

# COELUM.

Mexican Government Measures Related to Coronavirus.  
by Vera García



## APRIL NEWS on Mexican Aviation

COELUM: Pronunciation: 'che-l&m, is Latin for airspace or sky. The Romans began questioning the rights they had in the space above the land they owned and to how high above did that right extended to. Ad coelum et ad inferos, they discussed, meaning that their right of property would extend as high up to the heavens and down to hell.

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## Mexican Government Measures Related to Coronavirus.

by Vera García.

Global aviation is shutting down due to the coronavirus outbreak and travel restrictions designed to contain it, and *“many airlines will need government bailouts within weeks or face bankruptcy.”*<sup>1</sup> The International Air Transport Association (IATA) said that airlines will need *“emergency measures to get through the crisis, urges governments to explore extending credit lines, reducing tax burden and infrastructure cost.”*<sup>2</sup>

According to IATA, they expect economic impacts on: i) \$314 billion loss of passenger revenue; ii) 25 million jobs at stake and iii) burn through \$61B cash reserves in quarter two.<sup>3</sup>

Measures have already been implemented by some governments to support this critical situation. Various governments have provided aid to their national airlines or have announced that they are working on a special aid package to provide relief for the current urgent situation. As an example, some of the government actions that are or will take place in North America and Latin America are:

*The United States of America*, a \$58 billion bailout for US airlines (\$61b including grants for contractors) was signed into law by President Donald Trump on March 27, 2020 as part of the CARES Act. The bailout will include grants for worker compensation (\$25b for passenger airlines, \$4b for cargo airlines, \$3b for contractors) as well as \$25b for passenger

airlines and \$4b for cargo carriers in loans and loan guarantees. The US Treasury agreed on preliminary terms for the disbursement of grants to the 10 largest carriers on April 10, 2020.<sup>4</sup>

*Colombia*, the president Iván Duque announced a package of actions that include special terms until the second semester for the liquidation of parafiscal contributions<sup>5</sup> from the tourism sector. In turn, the declaration of VAT, income and complementary taxes, scheduled for the first half of this year, will be deferred for the end of the second half of 2020. *“The tariffs will also be modified to allow the importation of medical tools and implements and aviation spare parts and a new line of credit will be created, with a quota of 250,000 million pesos directed to the tourism and aviation sectors, through Banco de Comercio Exterior de Colombia (BANCOLDEX), in order to maintain liquidity for companies of all sizes.”*<sup>6</sup>

***“...President Andres Manuel Lopez Obrador has repeatedly rejected any state rescue of companies affected by the current crisis during recent press conferences...”***

*Brazil*, the measures announced by the Brazilian Government include: *“(i) postponing by six months the payment of air navigation fees by airlines for the*

1.- Hanna Ziady. (2020). Most airlines could be bankrupt by May. Governments will have to help. April 26, 2020, CNN Business: <https://edition.cnn.com/2020/03/16/business/airlines-bailouts/index.html>

2.- CNBC. (2020). Airlines will need emergency measures to get through coronavirus crisis. April 26, 2020, CNBC: <https://www.cnbc.com/2020/03/12/reuters-america-iata-says-airlines-will-need-emergency-measures-to-get-through-coronavirus-crisis-urges-governments-to-explore-extending.html>

3.- IATA. (2020). Remarks of Alexandre de Juniac at the IATA Media Briefing on COVID-19. April 26, 2020: <https://www.iata.org/en/pressroom/speeches/2020-04-21-01/>

4.- One Hundred Sixteen Congress of the United States of America. (2020). Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748, Public Law 116-136), de One Hundred Sixteen Congress of the United States of America Sitio web: <https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf>

5.-Parafiscal contributions are the mandatory contributions by employers to the Family Compensation Funds, Colombian institute for the Family Welfare and National Learning Service.

6.- IATA. (2020). IATA agradece el apoyo del gobierno colombiano a la industria de la aviación afectada por la crisis del coronavirus (COVID-19), en especial por las recientes medidas adoptadas por el Presidente Duqu. April 27, 2020, IATA:<https://www.iata.org/contentassets/a686ff624550453e8bf0c9b3f7f0ab26/2020-03-12-colombia-sp.pdf>

months of March, April, May and June; (ii) allowing for the deferment of airport concession fee payments by private airport operators to 18 December 2020 and (iii) permitting airlines more flexibility in the timeframe of refunding tickets for canceled flights.” Moreover, the government has indicated that it is preparing a special credit line to support airlines’ financial liquidity during these extraordinary circumstances.<sup>6</sup>

Whereas in Mexico, while the Ministry of Communications and Transportation (SCT) and Civil Aviation Federal Agency have shown some flexibility regarding the use of slots and the validity of licenses and certificates, President Andres Manuel Lopez Obrador has repeatedly rejected any state rescue of companies affected by the current crisis during recent press conferences, causing various calls on the Mexican government and authorities by the key regional organizations and stakeholders representing airlines, airports, air navigation services providers, industry suppliers, and related sectors across Latin America.

On March 19th, IATA sent a letter to the head of the SCT requesting Mexican Government to support airlines affected by the travel restrictions imposed due to the Coronavirus pandemic; on March 30, 2020 a joint statement from IATA, The International Civil Aviation Organization (ICAO), Airport Council International (ACI), Civil Air Navigation Services Organization (CANSO), was sent to the governments in Latin America and Caribbean renewing their joint call on governments and authorities to work in a coordinated and assertive manner to sustain the viability of the aviation industry<sup>7</sup>. Lastly, on April 13, 2020, a new letter was sent to the Mexican Government to reconsider its decision of not supporting the requests from the sector to face the effects of

the Coronavirus pandemic, “which from March to May will generate a loss of US\$5.3 billion and about 97,000 direct jobs and 437,000 indirect jobs in Mexico.”<sup>8</sup>

The last communication issued by IATA mentioned that the air transport is one the axes of the Mexican economy, granting 37.4 billion USD dollars to the country’s GDP, resulting on 3.5% of the Mexican GDP. The Association anticipated that for the Mexican market, revenues will decrease by 5.3 thousand million USD dollars and that airlines that currently operate in Mexico will not be able to continue operations at levels prior to crisis, or could even cease to exist entirely, if not immediate relief measures are taken.<sup>9</sup>

***“The Mexican government must urgently consider the strategic importance of the aviation industry for the country’s economy recovery...”***

In order to mitigate the financial impact in the best possible way, IATA proposed the following measures to support the airline industry: (i) discounts on airport costs and taxes; (ii) to extend payment terms by PEMEX; ASA and SENEAM; (iii) loans, loan guarantees and support to the corporate bond market by the government or the Central Bank; (iv) discounts on payroll taxes paid and/or an extension on payment terms; and (v) direct financial aid.<sup>10</sup>

Separately, the vice president of the Association of IATA for the Americas, has also made public that the Mexican Government should make an adequate evaluation of the relevance of continuing with the construction of the airport at the Santa Lucía

7.-ALTA. (2020). LATIN AMERICA AND CARIBBEAN AVIATION INDUSTRY MAKES URGENT APPEAL TO GOVERNMENTS. April 26, 2020, ALTA: <https://www.alt.aero/news/press-release/press-release/latin-america-caribbean-aviation-industry-makes-urgent-appeal-governments/>

8.- IATA. (2020). IATA insta al gobierno mexicano sobre la urgencia de tomar medidas para apoyar a la industria área frente a la crisis del COVID-19. April 26, 2020, IATA: <https://www.iata.org/contentassets/a686ff624550453e8bf0c9b3f7f0ab26/2020-04-13-mexico-sp.pdf>

9.- IATA. (2020). IATA insta al gobierno mexicano sobre la urgencia de tomar medidas para apoyar a la industria área frente a la crisis del COVID-19. April 26, 2020, IATA: <https://www.iata.org/contentassets/a686ff624550453e8bf0c9b3f7f0ab26/2020-04-13-mexico-sp.pdf>

10.- IATA. (2020). IATA insta al gobierno mexicano sobre la urgencia de tomar medidas para apoyar a la industria área frente a la crisis del COVID-19. April 26, 2020, IATA: <https://www.iata.org/contentassets/a686ff624550453e8bf0c9b3f7f0ab26/2020-04-13-mexico-sp.pdf>

military base, since in the coming months and years the demand will not be the same as the one that existed before the contingency.<sup>11</sup>

According to IATA to the date of this article, none of these letters have been responded to yet and is not expected to be responded at any time soon. The only official communication made by the Mexican government in respect to its strategy to face the crisis generated by the Coronavirus global pandemic is the Austerity Plan published on April 23, 2020 in the official journal of the federation. The proposal express a series of measures, such as the elimination of undersecretaries, salary reduction of senior public official on a “voluntary” basis, grants for 3 million on loans to people, small family-owned and small business and medium size enterprises (SMEs) and the creation of 2 million new jobs in 9 months.<sup>12</sup> Therefore, its reiterated that the government is not predisposed to commit significant fiscal resources to help the aviation industry or any industry from the private sector to navigate the crisis.

The aforementioned proposal announced that the savings were to raise the national budget by 622,556 million pesos that will allow the government to strengthen the protection of social programs and priority projects including infrastructure investment projects such as the construction of the Airport General Felipe Angeles ( Santa Lucía military base) and the airport system of Mexico City. As we can see that the Mexican Government has prioritized these two projects over supporting the aviation industry that is now increasingly facing a liquidity crisis.<sup>13</sup>

The timing of governmental aid implementation is crucial, otherwise it will have irreversible effects on the aviation industry. Mexican airlines would have to compete with foreign airlines that are receiving supports and credits from their governments, while they are not receiving any aid, credit or financing; or any possibility to defer or reduce taxes from the government. Therefore, it would be extremely difficult for Mexican carriers to recover from the impact of the current crisis while competing with airlines that are receiving all kinds of support and credit.

The Mexican government must urgently consider the strategic importance of the aviation industry for the country’s economy recovery: the millions of specialized jobs that would be cut in the industry, the connective loss; the lack of competition, the damage on the economic spill upon the travel and tourism industry that are closely related to the aviation industry.

Increased government collaboration is required, not only through this crisis but also throughout its recovery phase. *“Mexico relies heavily on domestic, regional and international air connectivity. If the foundation of this industry does not survive the Coronavirus outbreak, the socio-economic recovery from this crisis across the region will be severely hampered.”*<sup>14</sup>

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11.- IATA. (2020). *Por crisis, IATA pide posponer obras del aeropuerto de Santa Lucía*. April 26, 2020, IATA: <https://www.jornada.com.mx/ultimas/economia/2020/04/13/por-tesis-iata-pide-posponer-obras-del-aeropuerto-de-santa-lucia-907.html>

12.- Diario Oficial de la Federación. (2020). *DECRETO por el que se establecen las medidas de austeridad que deberán observar las dependencias y entidades de la Administración Pública Federal bajo los criterios que en el mismo se indican*. April 26, 2020, Diario Oficial de la Federación: [https://www.dof.gob.mx/nota\\_detalle.php?codigo=5592205&fecha=23/04/2020](https://www.dof.gob.mx/nota_detalle.php?codigo=5592205&fecha=23/04/2020)

13.- Diario Oficial de la Federación. (2020). *DECRETO por el que se establecen las medidas de austeridad que deberán observar las dependencias y entidades de la Administración Pública Federal bajo los criterios que en el mismo se indican*. April 26, 2020, Diario Oficial de la Federación: [https://www.dof.gob.mx/nota\\_detalle.php?codigo=5592205&fecha=23/04/2020](https://www.dof.gob.mx/nota_detalle.php?codigo=5592205&fecha=23/04/2020)

14.- ALTA. (2020). *LATIN AMERICA AND CARIBBEAN AVIATION INDUSTRY MAKES URGENT APPEAL TO GOVERNMENTS*. April 26, 2020, ALTA: <https://www.alt.aero/news/press-release/press-release/latin-america-caribbean-aviation-industry-makes-urgent-appeal-governments/>

**Air traffic demand could drop 70% in June.**

Bain & Company the American consultancy estimated that by June 2020 the sharpest drop of air traffic could take place, with a decrease of 70% compared to 2019. Also, the company has estimated that global drops in demand will be between 40 and 55%. Moreover, according to the International Air Transport Association, flights worldwide at the beginning of the second trimester of 2020 were 70% lower in comparison with last year. Therefore, Bain & Company is estimating that between 5% and 10% of the Airlines worldwide, will collapse in the following months, even if the industry counts with the economic support of their respective governments. [www.a21.com.mx/aerolineas/2020/04/07/demanda-del-trafico-aereo-podria-caer-70-en-junio](http://www.a21.com.mx/aerolineas/2020/04/07/demanda-del-trafico-aereo-podria-caer-70-en-junio) April 07, 2020.

**IATA asks the Mexican government for leadership and support.**

The International Air Transport Association (IATA) requested that the Mexican government take a leadership role and support the industry so that it can maintain its economic viability and support recovery once the crisis passes through COVID-19. "It is essential that the government take a leadership role. The crisis is going to affect the country very, very hard. Mexico depends on tourism. It is going to be a very important challenge, and without air transport and without government support to encourage the sector, the country will have a very big economic crisis" said Peter Cerda, IATA regional vice president for the Americas. [www.a21.com.mx/aeronautica/2020/04/13/pide-iata-liderazgo-y-apoyo-gobierno-de-mexico](http://www.a21.com.mx/aeronautica/2020/04/13/pide-iata-liderazgo-y-apoyo-gobierno-de-mexico) April 13, 2020.

**The construction of Santa Lucia's Airport must be reevaluated: IATA.**

The International Air Transport Association (IATA), has requested the re-evaluation of airport constructions and expansions projects worldwide, as is the case of the Santa Lucía International Airport. The above mentioned, as a measure of the fall in demand worldwide due to the current crisis of COVID-19. Thus, IATA has requested the Mexican government to discuss and reevaluate which will be the capacity and effective operation in the future, once the pandemic is over. Since, plenty of airlines believe that financially, they will recover from the current situation until 2022 or even 2023. [www.a21.com.mx/aeropuertos/2020/04/13/hay-que-reevaluar-construccion-de-santa-lucia-iata](http://www.a21.com.mx/aeropuertos/2020/04/13/hay-que-reevaluar-construccion-de-santa-lucia-iata) April 13, 2020.

**Aeronautical industry asks to be part of essential activities in Mexico.**

The Mexican Federation of the Aerospace Industry (FEMIA), in collaboration with the country's aerospace clusters, presented a formal request to the Government to consider the aeronautical industry as an "essential activity", in the context of the current crisis due to the pandemic of COVID-19. FEMIA requested that the country attend the COVID-19 pandemic as its T-MEC partners do, the United States and Canada, declaring the industry as an essential activity. In this way, the clusters of Chihuahua, Nuevo León and Querétaro joined FEMIA, in the petition addressed to the Secretariats of Economy, Foreign Relations, Labor and Social Security and Health, to pay attention to the repercussion that the pandemic is having in the industry. [www.a21.com.mx/aeronautica/2020/04/14/pide-industria-aeronautica-ser-actividad-esencial-en-mexico](http://www.a21.com.mx/aeronautica/2020/04/14/pide-industria-aeronautica-ser-actividad-esencial-en-mexico) April 14, 2020.

**Analysts Estimate Up To 1,000 Aircraft Could Be Retired In 2020.**

Helene Becker, airline specialist, and one of the Directors at US financial analytics firm Cowen, disclosed some of the predictions of the future of aviation in the US. In her forecast, US airlines will retire between 800 and 1,000 aircraft this year; also, we will encounter ourselves with significant job losses too. Moreover, as we have seen in the past weeks several airlines around the world are considering the early retirement of aircraft because of the global travel downturn. A380s and 747s have headed off to aircraft graveyards early, while smaller but older planes have also been earmarked for the chop. [www.simpleflying.com/2020-1000-aircraft-retired/](http://www.simpleflying.com/2020-1000-aircraft-retired/) April 14, 2020.

## **Government Support Crucial to Staying Afloat: Airlines.**

National Air Transport Chamber (CANAERO in Spanish) says that the implementation of a package of measures to support the national air sector by May is crucial so that airlines do not go bankrupt while phase 3 of the COVID-19 health emergency in Mexico persists. The Mexican airlines have reached already 90% of the reduction of their capacity. In addition, airports noted an increase in the number of operational cancellations, from 48 per cent in March to 75 per cent in April. There is also 88 percent of the national aircraft fleet on the ground. Bankruptcies are expected to start at the end of May. [www.a21.com.mx/aerolineas/2020/04/23/apoyo-gubernamental-es-crucial-para-no-quebrar-aerolineas](http://www.a21.com.mx/aerolineas/2020/04/23/apoyo-gubernamental-es-crucial-para-no-quebrar-aerolineas) April 20, 2020.

## **Coronavirus causes first crash for Mexican aviation in nine years.**

Travel restrictions due to the spread of the coronavirus caused that aviation in Mexico, that is, the measure in total passengers transported, during the first semester of 2020 will register its first drop in nine years. Based on figures from the Ministry of Communications and Transportation (SCT), the number of people mobilized from January to March of this year by this means was 23 million 271 thousand, a decrease of 5.2 percent, a situation that was not experienced since 2011, when the industry decreased 1.9 percent. Based on an analysis carried out, in the period of a first semester in the years from 2012 to 2019, growth had increases of between 6 and 11 percent. [www.milenio.com/negocios/coronavirus-causa-caida-aviacion-mexicana-nueve-anos](http://www.milenio.com/negocios/coronavirus-causa-caida-aviacion-mexicana-nueve-anos) April 21, 2020.

## **St. Lucia's Relevance Questioned.**

Continuing the transformation of a military base to handle commercial operations has no justification at this time as airlines increasingly reduce their capacity, and there is no certainty that passenger demand will again materialize in at least three years. The International Monetary Fund forecast points to a contraction of 6.6% in the Mexican economy by 2020. So far, the government has not suspended tax payments, nor has it pressed for a stimulus package. During the month of March, the AICM recorded a 35% drop in the number of passengers received compared to a previous year. [www.a21.com.mx/aeronautica/2020/04/22/cuestionan-relevancia-de-santa-lucia](http://www.a21.com.mx/aeronautica/2020/04/22/cuestionan-relevancia-de-santa-lucia) April 22, 2020.

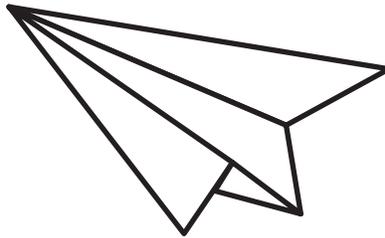
## **Government's support is fundamental to avoid Airline Bankruptcy.**

Before May, the measures for the support on the national aviation sector must take place, since its crucial for airlines on to declaring bankruptcy while phase 3 of the COVID-19 health emergency in Mexico persists, said the National Air Transport Chamber (CANAERO). Also, due to the current scenario, it is no surprise that Mexican airlines have already reached 90% of the reduction in capacity. In addition, airports observed an increase in the number of cancellations of operations, which went from 48% in March to 75% in April and finally 88% of the national aircraft fleet, is grounded. [www.a21.com.mx/aerolineas/2020/04/23/apoyo-gubernamental-es-crucial-para-no-quebrar-aerolineas](http://www.a21.com.mx/aerolineas/2020/04/23/apoyo-gubernamental-es-crucial-para-no-quebrar-aerolineas) April 23, 2020.

## **AICM reinforces protection campaign against COVID.**

The International Airport of Mexico City (AICM) implemented a program of activities for the prevention of contagion by COVID-19, for which, the air terminal provided supplies to attend to passengers while the health contingency persists. On one hand, the AICM designed a questionnaire to identify risk factors to evaluate nearly 500,000 passengers who circulate through the terminal. A sum of 195 thousand pesos were invested for this activity. Additionally, the AICM invested another 34,625 pesos in informative posters of the COVID-19 disease that will be distributed throughout the airport with the measures that users must apply for a safe stay in the facilities. Likewise, the airport authorities acquired 30 thousand double heat-sealed mouthpieces, 200 liters of antibacterial hand gel, rechargeable Triple A batteries, mini battery charger, infrared thermometers and sterile gloves, with the aim of promoting security at the two airport terminals. Finally, the AICM has launched 2 calls for pre-hospital medical care during the month of April in which supplies of attention to the respiratory tract by health professionals hired for this task are contemplated. <http://a21.com.mx/aerolineas/2020/04/23/apoyo-gubernamental-es-crucial-para-no-quebrar-aerolineas> April 23, 2020.

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