



Dear Industry Colleagues,

We were pleased to hold our Aviation Summit Mexico at the end of February, together with ACI, ALTA and CANAERO. The event gathered over 500 industry stakeholders in Mexico City, including the leading CEOs of the key Mexican airlines, IATA's Director General and CEO Alexandre de Juniac, and Minister of Transport and Communication Javier Jiménez Espriú and Minister of Tourism Miguel Torruco to create a fruitful dialogue between the industry and the Mexican government.

With its large population, strong tourist attractions and many business opportunities, along with its ideal geographic location, Mexico has a great potential to utilize aviation as an engine of economic and social development. According to our latest forecast, we expect the number of passengers in Mexico to double over the next 20 years. To prepare for this growth and to ensure Mexico and its people benefit, the industry needs to work together with the government to create an aviation agenda for the country and ensure the right infrastructure, safety measures and regulatory framework is in place. In his keynote address, Alexandre de Juniac made it clear that the decision by the new government to halt the building of the New Mexico City International Airport was disappointing and would have a long-term negative economic effect on the country. This was backed by IATA's most recent economic study on aviation in Mexico, which is available in both [English](#) and [Spanish](#); some of the key analysis is highlighted below.

However, the purpose of the conference was to seek cooperation with the new government to ensure that the proposed 3-airports alternative for the

Mexican capital could be run as best as possible, given the various constraints of the plan. We called on the government to lay open their concepts and actively work with the airlines, as one of the biggest challenges will be running an efficient and safe air traffic management system covering 3-airports in such a close vicinity. The government seemed receptive to our offer to include IATA in the on-going analysis and to work closely together with the industry to create the right business environment for Mexico to prepare for the doubling of passengers and ensure aviation maximizes its economic and social benefits for Mexico.

The event received a lot of attention across traditional and [social media](#) as well aviation industry publications. We are now following up with the various Government stakeholders in close collaboration with our members. All event materials, including presentations, economic studies and the benefits of aviation videos are now available via our [event website](#). Thank you for everyone who participated in the event and made it a great forum for constructive dialogue with the new government.

As usual, please find IATA's key activities of February across the region below and let me know if you have any questions.

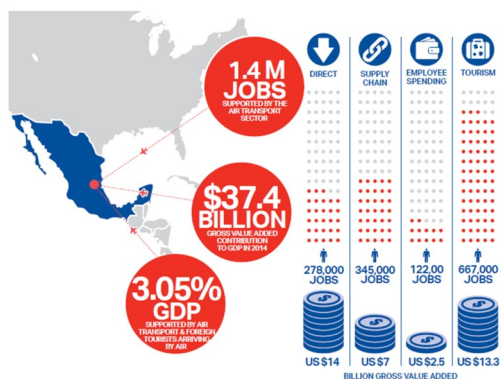
With kind regards,



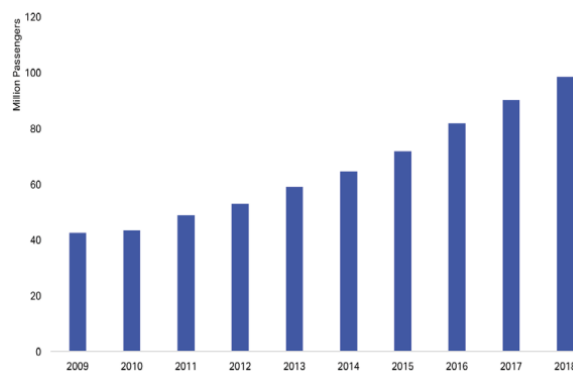
Peter Cerda, IATA's Regional Vice President, The Americas

THE VALUE OF AIR TRANSPORT IN MEXICO CHALLENGES & OPPORTUNITIES FOR THE FUTURE

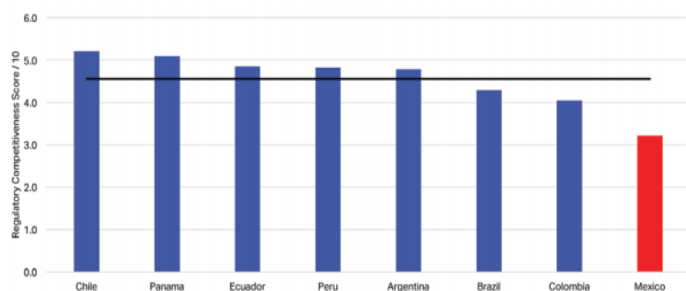
CONTRIBUTION OF AIR TRANSPORT TO MEXICAN EMPLOYMENT AND GDP



GROWTH IN AIR PASSENGERS IN MEXICO (2009 - 2018)



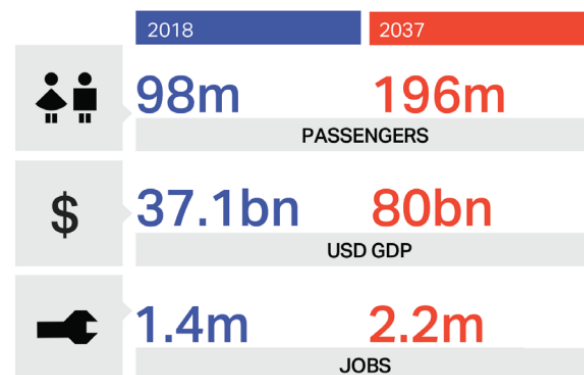
AIR TRANSPORT REGULATORY COMPETITIVENESS—SELECTED COUNTRIES



MAXIMUM = 10.

SOURCE: [IATA VALUE OF AIR TRANSPORT IN MEXICO STUDY](#)

POTENTIAL VALUE OF AIR TRANSPORT IN MEXICO WITH FAVORABLE POLICIES





BRAZIL: INDUSTRY REGULATION AND THE NEW GOVERNMENT

IATA met Brazil's new Minister of Infrastructure Mr. Tarcisio Gomes. The Ministry has prioritized unlocking projects to improve Brazil's logistics sector by removing bureaucratic obstacles and reducing requirements for private sector participation in new ventures/privatization efforts. IATA highlighted the benefits of aviation, its economic multiplier and how much economic and social value it creates for Brazil. The Minister agreed to support IATA's efforts to improvements in the operating environment as well as the competitiveness of the Brazilian air transport industry in general. IATA's Director General and CEO Alexandre de Juniac is scheduled to visit Brazil and meet with the new government at the beginning of May, 2019. For more details, please contact IATA's Country Manager for Brazil, [Dany Oliveira](#).



CANADA: PASSENGER PROTECTION & AIR TRAVEL PERFORMANCE DATA COLLECTION REGULATIONS

At the end of 2018, the Canadian Transportation Agency (CTA) published proposed [Air Passenger Protection Regulations \(APPR\)](#) in the Canada Gazette, Part I. In collaboration with member airlines, IATA submitted written comments at the end of February and held several bilateral meetings with the CTA, Transport Canada, the Treasury Board Secretariat and the Privy Council Office to highlight our concerns. IATA also wrote to the Minister of Transport to request an extension of the proposed July 1 2019 implementation date. Canada also published proposed regulations on the [collection of air travel performance data from air service providers](#) in the same Gazette. IATA submitted written comments on behalf its members. Transport Canada's stated intention is to affect the data collection regulations to coincide with the proposed effectiveness date of the APPR. IATA's submission highlighted that in order to ensure compliance, carriers must be given the appropriate lead time to develop the necessary IT infrastructure. Appreciating this lead time combined with the resources required, IATA has urged Transport Canada to provide the industry with a minimum of 12 months from the date of the APPR to comply with the data collection reporting requirement. For more details, please contact IATA's Country Manager for Canada, [Nicola Colville](#).



CHILE: IATA SECURITY FOCUS GROUP ADDRESSED AIRPORT BADGE CONCERNS AT SCL

The Americas Security Focus Group managed to address some of our members' concerns in relation to the delay in issuance of airport badges for security personnel at SCL. Within 24 hours and excellent communication between the affected stakeholders, the Security Focus Group managed to temporarily fix the problems that airlines were facing within a day by not having enough personnel authorized to enter restricted areas when needed. The issue was also posing a breach under the employment law in Chile as workers who had the authorization to enter the restricted security areas were forced to work overtime to ensure continuity in the operation. Local authorities committed to review and simplify the ID badge issuance processes to ensure a long term sustainable solution to all interested parties. For more information, please contact IATA's Assistant Director of Aviation Security for the Americas, [Tony Blackiston](#).



COLOMBIA: GOVERNMENT ADVANCING PRE-CLEARANCE PLANS FOR BOG

President Duque publicly announced the country's advancement towards the introduction of a US Preclearance facility at BOG. Following the discussions during IATA's Aviation Day in Bogotá in December, IATA has been highlighting to OPAIN, the Colombian Government, CAA and member airlines of the infrastructure requirements needed to sustain this model, the need for consultation with all interested parties and a cost-benefit analysis to support any possible decision. IATA is liaising with the US Department of State, US CBP, Colombia Civil Aviation Authority, and the Colombian Ministry of Foreign Affairs to determine the actual state of the negotiations. Authorities have committed to issuing of a formal decree that defines its intent and IATA will continue to follow up on the matter. For details, please contact IATA's Country Manager for Colombia, [Andres Uribe](#).



COSTA RICA: POTENTIAL OPERATIONAL COST INCREASE DUE TO VALUE ADDED TAX

The recent fiscal reform approved in Costa Rica in late 2018 established a differentiated VAT rate of 0.4% for the airline industry vs. 13% for the rest of the economy. However, the VAT accreditation established in the reform stated that airlines would only be eligible to credit 4% of the 13% VAT. This created an exposure that will affect the cost base of our members operating in Costa Rica by 9%. IATA, together with the local BAR and member airlines, met with the tax authority to explain the value that aviation brings to the country, the detrimental impact that this tax exposure would have, and the need for the tax authority to allow airlines to credit the VAT entirely. The tax authority found the proposal viable and asked the industry to align a position to be presented to Congress. For details, please contact IATA's Area Manager for Central America, [David Hernandez](#).



PERU: INDECOPI REVISED POLICY REGARDING PASSENGER COMPLAINTS

Recent actions have developed into positive results after constructive discussions took place between IATA and INDECOPI, Peru's consumer protection agency. INDECOPI's revised policy affirms that it will pursue claims that result from passenger complaints only when the airline has not adequately addressed the complaint directly with the passenger. This should result in reduced cases by INDECOPI against individual airlines and eliminate the issue of ex-officio proceedings previously experienced. For more details, please contact IATA's Head of Member and External Relations for Latin America and the Caribbean, [Oracio Marquez](#).



TRINIDAD & TOBAGO: US CURRENCY SHORTAGE CONTINUES

In recent years, the declining economic growth on the back of weak oil prices, had led to a US currency shortage in Trinidad and Tobago. This continues to have a direct negative impact in the repatriation of funds to those airlines participating in IATA's Settlement System and using IATA's Currency Clearance Service (ICCS) to repatriate funds to their headquarters. IATA has been monitoring the situation closely over the years and has raised the issue to the government level on several occasions. However, the government has not been able to put measures in place to alleviate the situation. IATA has taken the step of exploring other channels to be able to obtain US currency in order to release funds to the affected airlines as these become available. The latest agreement has allowed IATA to obtain US\$2M which will be settled to airlines at the beginning of April. While this does not solve the problem, it reduces the balances of the somewhat close to US\$5M currently backlogged in the country. In hopes of finding a more permanent solution to the problem, IATA will continue to follow up on behalf of the industry to the Ministries of Finance, Tourism and Transport as well as the Central Bank of Trinidad and Tobago. For more information, please contact IATA's Area Manager for the Caribbean, [Annaleen Lord](#).



IATA: SUMMARY OF AEROPOLITICAL AFFAIRS MEETING

On February 20, 2019, IATA and ALTA hosted a joint regional industry affairs meeting in Miami, bringing together government and aeropolitical affairs representatives from 15 member airlines to discuss and provide their guidance on regional priorities for 2019 in Latin America and the Caribbean. A key takeaway was the need for increased advocacy throughout the region to improve the image and convey the importance that aviation plays in the economic development and wellbeing of States. IATA has committed to the development of studies and other persuasive materials to influence government policies in the region, and to increased visibility in the press and social media. The full report is available [here](#). For more details, please contact IATA's Head of Member and External Relations for Latin America and the Caribbean, [Oracio Marquez](#).



State of the region: The Americas

February 2019

Economy

GDP growth, selected countries

% change on a yr ago	2017	Q2 2018	Q3 2018	Q4 2018
United States	2.2	2.9	3.0	--
Brazil	1.1	0.9	1.3	--
Mexico	2.3	1.6	2.6	1.7
Canada	3.0	1.9	2.1	--
Argentina	2.9	-4.0	-3.5	--
Colombia	1.8	2.5	2.6	--
Chile	1.6	5.1	2.8	--
Peru	2.5	5.5	2.4	4.8
World*	3.1	3.2	2.9	2.8

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Nov-18	Dec-18	Jan-19
US\$ broad index	128.5	128.3	128.5	127.9
Brazilian real (BRL)	3.88	3.87	3.88	3.64
Mexican peso (MXN)	19.69	20.35	19.69	19.03
Argentine peso (ARS)	37.66	37.74	37.66	37.02
Colombian peso (COP)	3248	3238	3248	3106
Chilean peso (CLP)	694	673	694	653

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Nov-18	Dec-18	Jan-19
Crude oil (Brent)	71.1	64.8	57.4	59.4
Jet fuel	84.7	81.7	71.2	74.9

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

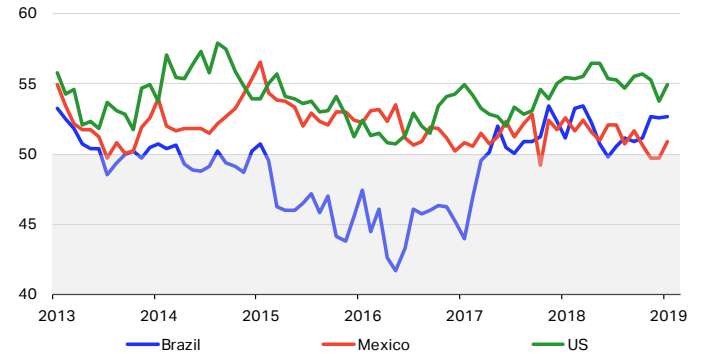
% change on a yr ago	2017	Oct-18	Nov-18	Dec-18
Region (registration basis)				
N America	4.0	4.6	5.1	3.6
Latin America	7.3	6.3	6.5	6.0
World	8.0	6.3	6.1	5.3
Routes (segment basis)				
US domestic	3.7	4.3	4.9	3.8
Brazil domestic	2.3	3.4	5.3	3.4
Nth America-Europe	7.1	8.1	8.5	5.9
Nth America-Asia	7.2	1.7	3.4	2.2
Nth-Sth America	0.8	0.6	4.7	2.2
Sth America-Europe	7.0	6.9	7.2	10.8
Within Sth America	13.2	-1.5	-0.3	-1.6

Source: IATA Statistics Note: historical data may be subject to revision

- The upward trend in industry-wide revenue passenger kilometres (RPKs) has softened over the past 6 months alongside signs of slowing global economic expansion. This translated into passenger growth moderating to 5.3%yoy in Dec, the slowest pace since early-2018.
- At the regional level, RPK growth eased for the NthAm carriers to a moderate 3.6%yoy. The outcome for the Lat.Am carriers was more upbeat, with RPK growth continuing to run at the 6.0%yoy pace.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



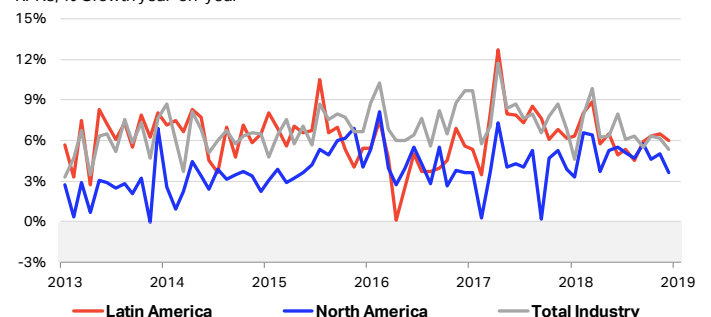
Source: Markit

- Business confidence ticked up in both the US and Mexico in Jan, driven by an increase in new orders. In Brazil, sentiment remained largely unchanged at levels last seen in the first half of 2018, underpinned by growth in manufacturing production and sales.
- On a trade-weighted basis, the US\$ ticked down by 0.5%, falling for the first time since early-2018. All of the main regional currencies ended Jan up with the BRL & CLP surging most strongly, by ~6% against the US\$, followed by the COP (4.3%) and MXN (3.4%).
- Brent crude and jet fuel prices have been volatile in recent months; after the sharp fall in Q4 2018, they picked up again in January, reacting to supply cuts from OPEC countries.

- The region's main domestic markets saw moderation in their annual RPK growth in Dec; in the US, passenger volumes are now 3.8% above their level a year ago, for Brazil, growth slowed more sharply, to 3.4%yoy.
- RPK growth eased also across region's key international markets, with the exception of the SthAm-Europe market that led the way this month (10.8%yoy). The smaller Within SthAm remains the only market with volumes down vs a year ago.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2017	Oct-18	Nov-18	Dec-18
Region (registration basis)				
Nth America	9.1	7.0	2.6	2.9
Latin America	4.5	0.4	3.1	-0.1
World	9.7	3.3	-0.3	-0.5
Routes (segment basis)				
Nth America-Asia	10.1	4.8	-1.2	-1.0
Nth America-Europe	10.4	1.7	1.5	5.3
Nth-Sth America	2.6	1.0	3.2	1.5
Sth America-Europe	7.3	-1.0	-0.9	0.2
Within Sth America	-5.9	17.4	9.9	3.7

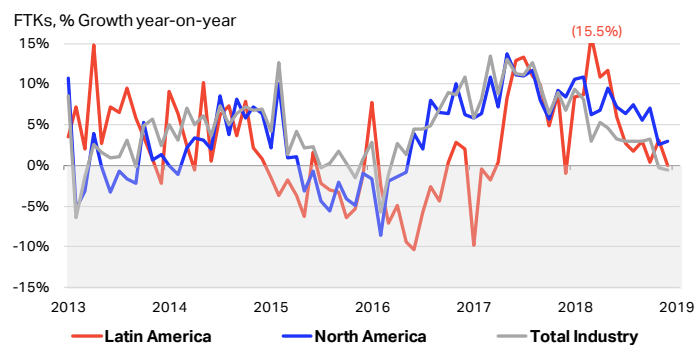
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide freight tonne kilometres (FTKs) ended 2018 on a soft note, with year-on-year volumes down 0.5% compared to their level of Dec 2017. The moderation appears to reflect the end of the global restocking cycle as well as signs of weakness in key demand drivers.
- Although FTK growth for the NthAm carriers was the strongest of all regions in Dec, at 2.9%yoy, it remained well below the rates seen earlier in the year. For Lat.Am

carriers, growth in freight volumes fell to zero, after a short-lived improvement in the previous month.

- The FTK growth performance remained mixed across the region's larger international markets. While NthAm-Asia underperformed again (-1.0%yoy), NthAm-Europe recorded the fastest growth pace since March 2018 (5.3%yoy).
- Yoy growth continues to moderate in Within SthAm market, after consistently strong performance over the first three quarters of the year.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2017	Oct-18	Nov-18	Dec-18
Passenger					
Nth America	ASK	3.9	4.7	5.0	4.0
	PLF	83.5	83.3	83.6	82.5
Latin America	ASK	5.4	9.2	6.1	5.4
	PLF	81.8	80.6	82.1	81.8
World	ASK	6.6	6.4	6.7	6.1
	PLF	81.5	81.0	80.0	80.4
Freight					
Nth America	AFTK	3.1	8.0	5.8	4.5
	FLF	41.1	42.3	43.2	41.4
Latin America	AFTK	5.9	4.9	2.0	6.0
	FLF	33.1	35.2	37.9	29.1
World	AFTK	5.0	5.6	4.4	3.8
	FLF	49.9	50.4	51.3	48.8

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

- While the industry-wide passenger load factor (PLF) ticked up to 80.4% this month, a modest improvement vs Nov, the freight load factor (FLF) eased to 48.8%.
- Both the NthAm and Lat.Am airlines maintained a PLF above the industry-wide average in Dec, at 82.5% & 81.8%, respectively. By contrast, the region's FLFs still remain well below the industry outcome, especially for Lat.Am, where the difference is almost ~20pp.

Airline operating (EBIT) margins*

% revenues	2016	2017	2017Q4	2018Q4
Nth America	13.7	11.1	10.1	9.3
Latin America	5.6	6.9	--	--
Industry	8.5	7.5	9.4	8.2

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

- First releases of financial data from the final quarter of 2018 indicate that the industry-wide EBIT margin fell modestly compared to Q4 2017, to a still robust 8.2%. NthAm airlines showed a slowdown in the profit squeeze, with a 0.8pp fall in EBIT margin in Q4 2018 (vs ~3pp in Q3). (No data is available for Lat.Am.)
- The region's pax yield performance remains largely unchanged from Nov, with an exception of the NthAm-Europe market, where yields growth fell from a solid 2.8%yoy into a negative territory and the NthAm-Asia where, by contrast, it lifted to a healthy 5.1%yoy.

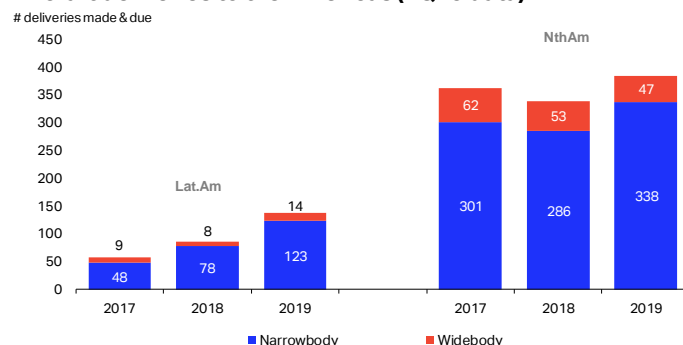
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2017	Oct-18	Nov-18	Dec-18
Nth America-Europe	-1.8	3.9	2.8	-0.4
Nth America-Asia	-3.2	4.4	3.9	5.1
Nth-Sth America	0.2	-10.7	-15.4	-16.2
Sth America-Europe	7.9	-8.7	-10.1	-10.5
Sth America-Asia	-4.2	-3.0	-2.1	-2.4
Within Sth America	1.8	-6.1	-5.2	-6.4

Source: IATA PaxIS Note: historical data may be subject to revision

- The latest data indicate a rise in jet aircraft deliveries for both the Lat.Am and NthAm carriers in 2019 vs 2018.

Aircraft deliveries to the Americas (1Q19 data)



Source: Ascend