation, currently dubbed Boost, that is to begin operating next winter with a modern offering set to appeal to younger customer segments.

Those legacy carriers hope that, like their LCC rivals, reaching beyond traditional business models will help them carve out a more profitable niche in a competitive market.

—Helen Massy-Beresford, helen.massy-beresford@aviationweek.co.uk

HAVANA, from p. 2

Frontier should be reallocated after those carriers suspend their service through a frequency-allocation proceeding.

Delta says the DOT should formally withdraw the frequencies and reallocate them, which the other carriers say is an unnecessary procedural step. Southwest argues that DOT need not take any of those procedural steps and should be able to contemporaneously “evaluate the merits of each of the applicants’ service proposals and make a comparative selective decision.”

The DOT has not announced a timeline for when the frequencies may be reallocated.

—Madhu Unnikrishnan, madhu.unnikrishnan@aviationweek.com
Airline Profit Cycle Faces Long-Term Risks

The good news for the airline industry is that the immediate financial outlook remains positive. The bad news, however, is the growing evidence of longer-term warning signs, according to influential industry observers.

Airlines achieved a record collective profit in 2016. But the IATA has predicted there will be more pressure on profits this year, as costs increase and yields decline. Concerns about these trends spurred debate about downturn risks during the International Society for Transport Aircraft Trading’s (ISTAT) annual Asian conference that was held in Hong Kong recently.

Short-term growth is still likely, at least for the next 12-18 months, said Adam Pilarski, senior VP for Avitas. However, he echoes other experts in predicting that “we’re coming to the peak of the cycle.

“Long-term problems are mounting and the bubble is expanding,” Pilarski said during the ISTAT conference. “I’m moving away from assuming the bubble will start slowly deflating, to a higher probability of it bursting.”

One major problem is that orders have been outpacing deliveries in recent years. Another is that labor tension is rising, and employees are expecting wage increases after a period of concessions, Pilarski said. Yields are “weak and getting weaker,” which will erode airline profitability.

Laurent Delvart, head of Asian aviation for Credit Agricole, stressed that a downturn will inevitably come at some stage. “I’m not a believer in [the theory] that this time will be different,” he said.

The industry attained “extremely good [financial] results” in 2016, Delvart said. While it is not necessarily the start of a broader slide, numbers have generally been down in the first quarter of 2017. Fuel prices have “not gone up dramatically,” but yields have been lower due to a lot of extra capacity coming into the market.

It is unclear what the effect of a downturn would be on aircraft lessors and banks, Delvart said. It could hit some of the newer players in the sector “who may have been a bit too aggressive and bullish with some of their assumptions” on factors such as asset prices, residual values, and expected returns.

Citicgroup’s Cristina Chang believes a down cycle could be healthy for the aircraft financing industry. The sector has enjoyed the benefit of 5–10 years of very strong growth, and a downturn could introduce “more caution and discipline to structures and to lending formats,” Chang said. It would likely make lenders “a bit more selective again,” Chang said.

Nick Fletcher from the Commonwealth Bank of Australia cited other industries where downturns can potentially “clean out unknowledgeable capital.”

Robert Martin, CEO of lessor BOC Aviation, noted that 2016 “was the most profitable year in airline history.” While this year looks to be slightly lower, BOC is estimating that it will only be down by about 10%, Martin said. He highlights airline cash flows as being “generally very strong.”

Martin predicts that the positive environment is “not going to come to a halt this year, or probably next year.” One potentially worrying factor that BOC is “watching carefully” is the amount of aircraft deliveries by manufacturers. However, he observed that supply chain headaches are proving to be “a self-controlling mechanism.”

If there were no issues in the supply chain, and if production numbers were hitting previous estimates, “then we could see the end of the cycle coming sooner,” Martin said. “But our feeling is that it is not going to happen.” In general, Martin is optimistic that “the cycle has more to run.”

While “airlines have never been so profitable” overall, the industry is in different stages of evolution in various regions, said Ruth Kelly, CEO of lessor Goshawk. For example, dramatic restructuring over the past 15 years means U.S. carriers are now far more strongly positioned for a downturn than in previous cycles in terms of cost base and cash management.

Regarding Asia, Goshawk takes a lot of comfort from the fact that many established airlines are government owned or supported, or considered a strategic asset to their countries, Kelly said. However, there are also a lot of newcomer airlines in this region, and the outlook is less predictable for them.

Many low-cost carriers in Asia do not have a long enough history to have weathered downturns, said Kelly. While this does not necessarily mean they would not be able to cope, a downturn will reveal a lot about the strength of these airlines and their cash management.

However, the underlying advantage for Asian airlines is their “massive growth potential,” said Kelly. This means they should be able to “generate enough cash to continue to manage themselves through the [down] cycle.” Their expansion rates may slow in a broader downturn, or perhaps even turn negative, but these carriers can be expected to resume their growth trajectories, she said.

—Adrian Schofield, avweekscho@gmail.com
New Aircraft Types Help Thai Airways Realign Fleet

Thai Airways is relying on Airbus A350 and Boeing 787-9 deliveries to update and grow its fleet, and the airline is considering placing more orders for both types.

The carrier is scheduled to receive three more A350s this year to give it seven of the type, Chief Financial Officer Narongchai Wongthanavimok told Aviation Daily recently. Thai will also add two 787-9s to its fleet of six -8s. The new 787s and A350s will be the main catalyst for the airline to increase its net fleet total to 100 aircraft this year, from 95 at the end of 2016.

Five more A350s are due in 2018, which will complete Thai’s existing order for 12 aircraft. However, the carrier is planning to place further orders for 17 widebody aircraft, Wongthanavimok said. These would be for delivery in the 2019–21 timeframe, and orders will probably be placed late this year or early in 2018.

Both 787-9s and A350s are candidates for this requirement. Wongthanavimok indicated that a split order featuring the two types is being considered.

The aircraft due for delivery this year are intended for fleet replacement as well as expansion. They will allow Thai to reshuffle its fleet in both its long-haul and shorter-haul operations.

Thai is currently using its A350s on European routes, and its upcoming deliveries will also be mainly used in this market. In addition, the A350s will likely be flown on Thai’s route to Melbourne, Australia and possibly to Sydney, Wongthanavimok said.

In the Europe market, the A350s will take over some Boeing 747-400 routes. This will allow Thai to use the 747s to increase frequencies on other European flights that are currently less than daily. “The name of the game right now is adding frequencies rather than destinations” in Europe,” said Wongthanavimok.

The carrier intends to phase out its 10 remaining 747s, although none are due to leave the fleet this year. Five are expected to be retired in 2018, and the other five in 2019.

A350 deliveries this year will also allow Thai to retire two 777-200s deployed on Asian routes. The carrier has the flexibility to use A350s on shorter-haul flights because of the large daytime window between most of its European services.

The six 787-8s are mainly used in the Southeast Asia region, although Thai is adding crew rest facilities required for this fleet to operate longer-haul routes. The carrier intends to fly these aircraft on European routes that do not have enough demand for a larger aircraft, such as Rome, Milan or Brussels, Wongthanavimok said.

Thai Airways plans to resume flying to the U.S. West Coast, but it must wait for the FAA to upgrade Thailand’s safety rating. The airline hopes to use A350s or 787s for the U.S. routes, Wongthanavimok said.

— Adrian Schofield, avweekscho@gmail.com
Canada Consults Airlines On Passenger-Protection Measures

Canadian airlines, airports and trade associations recently met with Transport Minister Marc Garneau to discuss a new transportation policy in the works.

Garneau introduced a bill May 16 that, if passed, would direct the Canadian Transportation Agency (CTA) to make new regulations to bolster passenger rights. Transport Canada spokeswoman Marie-Anyk Cote said. The legislation, known as the Transport Modernization Act, would update policies in both the air and rail sectors.

With respect to airlines, a large focus of the proposed bill is establishing protections for air passengers when things go wrong. Specifically, it would call for establishing “clear standards” in several areas, including denied boarding due to overbooking, cancellations and delays, lost or damaged bags and tarmac delays. The act would disallow carriers from charging an extra fee for parents to sit near their children, and would require them to clarify protocols for transporting musical instruments. The final bill would also lay out financial compensation “under certain circumstances,” such as overbooking.

Garneau met May 19 with several airlines, airports, government officials and trade associations to discuss the proposed legislation. Carriers included Air Canada; Porter Airlines; WestJet; Jazz Aviation; Air Transat; and Sunwing. Airports representatives from Toronto; Kelowna, British Columbia; Charlottetown, Prince Edward Island; Montreal; Halifax, Nova Scotia; and Ottawa also attended. Representatives from Canada’s air navigation service and associations such as IATA attended as well.

Overbooking

Although the bill must go through more steps before it officially becomes law, Cote said that Garneau encouraged airlines to do two things before then: Make sure that no passengers are ever removed from an aircraft involuntarily, and seat parents with children without an extra fee. The request comes after a string of bad-publicity incidents on airlines in recent months, including one in April in which a United Airlines passenger was involuntarily removed from an aircraft.

“Bill C-49 [the Transport Modernization Act] aims to provide the traveler with predictable recourse and compensation should the traveler be unable to board the plane due to overbooking,” Cote said. Garneau is directing the CTA to make rules against airlines involuntarily removing anyone from an aircraft due to overbooking after boarding, she noted.

Airlines largely said they were looking forward to working with Garneau in the process of developing the new legislation, and in some cases also pointed out rules with which they already comply.

“In terms of overbooking, WestJet takes great pride in our culture of care and our unique position of being one of the few airlines in the world that does not overbook our flights,” spokeswoman Lauren Stewart said.

Some other carriers do oversell seats; these airlines underscored that it is a rare occurrence and that they provide compensation when it happens.

Situations in which passengers cannot fly because of overselling are “very rare” at Air Canada, spokesman Peter Fitzpatrick told Aviation Daily. Most of this happens because of aircraft equipment changes. The carrier bases overselling on computer algorithms using historical data, and conservatively sells seats below the no-shows that the data predicts, he said.

Fitzpatrick said Air Canada pays “significant compensation” in oversell situations, and would consider factors such as passengers’ onward connections and whether they already have an assigned seat before bumping anyone.

During the government meeting, Air Canada told Garneau that it already complies “in large measure to his requests,” including seating families together, Fitzpatrick said. The CTA has ruled that overselling is acceptable, he noted, since it is a widely used practice in the industry and can lead to lower prices for consumers.

Montreal-based Air Transat said overbooking is uncommon.

“In exceptional cases where it happens, we always ask for volunteers to give up their seat and we compensate them properly,” Air Transat President Jean-Francois Lemay said in a statement released after the bill was unveiled. “I don’t remember ever refusing to board a non-volunteer passenger. Our directives are very clear and everything is done with the greatest respect for travelers.”

The carrier also said it is committed to “taking every possible measure to ensure that families are seated together on its aircraft.”

Foreign Ownership Changes

Another key part of Garneau’s aviation policy is the relaxation of foreign ownership rules for Canadian airlines, boosting a limit on international voting interests from 25% to 49%. Two airlines vying to add ultra-low-cost service in the market, Canada Jetlines and Enerjet, already received exemptions for the higher limit in Dec. The limits for specialty services such as firefighting would not be changed.

In a statement following the bill’s introduction, Air Canada said the increase of foreign ownership limits to 49% “should provide improved access to international investors and global capital markets” for the airline. In addition, it said it could benefit from proposed amendments to joint ventures.

Next Steps

The so-called Transportation Modernization Act “will follow the usual legislative process in Canada, which involves readings in the House of Commons and the Senate as well as study in committee,” Cote said. If the bill becomes law, the CTA would develop regulations under a process that involves consulting with the public and the aviation industry.

While the exact timeline for the bill’s passage is unclear, Garneau has said he would like to see the new passenger rights in place by 2018.

—Kristin Majcher, kristin.majcher@aviationweek.com
The North American commercial aviation market is projected to undergo a strong fleet replacement cycle over the next five years with over 2,500 new aircraft deliveries. However, a correspondingly high number of retirements of nearly 1,800 aircraft results in a fleet growth rate of only 1.7%. This compares to a worldwide in-service fleet in 2017 growing from 33,200 aircraft to 39,900 aircraft in 2021, or a 4.7% growth rate. This fleet is projected to need over $104 billion in MRO requirements through the next five years.

Historically, U.S. passenger enplanements have grown substantially, but the percentage share of domestic to international travel has maintained a relatively steady relationship. Over the last five years, Bureau of Transportation Statistics data showed that there is a substantial shift in domestic and international cargo freight ton-miles with domestic freight miles increasing by over 4%.

More recently, the IATA’s February figures show that the region’s international revenue passenger-kilometers fell slightly along with available seat-kilometers, as overall passenger demand weakens a bit, capacity growth stays in check and passenger load factors track with world averages. North American cargo demand has risen sharply, up 5.8% over 2016, while capacity decreased 3.1%.

### In-Service Fleet Growth — North America vs. World: 2017-21

![In-Service Fleet Growth — North America vs. World: 2017-21](image)

### Historical Performance

#### U.S. Passenger Enplanements: 2012-16

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#### Cargo Freight Ton-Miles: 2012-16

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic (%)</th>
<th>International (%)</th>
<th>Total (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>38.4%</td>
<td>61.6%</td>
<td>28,089,837</td>
</tr>
<tr>
<td>2013</td>
<td>39.9%</td>
<td>60.1%</td>
<td>26,920,547</td>
</tr>
<tr>
<td>2014</td>
<td>40.6%</td>
<td>59.4%</td>
<td>27,379,085</td>
</tr>
<tr>
<td>2015</td>
<td>41.6%</td>
<td>58.4%</td>
<td>27,538,760</td>
</tr>
<tr>
<td>2016</td>
<td>42.5%</td>
<td>57.5%</td>
<td>28,315,549</td>
</tr>
</tbody>
</table>

### International Passenger Demand: February 2017

<table>
<thead>
<tr>
<th>(% year-on-year)</th>
<th>World share</th>
<th>RPK</th>
<th>ASK</th>
<th>PLF (%-pt)</th>
<th>PLF (level)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market</td>
<td>100.00%</td>
<td>4.80%</td>
<td>2.70%</td>
<td>1.6%</td>
<td>79.50%</td>
</tr>
<tr>
<td>North America</td>
<td>23.70%</td>
<td>-0.10%</td>
<td>-0.50%</td>
<td>0.30%</td>
<td>79.40%</td>
</tr>
</tbody>
</table>

### Air Cargo Demand: February 2017

<table>
<thead>
<tr>
<th>(% year-on-year)</th>
<th>World share</th>
<th>FTK</th>
<th>AFTK</th>
<th>FLF (%-pt)</th>
<th>FLF (level)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market</td>
<td>100.00%</td>
<td>8.40%</td>
<td>-0.40%</td>
<td>3.50%</td>
<td>43.50%</td>
</tr>
<tr>
<td>North America</td>
<td>20.70%</td>
<td>5.80%</td>
<td>-3.10%</td>
<td>3.00%</td>
<td>35.80%</td>
</tr>
</tbody>
</table>

Source: ¹ 2017 Commercial Aviation Fleet & MRO Forecast, Aviation Week Network. For more information, please see [http://aviationweek.com/2017forecasts](http://aviationweek.com/2017forecasts)

² Bureau of Transportation Statistics ³ International Air Transport Association (IATA)
The Latin American in-service fleet is expected to grow from 2,661 aircraft in 2017 to nearly 3,500 aircraft at the end of 2026, a 3% compound annual growth rate (CAGR) underperforming world averages. The engine fleet will grow at a similar rate, 2.8%, indicating a shift toward two-engine aircraft. MRO demand, however, will grow at an above-average 4% annual rate with the modifications MRO category leading in terms of growth at 6.4%. Engine MRO demand will rise from $1.3 billion in 2017 to $2 billion in 2026, a CAGR of 5.1%.

Latin America Commercial Fleet & MRO Demand Growth 2017-26

- **In-Service Aircraft Fleet Growth**: 3.7% (LatAm), 3.0% (Global)
- **In-Service Engine Fleet Growth**: 3.4% (LatAm), 2.8% (Global)
- **MRO Demand Growth**: 3.9% (LatAm), 4.0% (Global)

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Source: 2017 Commercial Aviation Fleet & MRO Forecast, Aviation Week Network. For more information, please see http://aviationweek.com/2017forecasts