

# Airline Business Daily

From FlightGlobal

ALTA AGM & AIRLINE LEADERS FORUM  
Latin American and Caribbean Airlines General Meeting

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## COMING BACK STRONGER

Resurgent travel demand heightens the need for action to bring down region's regulatory and cost hurdles

PILAR WOLFSTELLER LAS VEGAS

**A**LTA's executive director Jose Ricardo Botelho radiates optimism regarding the industry's prospects, now the worst of Covid-19 has moved into the rear-view mirror.

And as the industry bounces back after two dark years – during which Latin American and Caribbean carriers received little to no government financial aid, in stark contrast to peers in America and Europe – Botelho sees a lot of light.

That is despite airlines needing to pivot to deal with rising inflation, high jet fuel prices, a potential recession and the strength of the US dollar.

"The industry is ready to take off," he tells *Airline Business* on the eve of this year's forum. "Demand is here. People are coming back, and they are flying without

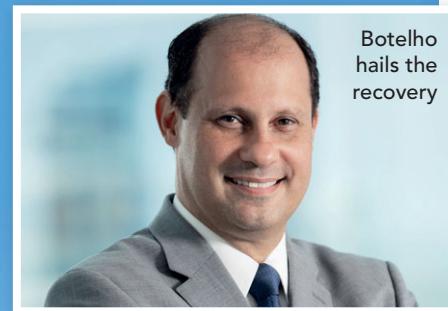
fear. They know airlines are not vectors for the pandemic, and they want to travel."

"We are doing everything possible to bring back the aircraft and the crews to deliver this public service to the people and to connect the region," he adds. "Latin America and the Caribbean now have the best growth rates in the world."

Indeed, as the region's countries successively lifted Covid-19-related restrictions and quarantine requirements earlier this year, passengers came back with a vengeance.

And the region's potential remains high, Botelho says, but only if the industry and governments can work together to boost tourism across the continent.

Governments must realise that the willingness to travel hangs on several thin threads, he suggests, the most important of which is price.



"We've had some movement – changes to regulatory frameworks, labour laws, and taxes – but we need to maintain that momentum," he says. There are "unnecessary rules and unnecessary costs" which must be addressed in continued dialogue with regulatory authorities.

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Argentina and the wider region are seeing traffic return

Aerolineas Argentinas



Change leadership – 10

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LEWIS HARPER LONDON

# Routes to recovery in Buenos Aires

Demand trends in Argentina reflect a travel resurgence in the region, but global economic challenges are a concern

**D**elegates have gathered in Buenos Aires for the 18th edition of the ALTA AGM & Airline Leaders Forum – an event that takes place against a backdrop of positive developments relating to Covid-19 but with challenges emerging elsewhere.

In terms of the pandemic's impact on the airline industry, the region is now mercifully free of most of the travel restrictions that weighed so heavily on demand for two years.

## GLOBAL LEAD

That shift in fortunes is reflected in the resurgence of passenger demand across the region over the past few months, with Latin American and the Caribbean leading the way globally in terms of the traffic recovery.

The Leaders Forum's host country of Argentina reflects those improving fortunes. The latest data from civil aviation authority ANAC shows passenger numbers at the country's



Ceriani: Aerolineas will continue to expand its network

carriers were down just 13% from pre-crisis levels in August this year, at around 1.26 million, versus 1.45 million in 2019.

This year's numbers were significantly more than double the 550,000 passengers carried in August 2021.

That strong recovery comes despite Argentina's market seeing the exit of two significant players since 2019: LATAM Airlines Group's Argentina unit and Norwegian Air Argentina.

Leading the way is flag carrier Aerolineas Argentinas – under chief executive Pablo Ceriani – which accounted for 871,000 of those passengers in August 2022, or almost 70% of the market. Low-cost carrier Flybondi carried 202,000, while ultra-low-cost operator JetSmart carried 179,000.

Amid the recovery of Argentina's connectivity, Aerolineas announced a number of new routes in September, including four services to Brazil, as part of what Ceriani describes as a "commercial strategy to continue expanding the flight network with Brazil

and continue promoting regional connectivity".

And as the airline seeks profitability, Ceriani says Aerolineas will "continue to improve its performance with growth and expansion". Notably, Cirium fleets data suggests the SkyTeam carrier's fleet is now significantly larger than it was at the same point in 2019.

## Aerolineas announced new services to Brazil as part of a strategic focus on the country

Away from passenger operations, the Latin America and Caribbean region's cargo market has also been performing strongly, with IATA recently noting airlines "have shown optimism by introducing new services and capacity, and in some cases investing in additional aircraft for air cargo in the coming months".

But as airlines head into 2023, outside factors are once again raising anxiety in the industry.

Amid high inflation and oil prices, and fears of a global recession, the better-than-expected performance by many Latin American economies during 2022 is expected to give way to a more challenging 2023.

S&P Global, for example, said in late September that it expects Latin American economies to shift into "slow-trend growth by the end of this year and into 2023, as more challenging external dynamics weaken exports in the region, and waning confidence takes a toll on domestic demand".

It now expects Latin American GDP to expand by 0.9% in 2023, compared with a previous assumption of 1.8%.

S&P cites "uncertainty over the trajectory of the US economy, with a shallow recession now expected in the first half of 2023" as a key downside risk to GDP in the Latin America region.

But discussing the global outlook in September, the director general of global airline industry association IATA, Willie Walsh, was still optimistic.

"The recovery and the pace for the recovery have been good, and I think it's clear that many airlines are generating good cash balances as we go through this period and seek to prepare their balance sheets and strengthen their liquidity," he says.

"It's a challenging environment, but I think most airline management teams will be looking at the positives and reflecting on what they need to do to address some of the headwinds."

IATA's chief economist, Marie Owens Thomsen, expands on Walsh's view, contrasting the current "job-rich economic slowdown" with the "jobless economic recovery" that followed the global financial crisis.

And that contrasting picture is important when it comes to the travel demand trend.

"While inflation will reduce the purchasing power of those wages earned, it's more important that more people are earning, than the impact of inflation on consumption at this current junction," Owens Thomsen says.

"So that's very supportive and should mitigate any fears of a major recession." ■

## Airline Business

**FlightGlobal**



» Continued from page 1

Fees and levies on jet fuel, for example, continue to drag on overall profitability in the sector, ALTA says. Latin American airports have some of the highest fuel prices in the world, despite some of the countries being oil producers themselves.

A liberalised aviation industry is “a win-win for everyone”, Botelho states.

“Everywhere in the world where this industry is successful, there is development. You have business, infrastructure, jobs, tax, income. Where you have aviation, you have development. I don't know of a single place where this is not true.”

And the importance of aviation is exaggerated in this region.

“We don't have trains like in Europe,” Botelho says. “We only have roads and airplanes.”

### COLLABORATING WELL

He cites numerous examples of where government authorities and the industry collaborate well to create opportunities: Panama, Brazil, Colombia and Guatemala. The latter small central American country, which is the centre of the ancient Mayan empire, has created huge tourism prospects for itself, he says.

“In Guatemala, they have just one airline, and it's working together with the government to bring tourism to the country. Each job created directly in the aviation industry creates 18 jobs indirectly,” he says. In Argentina, that same statistic is one-to-seven, and in Brazil it's one-to-four.

“We are an important catalyst for the economies,” Botelho adds.



**“The airfare is the door that opens up tourism in the Latin American and Caribbean region”**

**Jose Ricardo Botelho**  
Executive director, ALTA

Aerolineas Argentinas

Most travel plans begin with a scan of airfares. If prices are too high, people will not go, he says. “If I see that the airfare is fair, I'm going to buy it, and then I look at hotels, a rental car, restaurants, tours. So I'm spending even more money.

“The airfare is the door that opens up tourism in the Latin American and Caribbean region,” he says.

The region's relatively young low-cost and ultra-low-cost carriers like JetSmart, Volaris, Flybondi and Sky Airline are helping to make this happen. These carriers are instrumental in getting travellers off the roads and into the air, also at short notice, with offerings that allow populations even with modest incomes to afford a flight.

In Latin America, he says, the annual per-capita trip rate is currently 0.6 – less than one trip per citizen per year. In Europe that figure is 2.6 and in the United

States, it is 3.3. So, there is plenty of room for growth.

“These carriers are bringing a new concept to the region,” he says. “Operationally, they are very good. But sometimes the extra fees are higher than the actual airfare, and that is a problem.”

The strong dollar is also creating issues for the region's airlines because about 45% of airlines' costs are in the US currency. Insurance, maintenance, jet fuel and leasing fees are usually paid in US dollars, Botelho explains. A stronger dollar makes those expenses cost more in local currencies.

### ESG STRATEGY

Looking beyond the economic factors influencing business in the region, leaders are busy making the sector more sustainable. But it is not just about climate change and the environment, or finding ways to develop and sup-

ply airlines with sustainable aviation fuel (*see box*). The way companies do business in the communities they serve is also becoming critically important for Latin American carriers in this post-pandemic world.

Younger travellers want to support companies with strong so-called ESG – environment, social and governance – programmes.

“ESG programmes around the world are worth \$31 trillion, and in two years that is projected to rise to \$51 trillion,” Botelho says. That's reason enough for airlines in Latin America and the Caribbean to explore and invest in these strategies.

“I am so very optimistic about the future,” Botelho says, “Let's learn from the past, but let's not look that way. If we take off the unnecessary rules and costs, and work as one to push forward this agenda – imagine what we can do for the people of this continent? It's amazing to think about.” ■

## SAF importance creates regional opportunities

It is now firmly established that sustainable aviation fuel (SAF) is perhaps the most important factor when it comes to meeting the net-zero goals set by the aviation industry.

Botelho believes that creates big opportunities for the Latin American and Caribbean region.

First, however, the development of a commercial-scale SAF

industry requires cooperation between governments and private industry, he insists, and an efficient regulatory framework with legal certainty to attract investment.

“The transition from hydrocarbon-based fuels to SAF requires the creation of a production and distribution chain from the ground up,” Botelho said at September's ALTA Aviation Law

Americas 2022 event. “It is necessary to align industry-government work, which is critical to achieve efficient policies, since it is necessary to have the legal certainty that allows investments and the development of infrastructures that generate competitiveness.”

Get those certainties in place, and the region has the potential to be a SAF powerhouse, he suggests.

“The region has all the required raw materials and the capacity to create the necessary jobs to achieve it,” Botelho says. “To name an example... Brazil has the potential with its raw materials to supply over 30% of the global demand for SAF by 2030.”

“This is a great opportunity that we cannot miss.” ■

LEWIS HARPER LONDON

# Demand surges but profits elusive

Region is among leading lights in terms of passenger demand trends against 2019 – but finances are another story

Airline leaders have plenty to be positive about in terms of passenger demand trends in the Latin American and Caribbean region – albeit the picture is not quite so rosy when profitability is considered.

Data sources indicate that airlines in region as a whole are either leading the world or running a close second to North America in terms of passenger traffic for the summer 2022 peak months, versus pre-Covid levels.

That feeds into a positive medium-term trend, with IATA forecast data released in late September showing that the region's airlines are still on course to reach and exceed 2019 passenger traffic in 2024, as they continue to trend ahead of other regions with the exception of North America, where 2019 levels are predicted to be passed next year.

## Passenger traffic data offers some comfort that people still want to fly

For airlines in Latin America and the Caribbean, overall 2022 passenger traffic is expected to be around 90% of 2019 levels, rising to within a couple of percentage points of parity in 2023, before exceeding pre-crisis levels in 2024.

Europe and the Middle East are also on course to exceed 2019 traffic in 2024, with Africa and Asia-Pacific following in 2025, IATA data suggests.

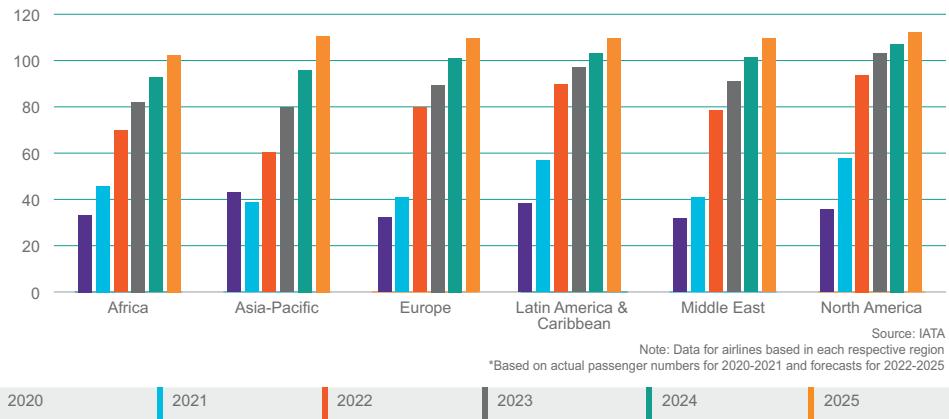
## CONFICTING MARGINS

But when IATA considers profitability – measured in net profit margin – the Latin American and Caribbean region's recent fortunes reverse somewhat in terms of global performance.

Data shows that the region was by far the weakest performer in

## Projected regional passenger traffic recovery trend 2020-2025\*

Index, 2019=100



2020, with its margin of close to -80% putting it in last place, behind the second-weakest performer, Europe, which was at around -42%. The relatively large gap continued into 2021, with the region's carriers seeing a net profit margin of around -32%, against margins of below -15% for all the other global regions.

The Latin America and the Caribbean region's net profit margin in 2022 is forecast to be around -8%, which would again make it the weakest performer globally.

Given that the region entered the Covid-19 crisis having recorded a collective loss of around \$400 million in 2019, according to IATA data, the financial challenges are hardly new as a concept.

But the financial downturn over the past couple of years has been particularly acute among the region's airlines, partly reflecting challenges including the lack of Covid-related government support compared with other regions, and persistent border restrictions in many markets.

Still, nearer-term passenger traffic data offers some comfort that people still want to fly – and suggests that huge growth potential still exists.

ALTA's own figures – which

measure traffic through passenger numbers – show the region's carriers at 91% of 2019 levels in July this year, ahead of Africa at 87%, North America at 85%, Europe and the Middle East at 78%, and Asia-Pacific at 68%.

Within that data, domestic traffic among Latin American and Caribbean airlines was down 5.8% versus 2019, intra-region traffic was down 24.4%, and all other international traffic was down 11.3%.

## LIGHTER RESTRICTIONS

The improving trend in international markets is partly thanks to the removal of the aforementioned Covid-related travel restrictions in key markets, with ALTA data suggesting that the only remaining measure of significance is the requirement for unvaccinated people to take a Covid-19 test before entry to a number of the region's countries.

Moreover, airlines in countries such as Colombia, Mexico and the Dominican Republic are already seeing international passengers exceed 2019 numbers.

Colombia and Mexico have also seen domestic passenger numbers exceed 2019 levels, with Brazil's huge market heading towards the same milestone in July, ALTA data shows.

Figures from global airlines association IATA reflect a similar story, with some minor differences caused by its use of the revenue passenger kilometre (RPK) metric for traffic, rather than passenger numbers.

In July, IATA data suggests airlines in Latin America and the Caribbean were in second place globally in terms of the recovery of overall RPKs versus 2019, at -11.5% versus -10.0% in the leading market, North America.

For August, IATA data shows the region's airlines jumping ahead of North America into first place, with respective RPKs of -10.2% and -10.9% versus the same month in 2019.

IATA highlights the importance of the domestic travel recovery, which shows that, in RPK terms, Brazil exceeded 2019 traffic levels in August this year by 0.6%.

In international RPK terms, the region's airlines were at -22.7% of 2019 levels in August, compared with -14.6% recorded by North American carriers.

When it came to capacity in July and August, measured in available seat kilometres, Latin America and the Caribbean was leading the way alongside North America, with both markets just 9% shy of 2019 levels. ■

LEWIS HARPER LONDON

# How Abra could rebalance region

Combination of carriers would create grouping with heft to challenge LATAM's position as largest Latin operation

**A**s Avianca and Gol continue to work towards the creation of a new airline holding company in the region, the latest data shows why the tie-up is attracting so much interest and scrutiny.

The combination of the two airlines – alongside Viva's Colombia and Peru operations, and an interest in Chile's Sky Airlines – in the Abra Group would create a business that would rival LATAM Airlines Group in terms of scale.

That would mark a significant shift in the balance of power in a region where LATAM has been by far the largest airline group, exceeding the capacity data for other operators by some distance.

Indeed, when it comes to flight numbers, seats offered and available seat kilometres (ASKs), Cirium schedules data shows LATAM's group output is at least double that of every other group or airline in the region for October 2022 – with the exception of one airline on one data point. That is for flights offered by Azul, which at around 27,000, are more than half 40,000 offered by LATAM. Gol is the third-busiest in terms of flights, at nearly 19,000, followed by Aeromexico at 17,000.

By seats, LATAM's 7.3 million are followed by Gol's 3.3 million, Azul's 3.2 million, Volaris' 3.1 million and Avianca's 2.6 million.

In terms of ASKs, LATAM's 10.5 billion are followed by



Based on October data, the proposed group would have a larger fleet and orderbook than LATAM

Volaris' 4.8 billion, Aeromexico's 4.2 billion, Gol's 3.7 billion, Avianca's 3.5 billion, Azul's 3.5 billion and Copa Airlines' 3.2 billion.

When the proposed Abra Group carriers are joined together, however, the balance changes significantly.

Cirium data for October shows the proposed Abra Group carriers are today offering around 7.6 million seats, compared with the 7.3 million by LATAM.

In Abra's case, those seats are being offered on around 43,000 flights, ahead of the 40,000 offered by LATAM.

LATAM is ahead of the proposed Abra grouping when available seat kilometres are considered, however, reflecting its

greater presence in long-haul markets. Abra carriers are operating 8.8 billion ASKs, while LATAM carriers are operating 10.5 billion.

## "Consolidation in most cases tends to be a positive thing for all airlines"

Pedro Heilbron

Chief executive, Copa Airlines

In terms of fleet size, the proposed Abra Group would be slightly ahead of LATAM Airlines Group, Cirium data suggests, with both operating more than 300 aircraft. The latter, however, has a much larger roster of twin-aisle jets.

More than 150 of Abra's fleet would be from the Airbus A320 family, of which just over a third are current-generation Neo jets. Around 140 aircraft are from the Boeing 737 family, with approximately a quarter of those being current-generation Max jets.

Abra would have around 22 widebody jets, including 13 Boeing 787-8s, six Airbus A330-200 freighters and three passenger versions of the same aircraft.

LATAM Airlines Group has a much longer list of widebody

aircraft in its fleet.

Cirium data shows the group has 74 widebody jets, including 20 787-9s, 18 767-300ERS, 10 787-8s, 10 777-300ERs and 16 767 freighters.

The rest of LATAM's fleet is made up of A320-family jets.

As things stand, Abra would have a much larger orderbook than LATAM, featuring more than 230 aircraft, Cirium data suggests, split between A320neo and 737 Max types.

Data shows some 68 aircraft in LATAM's orderbook – nearly all of them A320neo-family jets.

Ultimately, the data shows that should the European-style holding company structure take off in the region, a new power dynamic will quickly emerge.

And that is before partnerships with carriers outside the region are considered. On that point, the recent clearance by US authorities of LATAM's joint venture with Delta Air Lines is a significant milestone.

For the carriers left outside the groupings, however, there is not necessarily anything to fear.

"Consolidation in most cases tends to be a positive thing for all airlines, not just for the consolidating airlines," said Copa Airlines chief executive Pedro Heilbron, soon after the proposal to set up Abra Group was announced. ■

## How Abra Group would rank among region's top carriers in October 2022

Rank	Airline/Group	Flights	Seats	ASKs
1	LATAM Airlines Group	40,461	7,329,129	10,460,750,047
2	Abra Group*	43,556	7,625,087	8,832,243,225
3	Volaris	15,967	3,122,669	4,768,343,477
4	Aeromexico	17,116	2,468,763	4,164,213,360
5	Gol	18,883	3,293,352	3,667,172,448
6	Avianca	15,065	2,564,897	3,475,705,688
7	Azul	26,719	3,229,887	3,459,266,835
8	Copa Airlines	9,162	1,416,786	3,211,095,155
9	VivaAerobus	11,139	2,240,484	2,632,398,624
10	Aerolineas Argentinas	8,864	1,304,204	2,065,580,916

Source: FlightGlobal analysis of Cirium schedules data for marketed flights

Note: \*Combines data for Avianca, Gol, Viva Colombia, Viva Peru and Sky Airline



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LEWIS HARPER LONDON

# Cargo 'normalises' amid uncertainty

The air freight sector's resilience is being tested as demand settles down following the record performance in 2021

**T**he air cargo boom seen in 2021 was always likely to make subsequent years appear weak by comparison.

That is because the factors that drove the record performance last year were, in some cases, temporary. That includes the challenges in the shipping industry that meant more forwarders looked to air freight as an alternative.

But while a post-Covid 'normalisation' period was always baked in, the wider economic and geopolitical uncertainties that form the backdrop today were not.

The key question therefore becomes: how much do the current and approaching headwinds stymie an air cargo sector that propped up the wider airline industry financially over the past couple of years?

"We don't need to tell you that challenges are mounting," said Brendan Sullivan, IATA's global head of air cargo, during September's World Cargo Symposium in London.

Alongside high jet fuel prices, "the war in Ukraine has grounded some key players and disrupted supply chains", Sullivan says, adding: "Economic volatility has brought inflation, a weaker trading environment, shifting currency rates and slower GDP growth."

## DRIVING FREIGHT

Speaking to *Airline Business* at the symposium, Andres Bianchi, the chief executive of LATAM Cargo, explained the three stages the air cargo industry has been through leading up to this point, since the start of the pandemic.

"The first part [in 2020] was a lot of economic uncertainty – whether we were going into a rather deep recession or depression at the start of Covid," he recalls. "And what was really driving those volumes at the beginning was basically PPE and all those flows coming from China."

"[LATAM Cargo] had never flown to China [but] we were flying to China even a couple of



Bianchi: LATAM focused on robust network

but it's still one of the record years that we've seen in air cargo."

The outlook therefore very much depends on "what kind of glasses you have on".

The industry is likely to see a year-on-year demand decline of 2-4% for 2022, Bloeman states.

That full-year number is boosted by a relatively strong start to 2022, which is being offset by a decline in air cargo demand growth that began in April.

"Economic indicators suggest continued long-term growth, but indicate significant headwinds in the short-term," Bloeman says.

Even those short-term challenges are manageable, insists IATA's Sullivan. He notes that the air cargo industry "is in a better place than it was in 2019 – financially stronger, more efficient with advances in digitalisation, and better appreciated for the heroic efforts that we all made to keep cargo going during a very difficult crisis".

He adds that "the challenges and opportunities that we face are those that we are used to dealing with".

IATA chief economist Marie Owens Thomsen, also speaking in London, paints a similarly positive picture, saying that while global GDP growth is predicted to slow in 2023 from this year's expected 3.2%, the performance will still compare favourably with historic growth levels.

And amid the uncertainties created by several global factors, she urges people to fight the instinct to view a slowdown in economic growth as a negative development for air freight, pointing out that "growth is still growth".

Indeed, she uses a word from her native Swedish language to describe the market's current state: 'Lagom'.

That refers to something that is neither too hot, nor too cold.

Given the headwinds, plenty of air freight stakeholders will be happy if 'lagom' can eventually be used to describe the sector's progress through 2023 and 2024. ■

times per day, bringing PPE on passenger freighters."

The next stage involved "a more stable economic scenario", Bianchi states.

"People starting to think that demand is going to sustain itself. Then you start seeing the [benefits] from one, the growth of ecommerce, and two, the modal shift from sea to air because of the constraints of shipping."

"It's important to remember that 99% of the world's volume moves by sea, so a small shift in sea shipping has a huge impact on air freight."

Then comes the "third part" – which is where the industry finds itself today.

"Volumes are stabilising, supply chains are starting to [be] more normal, and you have to start thinking about what the post-Covid world is going to look like," Bianchi says.

And while air cargo has certainly proven its worth over the past few years, Bianchi acknowledges that the post-Covid normality is likely to emerge during "a very uncertain" couple of years.

The factors driving those uncertainties will vary by region, he says.

"Out of South America, it's a question of global economic uncertainty [combined] with regional political uncertainty," Bianchi states. "Uncertainty is probably

## A return to 2019 demand levels is not a desirable milestone when it comes to cargo

never good, particularly when you are moving a lot of products that are related to investment.

"So that may make things harder to predict."

For LATAM Cargo, "we are focusing on how we create a network that is both robust in terms of the service provided to our customers and also very responsive to changes, where we can move capacity in a timely fashion from one market to the other", he explains.

But Bianchi also points out that "it's important to remember that we were coming off a very difficult 2019" in demand terms, thanks to US-China trade tensions.

Indeed, context is everything when considering the evolution of air cargo demand, and unlike in the passenger side of the business, a return to 2019 demand levels is not a desirable milestone when it comes to cargo.

Speaking on stage at the same IATA event, Marco Bloeman, managing director at Seabury Cargo, says: "Last year was superstar. This year will not be that,

PILAR WOLFSTELLER LAS VEGAS

# JetSmart's ultra-low-cost ambitions

The recent addition to the ALTA membership is planning to persuade one bus passenger at a time to try its services

**W**hen Estuardo Ortiz arrived in Santiago in 2016 to head up a new Indigo Partners project called JetSmart, his ambition was to revolutionise air travel in the region.

"We wanted to bring something to South America that wasn't here yet," Ortiz told *Airline Business* earlier this year. "Indigo Partners realised there was a big white spot on the world map – a region of almost 500 million people – with very little low-cost-carrier presence, and pretty much no ultra-low-cost carriers."

Legacy airlines operating in Latin America had centralised route maps, connecting countries via capital cities, with out-and-back flights to secondary cities.

"We came here to reach out to all 500 million South Americans," Ortiz says. "We believe at least half have never travelled in an airplane. In 2019, there were 268 million trips across the region, so less than 0.6 trips per capita, compared to the US or Europe where that number is three to four.

"So it was a huge opportunity for us," Ortiz says. "I call it a revolution."

JetSmart adopted the no-frills formula that private equity firm Indigo made wildly successful in other parts of the world. That formula calls for strict adherence to the two most important features of a successful budget airline: high efficiency and strict cost control.

## 'FLYING SMART'

JetSmart was born in Chile in July 2017, with its catchy tagline, "Flying smart is flying more and paying less". That pitch has already convinced 10 million passengers to try it out.

In 2022, the airline is on track to add 5 million more. It is shooting for 100 million passengers by the end of 2028.

"We have this vision of reaching out to every country, to every city



Ortiz takes a hands-on approach

in South America, that every South American who wants to travel by air can do it," Ortiz says.

"You can fly in a brand-new Airbus A320 for ultra-low fares, be safe, reliable and on time, book your ticket on the phone, and have a good vibe on board," he continues. "That model has proven to be very successful."

Ortiz is convinced that bus travellers are all future JetSmart passengers. And he's not afraid to go out and build first-hand experience.

"When I started the airline, I decided that if I wanted to bring people from the bus, I should travel in a bus. So, I took a 30-hour bus trip to the north of the country. It was an adventure. But it was also an epiphany."

## "We are back and growing, and we are going to go full-power take-off"

**Estuardo Ortiz**

Chief executive, JetSmart

He stopped in La Serena, a town about 500km from Santiago, and spoke to a fellow traveller. She was on her way to the capital, and rather than taking a more-expensive but faster non-stop bus route, she chose the less-expensive journey, which would take eight hours longer.

"This is our target customer," Ortiz says. "For this lady, time is

less important than money. She was able to save \$10 by extending her journey. Traditional aviation targets a customer that is the opposite – time is more important than money."

## KNOW YOUR CUSTOMER

He is adamant that his leadership team internalise this mindset. When new managers join the company, he asks them to travel by public transportation to the city's bus depot, and get to know their potential customers – for whom air travel never was an option because it was simply too expensive. All that changes with the presence of a ULCC.

"When we see the market in South America, we don't see the air travel market, we see the entire transportation market – and that's a big difference," he says. "It's not market share we're looking for, it's market stimulation."

"Instead of celebrating the frequent flyer like other airlines do, we love to celebrate the customers who have never travelled by air before."

Despite his initial success in bringing a start-up mentality to Chilean aviation, JetSmart too had to figure out a way to endure the global health scare that threatened the carrier's very existence, two-and-a-half years after its first flight.

"We've been operating almost five years now. Half of that time we have been in a pandemic," Ortiz says. "To put it into an aviation analogy: we had just taken off, and during our ascent we had to come back and land."

"It was very frustrating. But the business is now back on track."

"We are back and growing, and we are going to go full-power take-off," he says, clearly enjoying effectively launching his start-up airline for the second time.

"JetSmart was always conceived to be a high-growth project. We've been preparing for this from day one." ■

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# Into service: airlines add new types

As recovery from the Covid-19 crisis has gathered pace during 2022, airlines in Latin America and the Caribbean have been bringing into service aircraft types that are new to their fleets, covering regional jets, single-aisles and freighters



Mas Air Cargo

## Sky High debuts E-Jet in region

Dominican carrier Sky High received its first Embraer E190 in June, followed by its second example a month later.

The deliveries of the leased jets marked the first time an airframe from Embraer's E-Jet family has been operated commercially in the Caribbean.

"It's a huge differentiator for us to be the only operator in the region with E-Jet capability," said Juan Chamizo Alonso, president of Sky High Aviation.

The GE Aviation CF34-powered

E190s are configured in a dual-class layout with 98 seats.

They complement two Embraer ERJ-145s in Sky High's fleet.

The E190s were provided by aircraft lessor TrueNoord, following service with Air Astana.

Transition works were completed at Embraer's MRO facility in Macon, Georgia.

Sky High offers flights to 15 international destinations, covering the Caribbean, the USA and Venezuela, from its hub at Las Americas International airport.

## Mas receives converted A330s

Mexican cargo carrier Mas received its – and the Americas' – first converted Airbus A330-200 freighter in February.

The A330-200P2F is a Rolls-Royce Trent 700-powered aircraft originally operated by Etihad.

The aircraft, converted by the EFW venture, was handed over to Mas on 21 February following its delivery to lessor Altavair.

Mas has since added a further two A330s: one A330-200P2F and one A330-300P2F.

"Mas will take advantage of the

increased payload and range of the A330 to expand our global presence, increasing flights to Europe and South America and starting to fly into China," said Mas chief executive Luis Sierra in February.

He described the twinjet as the "ideal aircraft" with which to develop the company's operations.

Based in Mexico City, the carrier has been operating freighters for three decades, focusing most recently on the Boeing 767.

It obtained certification to fly to China last year.



Airbus

## Caribbean goes to the Max

Caribbean Airlines carried out its first revenue flight with a Boeing 737 Max 8 back in January this year.

"The 737-8 is the most technologically advanced aircraft in the world and it brings a range of benefits for Caribbean Airlines, our customers, and the environment," said the carrier's chief executive, Garvin Medera, at the time.

The airline had started taking delivery of CFM International Leap-1B-powered Max jets in 2021, but a business restructuring effort amid the impact of the Covid-19

pandemic meant they did not enter service until this year.

According to Cirium fleets data, as of September the airline had nine 737 Max 8 jets in its fleet, seven ATR 72-600 turboprops and four Boeing 737-800s – with only one of the latter in service and three in storage.

The airline announced the Max order in 2018, saying the aircraft were destined to replace the older 737-800 models.

Caribbean Airlines serves 22 destinations across the Caribbean, and North and Latin America.

## A321neo for Chile's JetSmart

Chile-based JetSmart took delivery of its first Airbus A321neo jet in July.

The Pratt & Whitney PW1100G-powered narrowbody is leased through Aviation Capital Group.

"The delivery of our first A321neo marks the beginning of a new era for JetSmart, supporting our vision to serve 100 million passengers by 2028," said Estuardo Ortiz, chief executive of JetSmart.

"We worked with Airbus to configure our A321neo as the most competitive aircraft in the market, while maintaining our focus on

sustainability and ultra low fares," he adds.

JetSmart's second A321neo was delivered in early October.

The carrier has an all-Airbus fleet of 19 aircraft, according to Cirium fleets data, with 12 aircraft registered to its Chilean operation – two of which are assigned to the group's new Peru unit – and seven in Argentina.

By 2028, the airline's strategy calls for a fleet of over 100 aircraft. It has ordered 108 jets from the European manufacturer.

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L3Harris Commercial Aviation Solutions is a rarity in the industry. It fuses a multitude of solutions that touch nearly every aspect of airline operations for safer and more efficient operations. Their end-to-end solutions include a broad range of next-generation avionics, flight data analytics, full-flight simulators, and pilot training services with a clearly defined focus on enhancing safety, operational efficiency and cost savings for airlines. As the world emerges from the pandemic and prepares for the anticipated aerospace growth, customers are commending their transformation of regional-based strategies to customer-centric products and enhanced services needed as they grow their own operations.

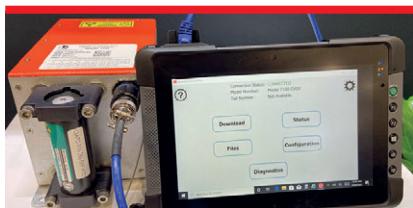
### DILIGENT AVIONICS INNOVATION

L3Harris' state-of-the-art surveillance solutions improve pilot situational awareness and operational efficiency. It is an industry leader in voice and flight data recorders, ADS-B In/Out solutions and precision tactical navigation systems. The company's advanced displays and dependable standbys set the bar for industry standards. These products are on nearly every platform flying today, providing operators the ability to upgrade older aircraft to the latest technology cost-effectively, and L3Harris prides itself in developing disruptive technologies and new innovations.

L3Harris has partnerships with global OEMs and airlines to innovate and deliver leading-edge products that serve the aircraft's full life cycle. L3Harris is the leading supplier of TCAS and ADS-B solutions that meet 7.1 mandates and provide operators with software upgrades that minimize aircraft service time. SafeRoute+ is the only ADS-B In retrofit solution and enables pilots to maintain Visual Flight Rules arrival rates under Instrument Flight Rules conditions. It delivers ADS-B Out information directly to the cockpit and augments real-time flight path decisions, including when to start slowing down during approach, enables tighter landing space and reduces go-arounds.

Programs like SRIVR25™ and the new xLDR (Extra Light Data Recorder) set the bar for capturing the most data ever available for airlines, helicopters, eVTOLs and unmanned aircraft. These products exceed mandated requirements to protect critical flight information, determine incident causes and provide strategic analysis to prevent future occurrences and enhance safety. L3Harris can now use this same flight data in helping to develop pilot-training requirements and integrate it with state-of-the-art flight simulators, training courses and pilot accreditations.

L3Harris has developed several upgrade programs to help meet mandates and upgrade fleet aircraft. Avionics programs include TCAS 7.1, standbys and LCD



displays. Recorder programs provide upgrade paths that minimize downtime while delivering the same level of data for flight data monitoring and fleet commonality.

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The RealitySeven full-flight simulators are among the most sophisticated and fully motion capable. L3Harris calibrates the simulators using accumulated flight data and guarantees the aerodynamics, flight control and ground handling characteristics to simulate as many as six levels of motion and realistic cockpit sounds - preparing pilots for real flight situations and advancing their credentials. Most recently, Airbus selected L3Harris to supply the Reality7e. The new A320-family full flight simulator provides a suite of maintenance and support utilities, including a secure customer portal that details software versions for future upgrades and enhancements, reducing the airline's lifetime ownership costs.

L3Harris' global airline academies and portfolio of training courses provide integrated training developed through years of experience and real-world insights. The international training centers provide UK, EASA and FAA commercial pilot certifications and platform credentials. With the anticipated global demand for pilot training, L3Harris has developed airline cadet and pilot pathway programs. These programs align with the operations specifications to help recruit and build future airline pilots.

## ACTIONABLE FLIGHT DATA

L3Harris also provides the industry's leading flight data analytics platform, enabling airlines, helicopters, business jet operators and unmanned aircraft manufacturers to make informed data-driven decisions. Customers can benchmark their operations to validate operational safety against a global database through collaboration with International Air Transport Association (IATA). Flight Data Connect provides a fast, accurate recreation of flights in graphical and 3D formats with specific, actionable insights generated by statistical models and machine learning, aligned to each customer's defined Safety Operating Procedures. In minutes, data can be uploaded and used to create reports in a secure, patented web portal. From regulatory cockpit voice, flight data and datalink recorder readouts to Flight Data Monitoring (FDM) and Flight Operations Quality Analysis (FOQA), L3Harris has advanced data analytics solutions for all aerospace operators.

## CUSTOMER-CENTRIC AFTERMARKET AND MRO SERVICES

L3Harris focuses on minimizing aircraft downtime with global AOG spare and exchange logistics support, supplying critical inventory from convenient locations. The new service-oriented aftermarket support includes a more profound, cross-portfolio technical support team for quicker assistance, new tech libraries and customer-focused programs.

The growing South American and Caribbean market continues to have evolving demands. L3Harris is actively investing in new technologies, services and programs to help airline operations grow more efficient while reducing aircraft lifetime ownership costs.

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Programs like SRIVR25 and Flight Data Analytics connect the most data ever available with an IATA partnered analysis tool for operators to make informed and actionable data-driven decisions

GRAHAM DUNN LONDON

**A**fter the most challenging of two years, the recent earnings quarter for Latin American operators offered an altogether more positive revenue picture.

While the spike in fuel prices clouded the profitability outlook, second-quarter results underlined that many carriers in the region had comfortably passed pre-pandemic levels of revenue. For those that have not yet done so, the landmark has at least moved within touching distance – something that seemed a long way off even last year.

Indeed, in any other circumstances, the airline financial performance in 2021 would have been a cause of alarm.

FlightGlobal analysis of the 50 leading global airlines groups shows they posted a collective operating loss of just over \$11 billion in 2021. That is based on data covering 43 of the 50 biggest airline groups by revenue for whom profit figures are available.

That, however, is a marked improvement on the \$100 billion the same groups lost in 2020, when the Covid outbreak resulted in the abrupt closure of borders and airlines were left with the same costs but a severe drop in revenue.

## TURNING TIDE

That global picture was evident among carriers in Latin America. Revenues rose across all leading players in the region for whom results have been released for 2021. However, almost all remained some way below the highs enjoyed before the pandemic.

The region's three biggest operators going into the crisis, LATAM Airlines Group, Avianca and Aeromexico, were continuing to work through formal financial restructurings last year and all remained in the red.

The region's biggest airline group, LATAM, lifted revenues by almost a fifth last year to just over \$5.1 billion. That though is still less than half the \$10.4 billion recorded in 2019.

Notably cargo, as seen elsewhere across the industry, has played a significant part in the recovery. Freight revenues of



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# Recovering revenues

Latin America's largest operators have been hit hard by the crisis, but more than two years since Covid first hit, many airlines are back at or beyond pre-pandemic highs

over \$1.5 billion last year were 44% higher than in 2019 and accounted for almost 30% of LATAM revenues. That compares to comprising less than 10% of its 2019 revenues.

Aeromexico revenues climbed 69% last year to just over Ps45 billion (\$2.2 billion), though remained a third down on pre-crisis levels. While the SkyTeam carrier has increased its air cargo activities as well compared with 2019, it still only comprises around 10% of its total revenues.

Full-year 2021 results for Colombian carrier Avianca were not available, though revenues after nine months of last year stood at around \$1.4 billion.

Planned partner in the Abra Group, Brazilian carrier Gol, lifted its revenues by 17% to Rs7.4 billion (\$1.4 billion) last year. That though is still well below the Rs13.9 billion recorded in 2019.

Fellow Brazilian carrier Azul increased its revenues more sharply in 2021. It generated almost Rs10 billion in revenues,

only 13% down on pre-crisis levels and above Gol by that metric.

Notably, Azul also posted a small operating profit for the year of Rs47 million – though it recorded a net loss of Rs4.8 billion for the same period.

Panama's Copa Airlines was another carrier to return to profit last year, both at an operating and net level. The pandemic had

## Low-cost carriers

**have been the  
operators to recover  
fastest from the crisis**

ended Copa's long run of operating profits, but it returned to the black with a surplus of \$146 million in 2021. That was achieved on revenues of \$1.5 billion, which were up 89% on 2020, but still below the pre-crisis high of \$2.7 billion.

Aerolineas Argentinas revenues in local currency climbed

back a quarter last year versus 2020, though were still more than a third below pre-crisis levels.

Low-cost carriers, with their strength in short-haul and leisure markets, have been the operators to recover fastest from the crisis. In Latin America that was further underlined with two of the most striking financial performances in 2021 coming from Mexican low-cost operators Volaris and VivaAerobus.

Both carriers passed pre-crisis revenues last year. Volaris posted revenues of PS44.6 billion in 2021 – more than double than turnover of the previous year and far outstripping the Ps34.8 billion of 2019. That year Volaris revenues were half those of Aeromexico. In 2021, the two carriers' revenues were almost on a par.

VivaAerobus revenues of Ps20 billion last year were 57% higher than its pre-pandemic peak.

Both airlines also recorded profits for the year; VivaAerobus posting an operating profit of Ps3.5 billion and Volaris an EBIT result of just over Ps8 billion. »

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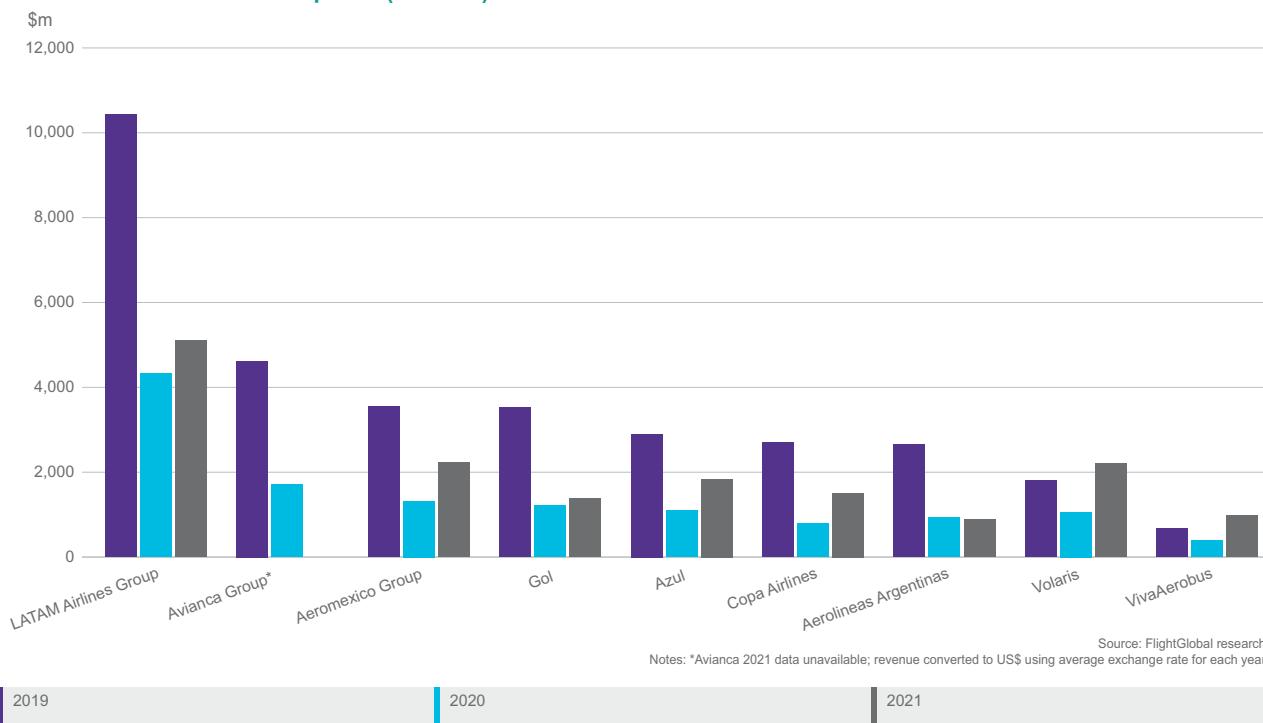
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# FINANCIALS

## Latin carrier revenue snapshot (2019-21)



2019

2020

2021

» That growth trend for the Mexican budget carriers has continued into this year as pandemic restrictions continued to ease.

VivaAerobus revenues at the halfway stage off 2022 were more than double the same six months in 2019. Volaris revenues were 43% higher over the first half.

However, the sharp rise in fuel prices has hit the bottom line,

Volaris posting an EBIT loss and VivaAerobus operating profits down by 72%.

Aeromexico also reported growth. First-half 2022 revenue of Ps32.1 billion was 90% up on the same period last year. It almost reached operating break-even during the first six months, driven by a second-quarter profit of Ps626 million.

Copa revenues of \$1.26 billion over the first half of this year closed to within 4% of 2019 and were 8% above pre-crisis levels in the second quarter. While cargo revenues have jumped 50% compared with the first half of 2019, at just under \$50 million, they still represent a relatively small portion of Copa revenues.

Copa recorded an operating

profit of \$87 million in the first half, though that is 55% below pre-crisis levels – again reflecting the impact of rising fuel costs.

### REVISED OUTLOOK

LATAM Airlines Group revenues more than doubled over the first half compared with 2021 and are now within 15% of pre-crisis levels. It remained in the red at the halfway stage of the year. It expects to exceed pre-crisis revenues next year, with a forecast of nearly \$11.5 billion. Under a revised business outlook issued at the end of August, as it prepares to exit US Chapter 11 protection, it sees revenues rising to just under \$14 billion in 2027.

Gol passed 2019 revenues during a strong first quarter of 2022 and these were again 3% above pre-pandemic levels for the second quarter.

Azul meanwhile reported a third consecutive revenue performance above pre-crisis levels in the second quarter. Indeed, its revenues of Rs3.9 billion were 50% higher than the same period in 2019 and marked the airline's highest quarterly revenue figure. ■



Aeromexico revenue was sharply hit by the crisis but almost doubled over the first half of this year

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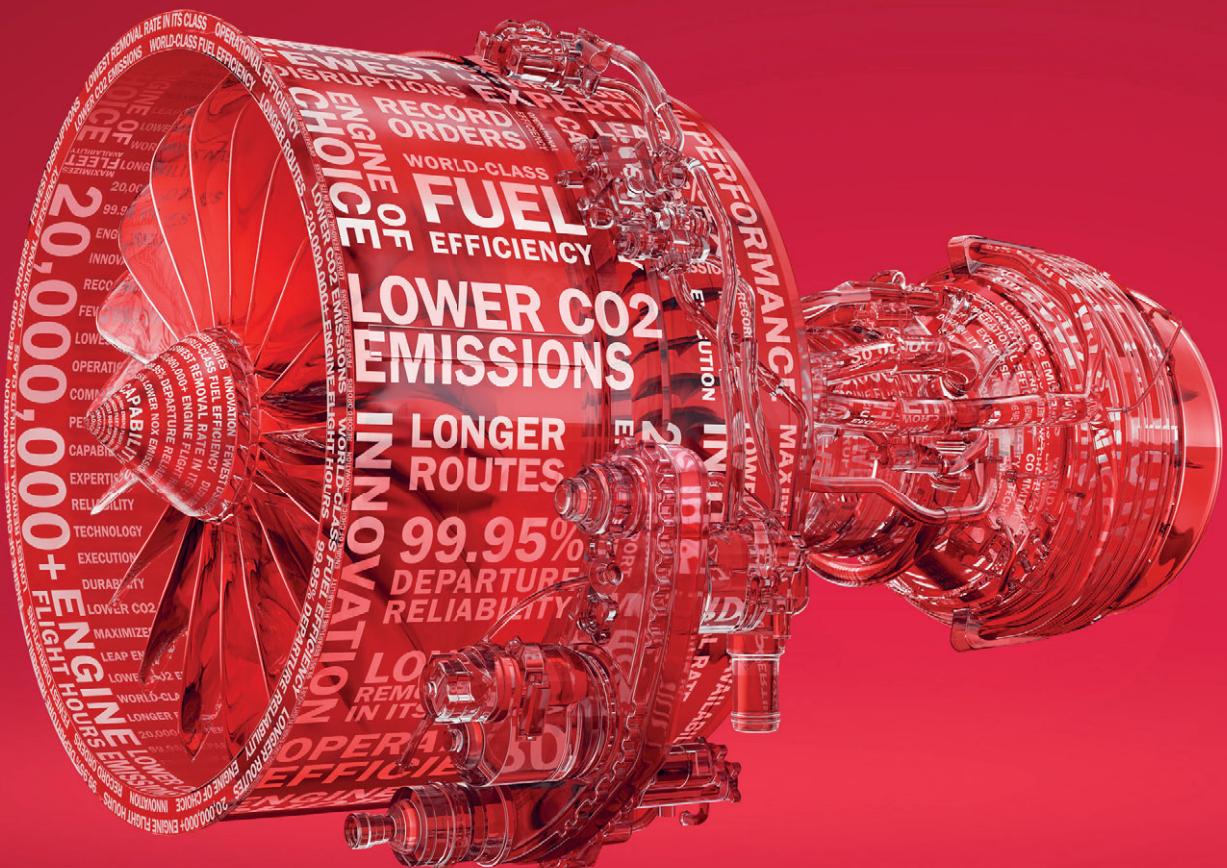
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