



## CUAUHTLI, BUFETE LAN AVIATION NEWSLETTER

HOMERO 229 MASTER SUITE 4  
POLANCO V SECC. 11560  
MEXICO CITY  
CEL. 55 5183-9302  
TEL. 55 5254-2235  
[bufetelan@bufetelan.com](mailto:bufetelan@bufetelan.com)

**CUAUHTLI**  
*Cuahtli*, means 'eagle' in nahuatl,  
the Aztecs' language.

Corporate law, contracts, international trade, intellectual property, energy, aeronautical law, ground transportation, maritime law, administrative law, environmental, sanitary law, information technologies, franchises, real estate, foreign investment, migratory law, commercial transactions.



### STATE OF THE MEXICAN AIRLINE INDUSTRY AT THE END OF THE YEAR

December 21, 2020.

Covid-19 has been a nightmare for humanity.

First for human beings but also for world and national economies and for specific sectors such as aviation.

The toll for aviation has been massively negative and, unfortunately, in the short and medium range it could continue this way.

**Bufete Lan Law Firm** in Mexico City reports on the state of Mexico's airline industry at the end of 2020.

Although it is true that the worst is over once the March – June period is behind, the outlook is grim for Mexican aviation.

The Covid-19 crisis in Mexico remains in critical conditions. The country will reach soon the amount of 120,000 deaths and approximately 1,200,00 cases of sick people, a heavy burden indeed for a less developed nation.



As in most countries, Mexican aviation continues affected by closed borders and/or restrictions which substantially limit traffic, especially international flights.

Domestic traffic in Mexico continues growing but international flows remain severally limited even though Mexico has never closed its domestic and international market of flights even in the second three-month period of this year when the pandemic had its peak.

Vis-à-vis other nations, Mexican aviation has not received any financial (or of any nature) assistance from the federal government. It is completely on its own.

The international Air Transport Association (IATA) has highlighted the critical situation of Mexican carriers and has asked the Government of Mexico to activate assistance for this sector. But quite likely no help will come.

Peter Cerdá, Vice-President of IATA for Latin America, recently stated that loss of income for Mexican carriers could reach nine thousand three hundred million dollars, that is, a reduction in sales of 65% vis-à-vis the year 2019. Cerdá also estimates that loss of employment could reach 170,580 jobs.

The Mexican Chamber of Aviation (CANAEREO) foresees a possible loss of 5000 million dollars this year for the Mexican airline sector.

Two emblematic examples of the current circumstances are Aeromexico, Mexico's largest airline, and Interjet, now in critical conditions.

Aeromexico, also the most international of the Mexican carriers, continues under Chapter 11 procedures of the U.S. Bankruptcy Code. In this context, it has negotiated a substantial loan, has returned a number of aircraft to lessors and has requested authorization to a New York Court to dismiss about 1839 employees, among other measures.

Interjet has interrupted operations during most of December, has an important debt to tax authorities, is in arrears in the payment of its personnel and under many other situations that compromise its viability.

Interjet mostly flies A320 aircraft but also acquired about 20 Sukhoi Super 100 planes which most are now stranded at the Toluca International Airport near Mexico City.

The remaining Mexican companies also have difficult circumstances. However, it is expected that most carriers would have the capacity to overcome the present situation. Interjet it is now the only one that could succumb.

In the Mexican airport dimension, the four private airport groups which handle Mexico's most important airports also continue gradually ameliorating as domestic traffic started its take-off last August.

However, final year-end numbers will also reflect the negative situation of Mexican carriers.

For example, the Mexico City International Airport reports that last September saw the fourth month of recovery. In such month its two terminals handled 1,508,060 passengers, that is, a loss of 62% vis-à-vis the same month of last year. In the period January – September of 2020, the Mexico City International managed 15,724,365 passengers, a loss of 57.8% in relation to the same period of the year 2019. Of such figure, 72% were domestic flight which shows the weakness of international traffic.

As Mexico is one of the premier countries in tourism, the weak figures for international aviation traffic reflect, in turn, the weakness of the tourist sector in Mexico.

According to “El Economista” (“Reactivación turística se ralentiza” October 12, 2020), the recovery of International tourism develops slowly. During August, Mexico received 1,350,736 international tourists (62.2% less annually) and 509.2 million dollars, 73.7% less than in August of 2019. Both represent moderate figures but still reflect a slow reactivation, according to a study of the National Institute of Geography and Statistics (INEGI).

According to such study, the reactivation will be largely focused in regional flights within Mexico. The country’s advantage vis-à-vis other nations is its large geographical border with the United States and the substantial aviation market between the two countries. In fact, during last August the international flights with most traffic all involved U.S.-Mexico routes such as Atlanta-Cancún; Chicago-Cancún; Denver-Cancún; Miami-Cancún; New York-Cancún; Houston-Cancún; Dallas-San José del Cabo and Los Angeles-San José del Cabo.

However, a number of international carriers from other nations have not resumed operations to Mexico such as Hainan Airlines, All Nippon Airways, China Southern Airlines, Emirates, Lan Perú, Lan Chile, Líneas Aereas Costarricenses, and TACA Perú.

In addition, international carriers with arranged connections to Mexico (through other airlines) which have also ceased indirect operations to Mexico are Air España, Turkish Airlines, TUI fly Belgium, TUI Airways and Tuifly Nordic, among others.

The Covid-19 crisis has the potential to change the Mexican market of airline aviation. As mentioned in this **Bufete Lan/Analysis**, it is expected that most carriers would overcome the situation and continue operations, especially now that Mexico and the world have started massive vaccination.

But, nevertheless, doubts remain. Some carriers, such as Interjet, could find further complications along the road. In fact, it has ceased operations during the remaining month of December. Its situation is critical.

Even before the Covid-19 crisis, Mexico’s airline market has been changing.

From 2005 to the year 2016, eight major airlines of Mexico ceased operations. First of all, Mexicana, an emblematic carrier of Mexico that in the decades of the 1980s had the largest fleet in Latin America of Boeing 727s. It was also the third oldest airline of the world.

In addition to Mexicana, Aerocalifornia, Aerolíneas Internacionales, Aerolíneas Mesoamericanas, Aviacsa, SARO, Avolar and Azteca also ceased operations.

Hopefully, no more national airlines will have such fate, now because of the Covid-19 pathogen.

As it can be appreciated, although Mexican commercial aviation continues slowly ameliorating, the results of 2020 are quite weak. No doubt Mexican aviation is in a difficult situation.

In the international dimension, just briefly it should be mentioned that the situation also continues difficult.

The International Air Transport Association reported that recovery of passenger traffic continued slow in October of this year.

“Total demand (measured in revenue passenger kilometers or RPKS) was down 70.6% compared to October 2019. This was just a modest improvement from the 72.2% year-to-year decline recorded in September. Capacity was down 59.9% compared to a year ago and load factor fell 21.8 percentage points to 60.2%. International passenger demand in October was down 87.8% compared to October 2019” (IATA: Passenger Recovery Dissapoints in October 2019”. December 8, 2020).

IATA also reported that Europe would be the worst-hit region of the world in terms of airline losses. Passenger traffic fell 70% in 2020, the weakest performance of any region with the exception of Africa (-72%) and the Middle East (-73%).

Last but not least, **Bufete Lan Law Firm** in Mexico City wants to thank and wish its dear clients and friends around the world a very merry holiday season.

**Bufete Lan Law Firm** in Mexico City  
bufetelan@bufetelan.com

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