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FEATURED Q&A

When Will Air Travel Get Back to Normal in Latin America?



The Covid-19 pandemic has hit airlines hard. Aeroméxico is among the carriers that have filed for bankruptcy protection this year. // File Photo: Aeroméxico.

Q The Covid-19 pandemic has been financially devastating for airlines, including in Latin America, where LATAM Airlines, Avianca and Aeroméxico have all filed for bankruptcy protection this year. However, there are signs of improvement, with Aeroméxico reporting a pickup in passenger traffic and a much smaller loss in the third quarter as compared to the second. How much is air travel rebounding in Latin America, and what is the outlook for the sector next year? Which safety standards are proving to be the most effective, and how well are Latin American governments coordinating with the airlines that serve their countries in order to prevent the spread of infection? To what extent are countries in the region successfully working together in order to standardize air travel health safety protocols?

A Landon Loomis, vice president for global policy and managing director at Boeing Brazil: "The global impact of the pandemic is immense, and it has hit the aviation industry in Latin America particularly hard. According to the International Air Transport Association (IATA), passenger traffic in the region was down 92.2 percent in September as compared to last year, with capacity down 87.9 percent and load factors (utilization) at just above 50 percent. There was some encouraging news: commercial operations have returned in Brazil and Mexico faster than in the United States, and Chile is picking up quickly. For countries that rely on international connections to drive traffic, however, rates remain extremely depressed. The first priority during a pandemic must be to ensure the health and safety of the flying public. A comprehensive industry effort is well underway to develop and

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TODAY'S NEWS

POLITICAL

Guatemala Asks U.S. to Allow Citizens to Stay After Storm

Guatemala's government has asked for its citizens in the United States to be able to remain there under a "temporary protection mechanism" after the Central American country was hit by Tropical Storm Eta.

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BUSINESS

Brazil to Restart Trials of China's Sinovac Vaccine

Brazil's health authority had halted clinical trials after a volunteer reportedly committed suicide.

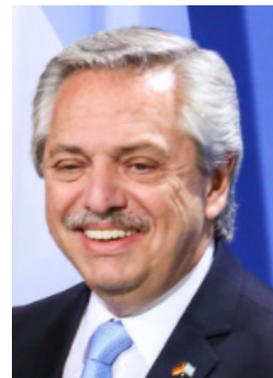
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POLITICAL

Argentina's President Isolated After Official Tests Positive for Covid

Argentine President Alberto Fernández and several of his cabinet members are in isolation after coming in contact with an official who tested positive for Covid-19.

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Fernández // File Photo: Argentine Government.

POLITICAL NEWS

Argentina's President in Isolation After Official Tests Positive

Argentine President Alberto Fernández and several of his ministers are in preventative isolation after coming in close contact with an official infected with the novel coronavirus, the government said in a statement on Wednesday, Clarín reported. Although the president tested negative for Covid-19, he will remain in isolation, the statement said, adding that his foreign and interior ministers, as well as the minister of women, gender and diversity, are still waiting for their test results. "I took a swab test whose result was negative," Fernández wrote on Twitter after announcing he had been in contact with Gustavo Béliz, the secretary of strategic affairs of the presidency, who had tested positive for Covid-19. Fernández also said he has no symptoms. Argentina has a total reported number of 1.27 million cases of Covid-19 and 34,531 confirmed deaths, according to a tally by Johns Hopkins University.

Guatemala Asks U.S. to Allow Citizens to Stay Following Storm

The Guatemalan government on Wednesday asked the United States to allow Guatemalans there to remain on humanitarian grounds, following havoc wreaked by storm Eta in the Central American nation last week, Reuters reported. "The Guatemalan government reiterates the necessity that Guatemalans who are currently in the United States can remain, and will not be deported, under this temporary protection mechanism," said Foreign Minister Pedro Brolo. Temporary protected status, or TPS, allows migrants whose home countries experience a natural disaster, armed conflict or other extraordinary events to provisionally remain in the United States and apply for work permits.

ECONOMIC NEWS

Chilean Central Bank Warns of Risks to Financial System

The Covid-19 pandemic is continuing to pose the most significant risk to Chile's financial system, the country's central bank warned Wednesday in a report, Reuters reported. Amid the pandemic, financial institutions' ability to take action to mitigate the crisis is diminishing, the central bank said, adding that it has already expended 40 percent of its assets through August in order to support liquidity and the country's credit markets, the wire service reported. Low growth that could worsen the economic effects of the pandemic and a dwindling ability of financial institutions to take measures to adapt to the situation are posing risks that could transform "liquidity problems into solvency complications," the central bank said in its Financial Stability Report. "These measures were designed to deal with liquidity problems temporarily," the report added. The central bank also said that concerns have been raised about Chile's sovereign debt rating due to worsening conditions of balance sheets and a "sustained" increase in public debt. Those factors are added to a \$29 billion package that the government announced and which includes emergency loans and mortgage deferrals. Some of these government efforts may have "undesirable effects" that include complications involving the evaluation of credit risks and interest rate policy, according to the central bank. In addition, the central bank said "changes to the legal framework" could "render more difficult the functioning of financial markets and the solvency of financial institutions." Last month, Chileans overwhelmingly voted for a new constitution, a main demand of protesters that have taken to the streets in Chile since last year. However, some businesses fear that the changes could stifle investment. In an [interview](#) Oct. 26 with the Latin America Advisor, former Chilean President Ricardo Lagos said a new constitution would not have negative effects on the country's private sector. "Chile is a

NEWS BRIEFS

Belize Expected to Announce Election Results Today

Belize is expected to announce the results of its national election today as longtime Prime Minister Dean Barrow, who led the nation for more than a dozen years, is retiring from electoral politics, Reuters reported. Patrick Faber, who has served as the minister of education, youth sports and culture since 2012, is now the leader and prime ministerial candidate of Barrow's conservative United Democratic Party. Faber is up against challenger Johnny Briceño, a former deputy prime minister of the center-left People's United Party, the main opposition force.

Mayor of Mexican Town of Jamapa Found Murdered

Florisel Ríos, the mayor of the small town of Jamapa in Mexico's Gulf coast state of Veracruz, was found murdered on Wednesday, state Gov. Cuitláhuac García announced, vowing to bring the killers to justice, the Associated Press reported. The incident comes four months after Ríos' police chief, Miguel Castillo, was shown in a video accusing her of ordering officers to kidnap people with the intention of killing them. The video of Castillo, who has been missing since July, was apparently made after his disappearance. He appears in the footage blindfolded and unclothed.

At Least 18 Tankers Expected to Load Oil for Export From Venezuela

At least 18 tankers are expected to load oil to be exported from Venezuela in coming weeks, Reuters reported Wednesday, citing tracking data and internal documents from Venezuelan state oil company PDVSA. In October, the country's oil exports plunged to their lowest levels since the 1940s amid the imposition of U.S. sanctions.

country with a very open economy," said Lagos, who was in office from 2000 to 2006.

BUSINESS NEWS

Brazil to Restart Clinical Trials of Sinovac Vaccine

Brazil's Anvisa health authority on Wednesday allowed the restarting of clinical trials of Chinese pharmaceutical maker Sinovac's potential Covid-19 vaccine after suspending the trials earlier this week, The Wall Street Journal reported. The health authority said it had examined new information about the "adverse event" involving a volunteer in the trial, which occurred on Oct. 29. Researchers participating in the testing of the vaccine, including those at São Paulo's Butantan Institute, had disagreed with Anvisa's decision to halt the trials. Brazilian press reported that a volunteer had committed suicide. Anvisa said it allowed the trials to resume after the Butantan Institute provided it additional information about the incident, including a police report from the case. Brazilian President Jair Bolsonaro had celebrated the halting of the trial, calling it "another win for Jair Bolsonaro." The president has supported a rival vaccine being developed by AstraZeneca and Oxford University and has sought to discredit the Sinovac vaccine, The Wall Street Journal reported. Bolsonaro has criticized China's investments in Brazil, saying they threaten the South American nation's security and sovereignty. Opponents of Bolsonaro had suggested that Anvisa's halting of the trials was motivated by Bolsonaro's criticism of the Sinovac vaccine and his rivalry with São Paulo Governor João Doria, the Associated Press reported. However, officials at Anvisa insisted the decision was based on technical issues and said they had initially not been provided enough information about the case involving the "adverse event." Though Brazilian media reported the suicide of the volunteer, Anvisa has given few details about the incident.

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deploy a multi-layered approach to protect passengers and crew throughout the travel journey. Airlines increased cabin cleaning between flights, adjusted seating configurations, and travelers are being required to wear face masks. On the plane, cabin air is filtered through specialized HEPA filters that remove 99.9 percent of particulates, including viruses. And the air is completely replaced every two to three minutes with outside air. Multiple data sources demonstrate that the approach works: according to IATA, more than one billion people traveled by air this year, with fewer than 50 documented cases of transmission (0.00005 percent). A recent study by the U.S. Transportation Command and United Airlines also found that the risk of contracting Covid-19 while flying is very low. In order to restore the full benefits of international connectivity, governments should pursue consistent protocols to facilitate cross-border travel. Given the anticipated economic impact of Covid on the region, there is a clear imperative for action. Forty-six million jobs in the broader economy are supported by the industry worldwide, including about eight million in Latin America. This includes flower producers in Colombia and the fishing industry in Ecuador, which all depend on airplanes to move their products around the world."

A Helene Becker, managing director and senior research analyst covering airlines, air freight and aircraft leasing at Cowen: "Brazil seems to be leading in the region, with domestic traffic recovering faster than in other countries. We are also seeing recovery in Mexico, which contributed to Aeroméxico's quarter-over-quarter improvement in the June-to-September quarter. In addition, Volaris continues to take share in Mexico, accounting for 42 percent of the domestic market, up from 31 percent last year. We expect them to hold on to a significant amount of this growth. The outlook for 2021 is continued improvement from this year, of

course, but a key to recovery is accepting testing as an alternative to quarantine. It is difficult for business traffic to return if travelers must quarantine after a short business trip. Likewise, we do not think tourists wish to quarantine upon arrival before starting their vacation. Finally, tourist attractions need to open. As a result, without a widely distributed vaccine, we think the recovery will still be long and slow. To the extent the region's governments can agree on a bubble or testing, travel growth will likely accelerate. We are seeing airlines starting to add capacity back to the market and are hopeful this slow growth can continue. As we move into the southern summer, we are hopeful the virus spread will mitigate, leading to continued recovery in traffic until we see vaccine distribution. Finally, the visiting friends and relatives' market will continue to gain strength as people feel comfortable traveling again."

A Rafael Echevarne, director general of Airports Council International-LAC: "Passenger traffic in Latin American and Caribbean airports is evolving at two different speeds. Through September, the region as a whole had a cumulative decline of 59 percent as compared to 2019, but there are important differences between two groups of countries: Brazil and Mexico, and the rest. Whereas March, April and May were equally dramatic for all countries, with traffic declining by more than 90 percent, there was a significant difference from June onwards. Mexico and Brazil have been recovering mainly as a result of their significant domestic traffic activity, and October closed with a decline of 53 percent in Mexico and of 60 percent in Brazil. However, the rest of the region closed October still maintaining a 90 percent decline over 2019. The future is uncertain because it depends on many unknown factors, the most important ones being the restrictions to travel imposed by governments and the availability of a

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vaccine. It is clear and it has been demonstrated that the imposition of quarantines kills demand. This is the reason why both airports and airlines encourage governments to opt for testing on departure. Also, as the reliability of quick Covid tests improves, we should see more demand for air travel. However, this will only materialize if governments adopt a coordinated and standardized approach, which is something that has not yet happened."

A **Eliseo Llamazares, partner and head of Latin America aviation and tourism at KPMG:** "During the time when airlines had their planes grounded, all aviation stakeholders (governments, airplane lessors, airports and even employees with voluntary or legal temporary dismissals) supported cash relief with the deferral of payments. But as flying resumes, so do fixed and variable costs, in a context of weak demand. The rate of burning through cash is thus much faster and dangerous for the industry. Given this, it is important to maintain stimuli (which Latin American governments have not done), as the worst of the crisis begins now. From a demand perspective, the lifting of restrictions leads to an emergency travel 'bubble' that makes it appear as if normalcy is back. This bubble will disappear in a few weeks, and demand will be weak and highly localized to certain routes, which will have a significant impact on air connections in Latin America. Based on Europe's experience, where mobility from the start was done without any health controls in what officials called 'safe corridors,' we can't ignore that the risk is very high and that it is necessary to implement strict testing controls at the origin and destination in order to avoid the import of cases. The implementation of a 'health passport,' with proof of noncontagion, is essential to limit the number of cases being imported during the reopening of borders, thus limiting the impact of a

'second wave,' which many countries around the world are experiencing."

A **Peter Cerdá, regional vice president of the Americas at the International Air Transport Association (IATA):**

"Even before Covid-19 triggered aviation's biggest-ever crisis, airlines across Latin America struggled to operate profitably. Many governments still viewed this industry as one for the well-off, which could be taxed at will, driving up operational costs. In 2019, the airlines based in the region suffered a loss of \$300 million and, while the original forecast for 2020 was for a modest profit, the pandemic has changed this dramatically. We are now looking at losses of at least \$4 billion. The continent went into lockdown for at least half a year, and at present we still have countries that have not fully reopened their borders, and at many airports, airlines face operating restrictions. In response to Covid-19, we came together as industry and, through bodies such as the International Civil Organization and the World Health Organization, developed aligned protocols on how to operate safely during this pandemic. Unfortunately, governments are implementing their individual, uncoordinated protocols, which are further hindering the recovery of aviation. We need this industry to regain its strength so it can support the socio-economic recovery across Latin America and Caribbean. Given the overall transport infrastructure in the region, aviation plays an essential role in connecting people, business and goods, not only within Latin America, but also with the rest of the world. We need a concerted effort by governments and all stakeholders in the travel value chain to restore confidence, which is the basis for all of us to recover from this pandemic."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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