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Flight AirlineBusiness

ALL THE NEWS FROM ALTA AIRLINE LEADERS FORUM

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PANAMA HAT TRICK

ALTA's Airline Leaders Forum this week lands in Panama City for the third time, with executive director, Luis Felipe de Oliveira placing an emphasis on the long-term development of travel in the Latin American and Caribbean region for future generations.

De Oliveira, pictured above with his children, believes that while rising fuel costs and currency weakness cloud the current horizon, the long-term perspective for growth in the region is strong.

The forum was last held in Panama in 2012 and this year's event coincides with ALTA opening new headquarters in Panama City.

LATIN AMERICA IN NUMBERS

9%

Increase in November airline ASK capacity across Latin American routes compared with the same month in 2017

6.6%

Rise in passenger levels among Latin American carriers in August, the highest monthly growth rate of 2018 so far

2,027

Size of the in-service fleet for Latin American operators, while another 271 aircraft are currently parked or stored

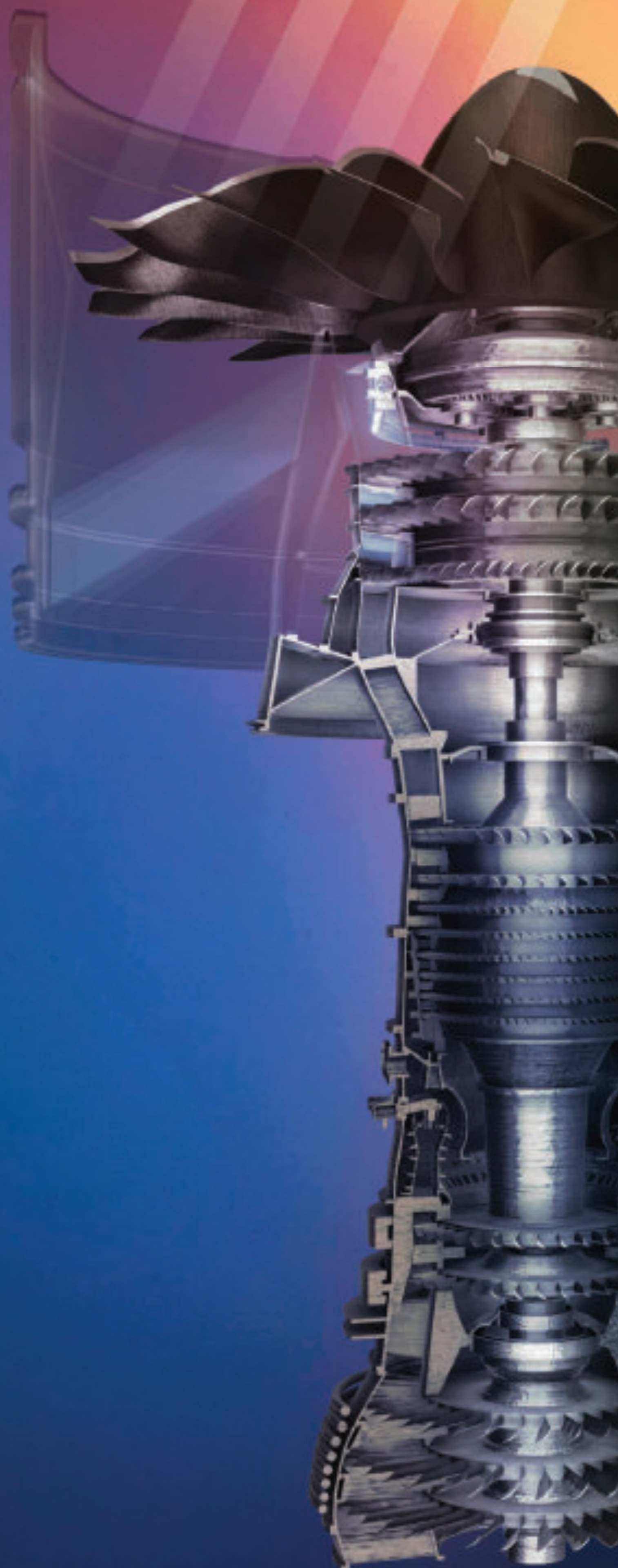
1%

Reduction in airline seat capacity in November on transborder routes linking Mexico and the USA

Heilbron on Copa – 8

Inside this issue

Follow our coverage of the ALTA Airline Leaders Forum at: flightglobal.com/ALTA



Ready to rock'n roll!

The ALTA team is set for showtime once again as this year's Airline Leaders Forum goes live for what promises to be a busy few days at the Hard Rock hotel. The forum agenda includes panel sessions addressing infrastructure challenges in the region, analysis of current economic conditions as well as the contribution of aviation and tourism to the wider economy, the role of cargo connectivity and how airlines can develop finance options in the region. The conference closes with perspectives from industry heavyweights with the customary CEO panel.

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Cubana restores services

Carrier makes domestic return from today after wet-leasing in an ATR 72 turboprop

Cubana is to gradually resume domestic operations from today after grounding these flights for more than five months.

The national airline will return to Cuban skies with two weekly flights from Havana to Guantanamo, two frequencies to Baracoa and one to Camaguey. The carrier adds that more destinations will be "announced when they become available".

All flights will be operated with an ATR 72-500 wet-leased from South African carrier Solenta.

After a number of incidents and numerous flight cancellations, the Cuban Civil Aviation Authority IACC in May grounded Cubana's Antonov An-158 fleet.

Cuba's flag carrier had said that the lack of access to spare parts prevented it from making repairs to these aircraft locally.

Cubana then briefly offered a limited contingency network, operated with wet-leased equipment from Lithuania's Avion Express, Italy's Blue Panorama and Mexico's Global Air. ■

IN BRIEF

PANAMA JOINS PERU IN SINGAPORE OPEN SKIES

Singapore and Panama have signed an open skies agreement under which carriers from either countries are free to operate unlimited number of passenger and cargo flights between the two countries, as well as onto any third country. Restrictions on capacity, frequency, aircraft type, and routing were removed. Earlier this month, Singapore signed a similar open skies agreement with Peru.

JETBLUE CONFIRMS START FOR GUAYAQUIL

JetBlue Airways will begin service to Guayaquil on 28 February 2019, operating daily on the route. Guayaquil will be the US airline's sixth destination in South America, and its second in Ecuador after Quito. "With nearly a third of JetBlue's capacity already in the Caribbean and Latin America, new flights between South Florida and Guayaquil advance JetBlue's leadership in this important region," says Andrea Lusso, the US carrier's director of route planning.

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Interjet and Lufthansa join ALTA

Mexican carrier joins as full member and German group as associate with another set to follow, though Volaris departs

Mexico's Interjet has joined ALTA as a full member, while German airline group Lufthansa has joined the organisation as an associate member.

"Interjet, based in one of the largest and most dynamic domestic markets in the region, will provide the association with an interesting experience that will be of great value to our members," says ALTA executive director Luis Felipe de Oliveira.

Interjet chief executive Jose Luis Garza calls joining ALTA a "transcendental step" for the airline.

"Being a member of this association represents an honor for Interjet, since there is a great commitment to the environment, and economic and social development generated by the aviation industry," says Garza.

Rex Shuuterstock Rex Features

Interjet sees ALTA membership as taking "transcendental step"

Lufthansa Group joins fellow units Lufthansa Systems and Lufthansa Technik in becoming an associate member of ALTA.

"Although two of the group's companies were already part of ALTA, with this incorporation of the group's airlines, we take a step forward in our strong objective of continuing to consolidate our presence in Latin America and the Caribbean, a region in which we have always believed," says the German group's Americas' vice-president Tamur Goudarzi Pour.

Another new member announcement is expected on 29 October.

But Volaris, Mexico's largest domestic carrier in terms of capacity, has left. It is no longer listed as a member on ALTA's website.

A Volaris spokesperson says: "Being a low-cost airline, we have limited resources to accomplish our goals. We are not able to participate in all the associations we are invited to - we are not members of ALTA this year but continue to have an excellent relationship and we would love to collaborate in the future."


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Finding a fresh focus

Streamlined, restructured and installed in a new headquarters in Panama City, ALTA is ready to take on the challenges of Latin America's fast-growing aviation sector, according to the association's executive director Luis Felipe de Oliveira

After a significant 12 months in which it opened new headquarters in Panama and overhauled the organisation, ALTA executive director Luis Felipe de Oliveira believes the association has rediscovered its focus.

"I think we were able to make ALTA relevant in the region again," he tells FlightGlobal, in an interview ahead of this October's ALTA Airline Leaders Forum in Panama City. "We were much more active in many areas. We have around 45 projects that come from the needs of the members of the region.

"We have some MoUs with the governments, and some important projects. We gained a lot of relevance in the last year."

He notes this has been achieved even with significant changes in the organisation. "We used to have around 21 people working for us; now we have 14 people," he says. "And these 14 are much more focused in the day-to-day activities of ALTA. Even during this major change, we didn't stop. Now we are settled. We have a new team in place that is ready to deliver."

De Oliveira sees new members as a vote of confidence in strategy

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FULL REPRESENTATION

Now in its second year under his leadership, ALTA has also shifted its focus, de Oliveira says. "We are an airline association – our full members are airlines and we need to follow the directions of the airline needs in the region. However, we realised the industry we represent involves not just the airlines.

"The industry [is forecast] to double in size, and to achieve that we need to have an efficient industry. We need to have a lower cost, a regulatory framework, and to work on behalf of industry to avoid excessive costs," he says.

"We use the benefits of aviation as our main flag, and work together with the industry to achieve the result – which is to make the industry grow. If we make the industry grow, everybody wins."

This focus is evident in recent ALTA accords with Brazil, Colombia and Ecuador aimed at enhancing the development of aviation in those countries.

"Ecuador was basically closed for the industry for the last 10 years. Now we have signed an agreement to support [development], share best practice... we are bringing them to our events, like the safety seminar.

"We are also focusing on costs – in Ecuador there is a tax on the repatriations of funds – and we are working [for an exception] to this 5%. We have a tax of 5% on fuel – that too is included in our discussions," he says.

An agreement with Brazil put in place foundations for developing an aviation policy framework in Latin America's biggest economy, irrespective of the results of October elections.

"The idea is, independent of who or which party wins the election, we have already something signed with the government. From the five parties that signed the agreement in Brazil – the only one who might change is the ministry of transport – that's why we have the agreement, so it will be a good starting point," he says.

> We work to achieve growth – if we make the industry grow, everybody wins

The agreement with Colombia, also unveiled in September, focuses on areas of aviation safety, as well as supporting airlines in the implementation of the CORSIA global carbon-offsetting scheme – for which airlines must begin recording the CO2 emissions from the start of next year.

"With these kinds of agreements, we help the industry move in the right direction and probably you'll see more agreements – one or two more in the next few months," says de Oliveira.

ARGENTINIAN EXAMPLE

These types of agreements build on the example already seen in Argentina. ALTA struck a co-operation deal in November 2017 on developing aviation in the country, which has embarked on a major opening up of its market.

"I think they realise the value of aviation and they are working very hard to implement the changes – if you see last year one of the countries with the largest increase in visitors, it was Argentina," says de Oliveira.

"This generates the economic activity that I think Argentina is starting to see right now. We hope to sell the same message to other countries in the region."

De Oliveira is encouraged by the reaction to the ALTA's approach. "We have 15 new associates that are not airlines, that have joined and are helping us financially to achieve our results. We have two new airlines [Interjet and Lufthansa] – one as associate member.

"We are receiving the vote of confidence from the industry that we are moving in the right direction. That is the validation, if people are investing and see the value to ALTA, that is showing us we are in the right direction.

"We still have a lot of work to do, especially in Brazil," he acknowledges – for example, neither Gol nor Azul are members.

"We need to grow our members in Brazil. I think it's a question of time and I hope in the near future we can announce the return of some of the Brazilian airlines that left ALTA in the last few years." ■

Ready for the next level

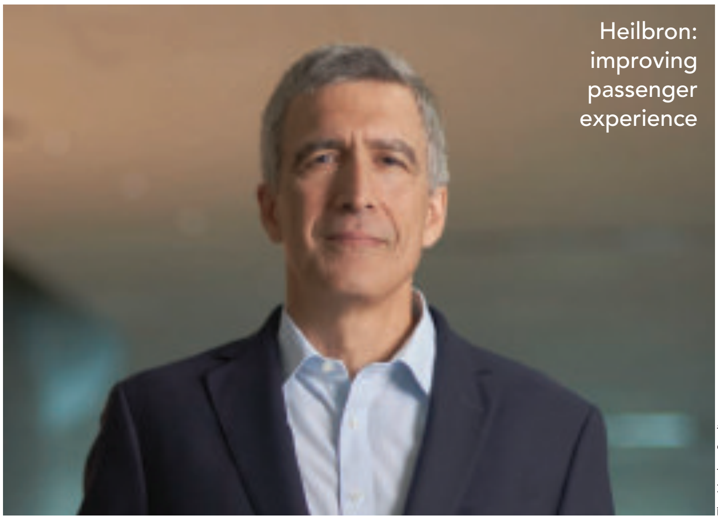
Under long-standing chief executive Pedro Heilbron, Copa Airlines is embarking on a new growth stage with the recent introduction of its first Boeing 737 Max jets to be followed next year with a new terminal at its Tocumen airport hub

With a network of over 70 destinations and a fleet of more than 100 aircraft, the Copa of today bears little resemblance to the small regional carrier with two Boeing 737s that long-serving chief executive Pedro Heilbron began leading in 1988. The 71-year-old airline will soon embark upon its next phase of growth, when a new terminal at Tocumen opens in 2019.

This facility, which will add 20 gates to the current 34, will play a key role in Copa's growth in the coming years. The airline currently uses a number of remote positions at Tocumen to meet demand, but foresees less need for them once the new terminal begins operations.

With the additional airport capacity, further efficiency gains are on the way for Copa, which has built its schedules around the premise of a fuss-free layover at Tocumen. The average layover on a Copa itinerary at the airport currently stands at 75 minutes.

"It's more than 50% growth," says Heilbron of the additional gates. "That's going to give us an opportunity to leverage that new infrastructure to improve the passenger's experience of connecting through the hub of the Americas in Panama."



Heilbron: improving passenger experience

The Monkey Studios

OPENING NEXT YEAR

Operations from the new terminal could begin as early as later this year, with flights out of six to eight of the 20 new gates before a full inauguration in 2019, says Heilbron. Further down the road, another eight gates could be added to the terminal, although it is not yet known when this second phase would take place.

"We are waiting for the new terminal to be inaugurated before we start talking about more new gates," he says.

In the longer term, a third runway at Tocumen has been envisaged. Heilbron expects planning to start in 2019 and construction to begin in 2020 for an operational date of 2023. A third runway would allow for fully parallel operations, and would meet the needs for more flights in the future. In the meantime, a planned redesign of the airspace around Tocumen will be completed in the next two to three years, says Heilbron.

"We are hoping to increase the number of hourly operations that Tocumen can handle," he says.

The arrival of the new terminal will dovetail with fleet efficiencies slated to come online at Copa. It took delivery of its first Boeing 737 Max 9 in late August, out of an order for 71 of the Max family.

The airline will deploy the aircraft on its longest routes from Panama City, with San Francisco the first destination to be served by the jets. "It's our longest [route] and the Max 9 will have the best performance," says Heilbron. "It will be able to carry full loads, which means more cargo, and we will get the full Max cost advantage by operating it on our longest routes."

San Francisco was also chosen because it is a hub of Copa's partner United Airlines, which already operates the 737 Max 9, in case the Panamanian airline requires support for its new aircraft type. Boeing's facilities in Washington state are also close by, Heilbron points out. "Those are two factors that will help the reliability of the aircraft, which is very important for Copa," he says.

> "If fuel stays up and currencies stay down, we might decide to grow less"

Copa will add five 737 Max 9s this year, and another eight in 2019. Besides San Francisco, Copa will deploy the aircraft on its other longer-haul routes, such as Los Angeles, Buenos Aires, Sao Paulo, Santiago and Montevideo.

While the airline holds orders for three variants of the 737 Max – the Max 8, 9 and 10 – Copa is particularly fond of the Max 9, despite the fact that the variant is unlikely to open up new cities for Copa's network. "We like the combination of range performance and capacity. We think it's the perfect combination and we will not be surprised if in the future it becomes more popular than the Max 8," Heilbron says.

With the airline not receiving its first Max 8 until 2020, Heilbron says Copa could choose to convert its order for some Max 8s to Max 9s. In 2019, half of Copa's eight 737 Max 9 deliveries will be growth aircraft, while the remaining four will replace its older 737NGs.

CONSOLIDATING ROLE

The new aircraft will allow Copa to consolidate its new routes and boost frequencies to high-demand destinations that require more capacity. The airline will add five new destinations to its network this year: Fortaleza and Salvador in Brazil, Barbados, Salta in Argentina, and Puerto Vallarta in Mexico.

A couple more new destinations in 2019 are a possibility, although Heilbron cautions that this will depend on macroeconomic conditions and whether fuel prices continue to creep upwards. Capacity growth could be slowed further, he says. A flexible fleet plan allows Copa to step on the brakes when it sees the need to – as it did during the economic recession in Latin America, Heilbron says.

"We always keep a very, very flexible fleet plan with staggered lease returns and with slide rights with Boeing... We keep that flexibility to adjust capacity growth on short notice to better respond to market realities," he says. "If fuel stays up and currencies stay down, we might decide to grow less than what we are planning right now." ■

This is an extract from the recent *Flight Airline Business* interview with **Pedro Heilbron**. Read the full interview at **flightglobal.com/airlines**

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Picking up the pace

Argentina hopes further regulatory liberalisation moves can keep the momentum going in a market that has already seen a wave of new start-ups, including its first low-cost operators, and international expansion plans in the country

Flybondi pushed for an end to minimum fares

Flybondi

This month's launch of domestic services by Norwegian's new Argentinian unit is the latest product of the continued opening up of one of South America's biggest potential aviation markets, which is now attracting low-cost carriers.

Loosening the regulatory shackles for local operators has already contributed to a sharp increase in airline activity in the region in recent years.

FlightGlobal schedules data shows airlines will lift seat capacity by around 7% this year compared with 2017. Capacity jumped by nearer 9% in terms of ASKs.

That marks a fourth consecutive year of strong growth. Airlines have raised capacity on routes to and from Argentina by around 37% over the past four years.

This has been achieved off the back of the Argentinian government opening up its aviation markets. That work is continuing with news that transport minister Guillermo Dietrich has commissioned industry veteran Agustin Rodriguez Grellet to oversee a working group to reform the country's aviation law.

"The reality of aviation has changed so much over the last decades, both worldwide and in Argentina, that the government decided that our country needs a new fundamental aviation law to support new developments in the industry and to translate international regulations more swiftly into local law," Rodriguez Grellet tells FlightGlobal.

Rodriguez Grellet is a former ICAO council representative and chief executive of Argentina's Air Navigation Agency, EANA.

The Macri administration, which came to power in late 2015, has made progress in eliminating decades of protectionist policies put in place by the populist Kirchner government. This includes rapidly removing barriers of entry to the market that were previously aimed at keeping afloat ailing state carrier Aerolineas Argentinas.

That has resulted in several new airlines competing domestically and regionally, the country attracting foreign investment and low-cost carriers finally making air travel affordable in a country where it had a surprisingly low market penetration, given Argentina's vast geography

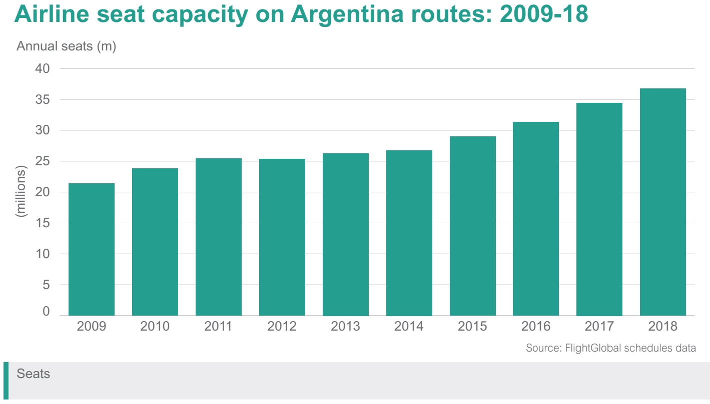
According to Rodriguez Grellet, the new civil aviation act will be the foundation for a new regulatory framework that will allow this "aviation revolution" to continue and make the industry internationally competitive.

He also sees the need for new regulations to make it easier for airlines to operate and to manage their fleets. For example, the process to register an aircraft is currently very cumbersome. Other areas that will be considered include bilateral air service agreements and passenger rights.

LOOMING DEADLINE

With the next presidential elections due in October 2019, Dietrich has established a tight deadline to define and approve the new law, which will be presented to Congress in March next year for approval.

Airline seat capacity on Argentina routes: 2009-18



Dietrich has already been busy reforming the country's aviation sector. In August Argentina removed a minimum fare rule, further fuelling their development in the market.

Argentina's first low-cost carrier, Flybondi, has been a driving force behind the change, as it routinely lobbied against minimum prices.

"I would like to sell tickets for Ps200 [$7], but until now the law forced me to sell them for no less than Ps500 ($17) [on short routes]," Flybondi chief executive Julian Cook told FlightGlobal earlier this year.

Norwegian Air Argentina, which began flights in October, also welcomes the change. "This is excellent news for everyone, as it will contribute decisively to the development of Argentina's aviation market, particularly contributing to the development of the country's interior," the airline's chief executive, Ole Christian Melhus, says.

The minimum fare rule was originally imposed to protect long-haul bus operators from airlines undercutting their fares. However, high inflation rates combined with the lack of changes to the minimum fares for four years have rendered the minimum fare rule irrelevant.

There has been increasing interest in Argentina among low-cost carriers, with Chilean operation JetSmart the latest to outline plans.

But local carrier Flybondi is the first to start operations in Argentina, having launched flights in January. The airline's fonder, Cook, sees potential for 25 million more passengers annually on discount airlines, potentially creating demand for a fleet of 50 aircraft at the carrier.

Cook believes in his advantage as the low-cost pioneer in Argentina. "We are still alone in [new Buenos Aires airport] El Palomar and [have] the privilege to educate Argentinians about how the low-cost business model works for them," he says.

After a challenging start, amid »

» operating restrictions at the newly-opened El Palomar airport that were lifted in April, the airline has expanded its network domestically. It operates a fleet of five Boeing 737-800s, with plans to double the fleet over the coming months.

"We plan to open new destinations from Buenos Aires, Rosario and other bases and start international flights soon," Cook says.

"Our first international destinations will probably be Asuncion in Paraguay, Montevideo and Punta del Este in Uruguay and we are looking into several options to connect Brazil with Argentina's interior. Rio de Janeiro, Florianopolis and Porto Alegre are potential destinations, and Lima is also one of our high-priority candidates."

The airline has since firmed plans to take its international bow in December, connecting Punta del Este with El Palomar and Cordoba.

EYEING GROWTH

According to Flybondi's initial business plan, the airline will be transporting 10 million passengers annually with a fleet of 28 aircraft by 2022. However, Cook is already looking further beyond.

"There is potential for us to grow by 20 million yearly passengers in the longer term. Once we enter that new phase of maturity, we will order new aircraft to substitute our launch fleet of used aircraft."

Flybondi now has company, though. Norwegian Air Argentina made its much-vaunted entry to the market in October.

Norwegian Air Argentina connected Buenos Aires Aeroparque with Cordoba and Mendoza from mid-October. Flights to Iguazu and Neuquen are due to follow in November, while Bariloche and Salta services will join the network from 3 December.

The airline will operate twice daily to Cordoba and daily to Mendoza, Iguazu, Neuquen, Bariloche and Salta, with Boeing 737-800 aircraft.

Norwegian operates from London Gatwick to Buenos Aires Ezeiza, which means passengers connecting to its Argentinian affiliate's flights would have to switch airports in Buenos Aires. Due to the operations out of different airports, passengers travelling to and from London will have to book domestic Argentina flights separately, says Norwegian.

Norwegian Air Argentina will face competition on all of its new routes, FlightGlobal schedules data shows. It competes directly against Aerolineas Argentinas, LATAM Airlines Argentina and Andes Lineas Aereas on the services to Cordoba, Mendoza, Iguazu, Bariloche and Salta. Aerolineas and LATAM operate from Aeroparque to Neuquen.

Aerolineas also operates from Buenos Aires Ezeiza to Cordoba, Mendoza, Iguazu, Bariloche and Salta. LATAM offers nonstop service from Ezeiza to Iguazu.

"Argentina has enormous potential," says chief executive Bjorn Kjos. "These routes are just the beginning of our plans in South America."

Chilean low-cost carrier JetSmart will also expand into Argentina in December, and is planning to launch domestic services as soon as mid-2019.

REX/Shutterstock

Dietrich has announced radical reforms of the country's aviation law

Norwegian

Norwegian Air Argentina will use Boeing 737-800s on new services

The airline has embarked on the process of obtaining an air operator's certificate in Argentina, and expects to begin sales in early 2019 for flights beginning mid-2019, JetSmart chief executive Estuardo Ortiz tells FlightGlobal.

The domestic service in Argentina will follow the airline's launch of flights between Chile and Argentina from December, with five routes planned. JetSmart began flights in Chile in July 2017.

It will connect Santiago with Mendoza from 11 December, followed by Cordoba on 14 December. Services linking La Serena to Cordoba and Mendoza will launch later in December. Next January, the carrier plans to begin flights between Santiago and Buenos Aires El Palomar.

POSITIVE OUTLOOK

Despite a deluge of airline interest in Argentina following the liberalisation of the aviation industry in the country, Ortiz says JetSmart is bullish about the market.

"It's a large market in terms of population and geography," he says. "We believe that with the recent progress made by the government to remove the fare floor, it will allow us to offer low fares to stimulate the market."

Ortiz notes there is enormous potential to stimulate demand for air travel in Argentina, pointing to the lower number of trips per capita in the country compared with other, more mature Latin American aviation markets, such as Chile and Colombia. "We see potential for the market to grow two to three-fold," he says.

JetSmart currently operates mostly within Chile, with a lone international route to Lima. It has a fleet of five Airbus A320s but will add another six by early 2019. In the second half of 2019, it will add eight leased A320neos.

The airline's owner, Indigo Partners, firmed up an order for A320neo family aircraft in late 2017, including 70 aircraft for JetSmart. Deliveries of these will begin in 2021, says Ortiz.

Supporting JetSmart's move into Argentina has been its reported move to acquire Cordoba start-up Alas del Sur Lineas Aereas.

A notice in Argentina's government bulletin says Alas del Sur has replaced its board members with a group led by Brian Hanna Franke, the son of Bill Franke, managing partner of Jetsmart's owner Indigo Partners.

Alas del Sur, while not yet operational, has secured a number of route authorities from Argentina's regulators.

Avianca Argentina meanwhile is adding two A320s to launch its first international route from Buenos Aires to Sao Paulo Guarulhos. The sister carrier of Colombia's Avianca was the first to take advantage of the liberalisation of the domestic market when it launched local flights in late-2017 with two ATR 72-600 turboprops.

Amid such competition, it remains to be seen which carriers will come out on top. Likewise the impact of the devaluation of the Argentinian peso, which has already seen some overseas carriers trim capacity plans in the country, may also be a factor in the months ahead. ■

Borderline decisions

After a wave of capacity that hit the market following an open skies deal between Mexico and the USA, carriers from both countries are reining in growth plans on transborder routes amid increasingly challenging economic conditions

Conesa: third quarter one of the most challenging faced since 2008

Fermin Soto/EPA-EFE/REX/Shutterstock

Weakness in the US-Mexico transborder market is persisting, as airlines on both sides of the border see soft demand in the face of currency depreciation and concerns over crime in Mexico.

Mexican flag carrier Aeromexico, the first among its Latin American peers to release third-quarter financial results, struck a sombre tone on 17 October as it revealed it is to cut routes and phase out aircraft in a plan to stem losses.

The SkyTeam carrier has racked up a net loss of Ps1.23 billion ($65.3 million) for the first nine months of 2018, and reported a net loss of Ps617 million for the third quarter. Operating profit fell more than 80% to Ps235 million in the quarter compared with the same period in 2017.

Aeromexico chief executive Andres Conesa did not sugarcoat the situation, calling the third quarter "one of the most challenging" for the Mexican aviation industry since 2008. High fuel, currency depreciation, overcapacity in the US-Mexico transborder market and inflation in Mexico all contributed to the airline's plight.

The carrier is wasting no time to rein in capacity, and will suspend service on nine routes in 2019, five of which are US transborder city pairs. The airline will end flights from Mexico City to Boston, Portland (Oregon) and Washington Dulles. It will also suspend service from Monterrey to Las Vegas, and from Guadalajara to San Jose (California).

Within Mexico, the airline will suspend service from Monterrey to Tijuana, Merida and Veracruz. It will also end flights from Guadalajara to Cancun.

The carrier will retire five aircraft – three Embraer 170s and two Boeing 737-800s – that it predominantly operates on its US routes. As a result of the fleet reduction, the airline will end 2018 with 127 aircraft, instead of 132 as previously planned.

"The operating environment remains complicated," said Conesa on an earnings call, justifying the airline's actions. Aeromexico also plans to embark on a cost savings plan, say executives.

Conesa has long warned of overcapacity in the US-Mexico market, since the floodgates opened in August 2016 after a new bilateral air services agreement was implemented. Aeromexico's planned capacity cuts and similar actions by rivals should help alleviate this, he says.

FlightGlobal schedules data shows capacity between the USA and Mexico rose 11% year-on-year in 2017, the first full year where airlines operated under the new bilateral agreement. Capacity growth between the two countries appears to have moderated this year, rising by less than 4%.

In 2018, Aeromexico will be the second largest carrier after United in the US-Mexico transborder market in terms of capacity, followed by American Airlines. Aeromexico, which has a transborder joint venture with Delta Air Lines, is marketing about a 15% market share of the capacity between the USA and Mexico. Delta, the fourth biggest airline in the market, has just under a 12% share.

"By making these [network] changes, we hope the performance will improve," says Conesa of the soft yields in the transborder market. Business travel demand has held up better than leisure demand, he adds.

SOFT FOCUS

Aeromexico's remarks largely reflect those of rival Volaris, which told FlightGlobal in August that the airline is seeing softness on US-bound leisure routes such as Las Vegas and Orlando as a result of the weaker Mexican peso.

"We are seeing some softness, mostly because the peso depreciated significantly, and it's become much more expensive for Mexicans to go on holiday," says chief commercial officer at the Mexican carrier, Holger Blankenstein. »

Capacity on Mexico-USA transborder routes: 2014-2018

Year	Flights	Change %	Seats (m)	Change %	ASKs (m)	Change %
2014	222,374	5.1	28.3	8.5	55,750	9.9
2015	242,379	9.0	31.0	12.7	63,721	14.3
2016	252,972	4.4	33.9	6.3	68,444	7.4
2017	264,730	4.6	37.1	9.4	76,247	11.4
2018	271,365	2.5	38.4	3.5	79,629	4.4

Source: FlightGlobal schedules data

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Photo Courtesy: Felipe Galvez

» With the network cuts and aircraft retirements, Aeromexico says system-wide capacity in 2019 will be flat, instead of growing in the high single-digits as it previously planned. International capacity in 2019 will grow "a little bit", largely due to an additional Boeing 787-9 joining Aeromexico's fleet in mid-2019, says Conesa.

Aeromexico's capacity will grow 8-8.5% in 2018, with capacity rising about 3.5% in the fourth quarter.

American Airlines is now one of five carriers serving Mexico City from Los Angeles

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US AIRLINE PULLBACK

Across the border, US carriers are also retreating from Mexico. Some airlines point to US State Department travel warnings, which have advised US citizens to exercise increased caution when travelling in Mexico, including destinations like Cancun and Mexico City.

Spirit Airlines, which had 2% of its capacity in Cancun, expects a 100-basis-point impact on its third-quarter unit revenue and had trimmed capacity to the tourist destination starting in the fall.

"It [Cancun] continues to be an issue for us and it's something that we think will eventually resolve itself, but it is that much of a drag on our third-quarter expectations," said Spirit chief commercial officer Matt Klein on a 26 July earnings call.

While Spirit has not cut any Mexican routes, other airlines are taking more significant measures. Alaska Airlines and WestJet announced within days of each other in September that they will leave Mexico City. WestJet has dropped services from Vancouver and Calgary, while Alaska will withdraw is Los Angeles route.

"It's just not performing up to the standards that we would like to see," WestJet chief financial officer Harry Taylor says of Mexico City. "We don't want to be cost-subsidising at this point." The airline had served the Mexican capital for just seven months.

Alaska, which had served Mexico City from 2005, had gradually retreated from the market in recent years. It ended service from San Francisco in 2017, and says that the Los Angeles route had underperformed as well.

Its withdrawal from Los Angeles-Mexico City makes it the second US airline in recent months to suspend service in the market. United exited the route in October, opting to add a third daily flight to service between Newark and Mexico City.

What was once a highly competitive route with as many as seven airlines offering nonstop service, Los Angeles-Mexico City is now down to just five airlines plying the link: Aeromexico, American Airlines, Delta Air Lines, Interjet and Volaris.

United's exit from the city pair was part of an overall capacity adjustment in Mexico, where it ended service to Huatulco, Mazatlan and Villahermosa after experiencing declining demand. The airline also ended service between Denver and Mexico City, and between Los Angeles and Leon/Guanajuato, choosing to launch flights between Chicago O'Hare and Leon/Guanajuato instead.

The Chicago-based airline said during a 17 October earnings call that it saw demand weakness to Cancun, Brazil and Argentina in its Latin portfolio, calling its performance in the region in the third quarter "disappointing".

But United chief commercial officer Andrew Nocella says the airline sees a "mild recovery" taking hold in some parts, specifically the Mexican business markets and the Caribbean. The airline remains optimistic about improved unit revenue in Latin America in the fourth quarter, he adds. ■

Airlines act quickly to cut US-Mexico capacity

FlightGlobal schedules data for November shows the extent to which airlines are already trimming capacity on transborder routes between Mexico and the USA.

Airlines are set to fractionally cut flights and seat capacity on these routes this November compared with the same month in 2017. Capacity in terms of ASKs, though, will be raised slightly.

The three biggest operators on transborder routes in terms of ASKs will all cut capacity in comparison with November 2017. That includes an almost 9% reduction in ASK capacity from United Airlines – the largest operator in the market.

Mexican carrier Interjet and JetBlue will have the highest increase in capacity in November, though the US carrier will do so off a relatively low base.

Biggest airlines on Mexico-USA transborder routes: Nov 2018

Airline	Flights	Change v Nov 17	Seats	Change v Nov 17	ASKs (m)	Change v Nov 17
United Airlines	4,552	-7.1%	540,623	-9.1%	1,071	-8.7%
Aeromexico	2,751	-6.6%	412,469	-7.2%	1,067	-3.8%
American Airlines	4,486	-0.2%	541,076	-3.9%	891	-2.7%
Volaris	1,840	6.5%	314,160	8.6%	740	5.6%
Interjet	1,648	17.3%	246,198	20.4%	541	21.9%
Delta Air Lines	1,561	-5.0%	226,867	-3.9%	508	-2.2%
Southwest Airlines	1,779	3.5%	258,621	4.7%	456	7.2%
Alaska Airlines	1,150	0.2%	188,156	-0.1%	415	0.7%
JetBlue Airways	640	25.0%	98,400	24.7%	223	43.4%
	21,251	**-0.8%**	**2,987,863**	**-0.9%**	**6,247**	**0.8%**

Source: FlightGlobal schedules data; totals cover all 14 operators in the market

Route resolutions

Using FlightGlobal schedules data and Flight Fleets Analyzer, we examine how airlines in Latin America and beyond have deployed widebody and narrowbody aircraft types new to their fleets, as demand for air travel keeps growing

Boeing

Aeromexico – Boeing 737 Max 8

Number received:	4
Outstanding firm orders:	15
Engines:	CFM International Leap-1B
Typical configuration:	166 (16 business, 150 economy)
First aircraft in-service date:	23 February 2018 (XA-MAG)
September 2018 route examples:	Mexico City to Bogota, Lima and Monterrey

Boeing

Gol – Boeing 737 Max 8

Number received:	3
Outstanding firm orders:	56
Engines:	CFM International Leap-1B
Typical configuration:	185 (all economy)
First aircraft in-service date:	28 June 2018 (PR-XMA)
September 2018 route examples:	Sao Paulo to Curitiba, Manaus and Santiago

Airbus

Sky Airline – Airbus A320neo

Number received:	2
Outstanding firm orders:	11
Engines:	CFM International Leap-1A
Typical configuration:	186 (all economy)
Aircraft in-service date:	21 September 2018 (CC-AZC)
September 2018 route examples:	Santiago to Arica and Lima

Copa Airlines

Copa Airlines – Boeing 737 Max 9

Number received:	1
Outstanding firm orders:	12
Engines:	CFM International Leap-1B
Configuration:	166 (16 business, 24 premium economy, 126 economy)
First aircraft in-service date:	30 August 2018 (HP-9901CMP)
September 2018 route examples:	Panama City to Los Angeles, Miami and Tampa

Airbus

Interjet – Airbus A321neo

Number received:	7
Outstanding firm orders:	1
Engines:	CFM International Leap-1A
Typical configuration:	192 (all economy)
First aircraft in-service date:	26 January 2018 (XA-JOE)
September 2018 route examples:	Mexico City to Cancun, Chihuahua, Guadalajara, Merida and San Jose del Cabo

Aercap

Volaris – Airbus A321neo

Number received:	3
Outstanding firm orders:	40
Engines:	Pratt & Whitney PW1100G (first 10 aircraft; choice unconfirmed for next 30)
Typical configuration:	220 (all economy)
First aircraft in-service date:	12 April 2018 (N534VL)
September 2018 route examples:	Guadalajara to Hermosillo, La Paz, Mexico City and Tijuana; Mexico City to Cancun

Aerolineas Argentinas

Aerolineas Argentinas – Boeing 737 Max 8

Number received:	5
Outstanding firm orders:	3
Engines:	CFM International Leap-1B
Typical configuration:	170 (8 business, 162 economy)
First aircraft in-service date:	21 November 2017 (LV-GVD)
September 2018 route examples:	Buenos Aires to Cordoba, Neuquen, Punta Cana and Rio Gallegos

Air Europa

Air Europa – Boeing 787-9

Number received:	2
Outstanding firm orders:	14
Engines:	Rolls-Royce Trent 1000
Typical configuration:	333 (30 business, 303 economy)
First aircraft in-service date:	15 February 2018 (EC-MSZ)
September 2018 route examples:	Madrid to Buenos Aires and Gran Canaria

Airbus

Iberia – Airbus A350-900

Number received:	2
Outstanding firm orders:	14
Engines:	Rolls-Royce Trent XWB
Typical configuration:	348 (31 business, 24 premium economy, 293 economy)
First aircraft in-service date:	22 June 2018 (EC-MXV)
September 2018 route examples:	Madrid-New York

Airbus

TAP Air Portugal – Airbus A330-900neo

Number received:	0
Outstanding firm orders:	18
Engines:	Rolls-Royce Trent 7000
Typical configuration:	304 (32 business, 96 premium economy, 176 economy)
First aircraft in-service date:	"In coming weeks": Airbus (CS-TUA)
September 2018 route examples:	N/A

Partnering for change

A mooted alliance between InterCaribbean and InselAir could be part of efforts to revive fortunes in a region where local carriers have struggled to gain scale

Turks and Caicos-based InterCaribbean Airways recently revealed it was considering an alliance with troubled Caribbean carrier InselAir, a move that could bring some rare consolidation to a region long served by a fragmented number of airlines.

InterCaribbean chief executive Trevor Sadler told FlightGlobal in September that the airline is in talks with Curacao's government and InselAir's management, although it was not clear what a tie-up would entail.

Sadler, however, says he believes "positive synergies" will result from a potential partnership between the two airlines.

Curacao-based InselAir says an alliance with InterCaribbean will be an opportunity to "bring both brands under one umbrella, to create synergies in offering greater options for pan-Caribbean travel".

"The current operation of InterCaribbean would fit well into the current and previous network of InselAir, connecting the south Caribbean seamlessly with the northeastern and eastern Caribbean, and although discussions with other possible strategic partners continue, this seems like an option toward a smooth strategic aviation alliance," adds InselAir.

The carrier has faced turbulent times in recent years, with its Aruban subsidiary filing for bankruptcy in 2017. The airline also suffered from aircraft reliability issues and leased Embraer EMB-120 Brasilia aircraft from InterCaribbean to operate its flights.

InselAir now operates mostly within the Dutch Caribbean, after dropping a number of destinations that included cities in South America, the USA and other parts of the Caribbean.

The airline had previously been in talks with Avianca's majority shareholder German Efromovich for a potential investment, but those discussions did not yield any results.

MAKING INROADS

InselAir's challenges are no stranger to the Caribbean region, where state-owned airlines have struggled to carve out meaningful market shares among foreign airlines that have grown in the region.

Damage and disruptions caused by hurricanes in 2017 have also impacted traffic. Capacity within the Caribbean is down 11% year-on-year in 2018, FlightGlobal schedules data shows. Intra-Caribbean capacity in 2018 is at an all-time low in the past decade, according to the data.

Among the top five airlines in the Caribbean in terms of capacity, only three are Caribbean carriers: Caribbean Airlines, Cubana and LIAT. British Airways and JetBlue Airways are in fourth and fifth place, respectively.

While there are dozens of Caribbean players offering air service in the region, connectivity is poor. External operators who have tried to offer connectivity solutions within the Caribbean say they have encountered pushback from the governments in the region. For example, Florida-based Tropic Ocean Airways believes that seaplane operations could be feasible in the region, but reception to a potential partnership has been far from warm.

"Airlines in the Caribbean have massive national identities. They are a big source of national pride," said Tropic Ocean chief executive Robert Ceravolo at a Caribbean aviation conference in the Bahamas in June. "There is this irrational fear that a foreign partnership will take jobs away, so there is a building of walls. All of us disagree with that platform, but why do we allow it to flourish within the Caribbean?"

Some governments in the region are starting to consider ownership changes for their state-owned carriers, in order to help the airlines become more competitive. Bahamasair, for example, could eventually be privatised.

"Bahamasair is heavily subsidised and it is still viewed as an airbus service or jitney that will take us from island to island. This has contributed to significant losses for the carrier," said the Bahamas' tourism minister Dionisio D'Aguilar in June. "The government shouldn't be in the airline business."

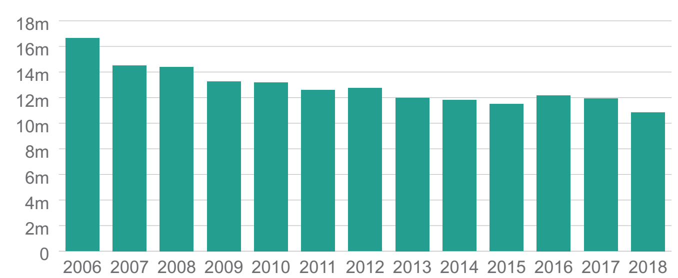
The government has called on the airline to grow point-to-point services into Florida, instead of the less profitable domestic market. US carriers currently dominate the US-Bahamas market.

Bahamasair plans to add a Boeing 737-700 in December to help it grow Florida capacity. The airline already operates three 737-500s and five ATR turboprops, Flight Fleets Analyzer shows.

Bahamasair aims to build its presence on Florida flights

ATR

Intra-Caribbean seat capacity: 2006-18



Source: FlightGlobal schedules data

Seats

Demand on the rise

FlightGlobal's latest long-term delivery forecast expects the Latin American fleet to more than double over the next 20 years to almost 4,500 aircraft, writes Flight Ascend Consultancy's head of market analysis Chris Seymour

Although Latin America has suffered from Brazil's recession and the economic problems in Venezuela, longer-term growth prospects for the region are strong.

This year's edition of the annual *Flight Fleet Forecast* predicts that in Latin America (which includes Central America and the Caribbean) passenger capacity will grow by 6.1% annually in the next 20 years and cargo capacity by 6.2%. This will see the region's airline fleet grow faster by 4% annually in the next 20 years, and more than double in size to 4,450 aircraft.

The fleet has averaged 1.7% annual growth over the past 20 years and at 2,000 units accounts for 7% of the global total. This will increase to 8% by 2037.

Some 93% of the fleet is currently used in the passenger market and 7% is for carrying cargo; this share will change to a reduced 4% cargo share by 2037, as growth in available belly space is faster than the need for main deck freighters.

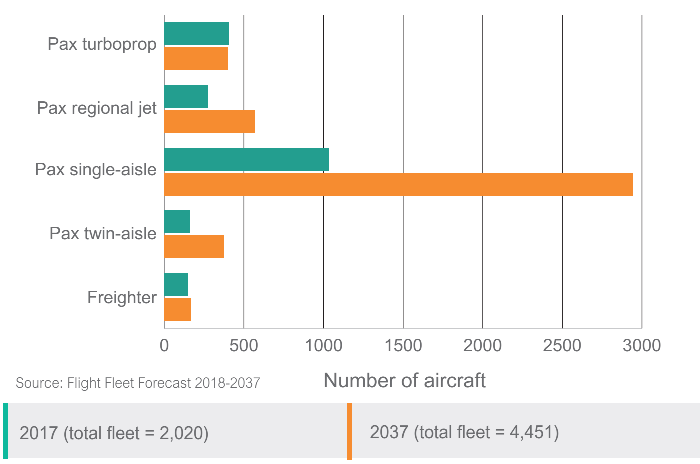
Deliveries to Latin America's airlines averaged at 140 units annually during 2012-2015, driven by low-cost-carrier growth and twin-aisle replacement, but this fell to 63 in 2017. A recovery is starting and once the short-term downturn in some markets is overcome, the region is forecast to increase its rate of deliveries to an average of over 160/year through the 2020s and further to 275/year by the end of the forecast. Overall, 3,940 new deliveries are forecast in the next 20 years, representing 8% of global deliveries worth $222 billion.

Max Kingsley-Jones/FlightGlobal

Mid-sized types like the A330 will be the focus of widebody demand

The deliveries include some 3,700 passenger jets, 225 passenger turboprops and 20 freighters. The jet total includes over 2,950 passenger single-aisle types and 370 twin-aisle types. About 75% of the current fleet will be replaced, with almost 62% of deliveries for growth purposes.

Latin American airline fleet – 2017 and forecast 2037



Source: Flight Fleet Forecast 2018-2037

Latin America's fleet is predicted to remain focused on single-aisles over the forecast, with a current 51% share of the total fleet rising to 60% by 2037. Regional jets will remain stable at 13% and twin-aisle types will remain at 8%.

KEY REGION

Latin America and the Caribbean is one of the key passenger growth regions for the future, with increasing leisure traffic stimulated by low-cost carriers and liberalisation in major markets. The passenger jet fleet is predicted to grow 5% annually over 20 years to 3,880 aircraft.

With a fleet of some 270, the regional jet has seen a major resurgence in the Latin American market in the past 10 years, with orders (mainly for Embraer) from both Central and South America. FlightGlobal predicts some 545 new regional jet deliveries, increasing the fleet to 570 by 2037.

Some 79% of the new deliveries are forecast to be single-aisle jets, with these 2,790 aircraft growing the fleet to 2,950 by 2037.

The twin-aisle passenger fleet of 160 is forecast to grow 4.4% per year to some 370, with 360 new deliveries – over a third for replacement. The delivery focus is on mid-sized types (35% and 43% each for 250- and 300-seaters), with types like the Boeing 787 and Airbus A330 to mainly serve the US market, and 777s, A330s and A350s for Europe and some routes into Asia.

The higher-capacity 350-seaters only begin to have significant annual deliveries in the second half of the forecast and we do not predict any demand in the large category.

The Latin American passenger turboprop fleet has a 12% share of the global total. Although the fleet remained at around 480 aircraft in the 2007-2015 period, it declined in 2016-2017 to 410, as the Brazilian fleet was rationalised. The forecast is for 230 deliveries in the next 20 years, with the fleet initially declining and then stabilising at around 400. By 2037, all but 170 of the fleet will be of the 70-90 seat size.

The freighter fleet has been relatively stable in the past five years at around 150 and is forecast to grow by just under 1% annually to reach 170 aircraft by 2037, with 20 new deliveries, mainly 777Fs and 130 conversions, enabling 85% of the current fleet to be replaced.

Two-thirds of the fleet comprise narrowbodies and turboprops serving short-haul markets. ■

Find out more and download the *Flight Fleet Forecast 2018-2037* summary at: flightglobal.com/fleetforecast

APPOINTMENT

FLIGHTGLOBAL CMO

Flight Airline Business's parent company FlightGlobal has appointed Mike Malik as chief marketing officer. Malik brings extensive industry experience. Most recently he sat on the advisory board of Aerobrand, a marketing, design and branding firm focused on airlines, and was an executive advisor at airline consulting firm The Rossch Group. His previous roles have included president of Aloha Air Cargo, chief information officer of Aloha Airlines, chief executive of Travelport's Shepherd Systems, and chief commercial officer for UBM Aviation. For more on FlightGlobal's portfolio of products, visit: **flightglobal.com/products**

Time for disruption forum

The inaugural Flight Disruption Forum takes place on 8-9 November at the Hyatt Regency in downtown Atlanta.

This timely event comes after several high-profile incidents in recent years that have wiped millions off airlines' bottom lines, such as hurricanes Harvey and Irma, and technology meltdowns.

The event is organised by FlightGlobal, which incorporates FlightStats, a leading provider of real-time global flight data. It is designed as a networking platform for airlines, travel management companies and corporate travel managers, among others.

Areas of focus will include: ways to keep travellers moving during disruptions; methods for auditing disruption costs; ways to improve traveller experience and customer service; and proactive versus reactive strategies.

The conference will examine how data can be used to anticipate flight disruption, in order to save costs, reduce risks and deliver a better experience to the customer.

Speakers will include Claire Blades, director of travel and meetings at Veritas Technologies; Steven Schoen, the senior director of Mobility Services Americas at Siemens; Nicole Hackett, director of Travel Services at Graham Holdings; Cindy Heston, director of Travel and Events at Anthem; and Yukari Tortorich, the vice-president of Global Travel Services at Discovery.

flightglobal.com/disruption

David Chang/EPA-EFE/REX/Shutterstock

Disruption can ultimately have a huge impact on airline financials

DIGITAL

SMART CHOICE

Many *Flight Airline Business* subscribers are enjoying the option to view each issue for free on their smartphones. The digital edition is optimised for iOS and Android mobile devices, in addition to the tablet and desktop options. The design is responsive to each device and screen orientation. Users can also enjoy extras such as video highlights from this year's Airline Strategy Awards. To sign up, search for *"Flight Airline Business"* in the App Store or Google Play, or visit **flightglobal.com/AirlineBusiness**

Big names for A4E summit

Event organiser FlightGlobal is making preparations for the third annual Airlines for Europe (A4E) Aviation Summit.

The event will take place in Brussels in early March.

Airline body A4E has been vocal in lobbying on key issues affecting Europe's carriers, including airport charges, open skies, security and ATC disruption.

Among recent initiatives, A4E and IATA joined forces to call on the Portuguese government to improve prospects for lower airport charges at the country's airports by re-negotiating a concession agreement with airport operator ANA.

During the summer, it was also pushing for tighter rules around ATC strikes, noting "2018 is shaping up to be one of the worst years ever for ATC strikes in Europe".

The summit is one of the most anticipated aviation events in Europe – bringing together senior leaders from 15 of Europe's biggest airline groups.

Speakers at the 2018 event included Ryanair chief executive Michael O'Leary, Lufthansa Group chief Carsten Spohr, IAG chief Willie Walsh, EasyJet chief executive Johan Lundgren and the since-departed chief of Air France-KLM Jean-Marc Janaillac.

At the 2019 event, high-profile airline chiefs will again take part in a panel discussion as part of a busy conference agenda.

A4E was founded by Europe's five largest airline groups to represent the interests of its members. Since its launch, Norwegian, Finnair, Jet2.com, Volotea, Aegean, TAP Portugal, Air Baltic, Icelandair, Cargolux and Travel Service have joined the founding members.

A4E expects the 2019 event to be key in setting the agenda for European Union policymakers.

flightglobal.com/events

Ed Telling Photography

The chiefs from Europe's largest airlines spoke at last year's event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