



**MEMORANDUM OF UNDERSTANDING (MOU)
BETWEEN
THE LATIN AMERICAN CIVIL AVIATION COMMISSION (CLAC)
(COMISIÓN LATINOAMERICANA DE AVIACIÓN CIVIL)
AND
THE INTERNATIONAL AIR TRANSPORTATION ASSOCIATION (IATA)
(ASOCIACIÓN DE TRANSPORTE AÉREO INTERNACIONAL)**

The Latin American Civil Aviation Commission (CLAC) and the International Air Transportation Association (IATA) establish the following:

RECOGNIZING the importance and significant contribution of civil aviation to the socio-economic development of Member States;

RECOGNIZING the considerable air traffic volume existing in Latin America;

RECOGNIZING the need to determine the impact of air transportation on the regional economy;

DESIROUS of developing significant cooperation bonds in order to promote the safe, efficient and sustainable development of the aeronautic industry in Latin America;

NOW, THEREFORE, CLAC and IATA agree as follows:

**ARTICLE I
JOINT STUDY PROJECT**

CLAC and IATA agree to undertake a joint project regarding the economic contribution of air transportation to the economies of each of CLAC's Member States.

During the First Stage, the study will cover the 5 States that comprise CLAC's Executive Committee; namely, Bolivia, Colombia, Chile, México and Panama. In this First Stage and starting immediately, we will develop the study for Panama, Mexico and Chile, and, subsequently, for Colombia and Bolivia.

To make progress in developing the First Stage of this study, the Parties hereto agree to work pursuant to the provisions established under Annex 1 of the present document.

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ARTICLE II COOPERATION MODALITIES

COORDINATION

For the purposes of coordinating, methodology, information exchange, meetings and report deliveries, both institutions hereby appoint the following representatives as their Technical Counterparts:

CLAC: Mr. Marco Ospina, Executive Secretary
Email: clacsec@lima.icao.int
Telephone: (51 1) 422-6905 / 422-9367
Address: Edificio Real Cuatro, 3° Piso, Vía Principal 102, San Isidro
Apartado Postal 27032, Lima, Perú

IATA: Mr. Patricio Sepúlveda, Regional Vice-president
Email: sepulvedap@iata.org
Telephone: +1 305 779-9854 direct
Address: 703 Waterford Way, Suite 600
Miami, FL 33126 - USA

INFORMATION AND MEETINGS

The CLAC and IATA representatives will establish a working modality in order to produce:

1. Exchange of information, statistical data, economic indicators and documentation in general.
2. Calendar of Reports and Pre-reports
3. Calendar of meetings

ARTICLE III FINANCIAL RESOURCES

The Parties will individually cover their own expenses incurred during the application of the present agreement.

IATA will finance the First Stage of the study; namely, the 5 States that are represented in CLAC's Executive Committee.

ARTICLE IV MEANS OF COMMUNICATION

The internal communications between CLAC and IATA for all matters pertaining to this Agreement shall be channeled through the representatives established under ARTICLE II hereunder.

The Parties will coordinate the external dissemination of the final or partial results of the studies to be carried out within the scope of this Agreement.

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ARTICLE V REPRESENTATION

CLAC and IATA will meet periodically to review the progress of the joint activities undertaken. Such meetings shall be held either at the headquarters of CLAC's Secretariat in Lima, or at IATA's headquarters in Geneva, on a rotation basis, or at another place chosen by mutual agreement between the Parties.

ARTICLE VI DURATION

This Memorandum of Understanding shall have immediate effect. Either party may unilaterally terminate this MOU by providing at least 90 days prior written notice to the other.

In case of a unilateral termination by one of the Parties, both organizations will adopt the necessary measures to ensure that such termination will not negatively affect ongoing projects within the framework of this MOU.

ARTICLE VII OWNERSHIP

Each party retains ownership of any data it provides for the study and neither party may publicly divulge data provided by the other party without the prior written consent of the other party.

ARTICLE VIII AMENDMENTS

CLAC's President and IATA's Director General, upon the entry into effect of this MOU, will adopt such supplementary measures as deemed compatible with the provisions of this Memorandum.

This MOU may be amended or modified, as the case might be, by mutual written agreement signed by the Parties hereto. Each party shall give full and satisfactory consideration to any proposal submitted by the other Party pursuant to this paragraph.



**ARTICLE IX
EFFECTIVENESS**

This Memorandum of Understanding shall become effective upon its execution by the President of CLAC and the Director General of IATA.

IN WITNESS WHEREOF, the President of CLAC and the Director General of IATA have duly signed this MOU, in 2 original copies in English and Spanish, each of which is equally authentic.

Signed in Vancouver, British Columbia, on this 5 day of June, 2007

EUSTACIO FABREGA
PRESIDENT
CLAC

GIOVANNI BISIGNANI
DIRECTOR GENERAL
IATA

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Annex 1

Project to estimate the economic and social benefits of air transport in Chile, Mexico and Panama

1. Objective

The study, developed by the IATA Chief Economist, would present credible data to demonstrate the wider economic benefits from supporting the development of the air transport industry in Latin American, through liberalization, appropriate taxation and the provision of cost effective infrastructure.

In parallel, ALTA will provide a chapter on the regulatory environment for each of the countries concerned.

2. Deliverables

A report would be produced showing, for Panama, Chile and Mexico, the:

- a) Benefits to air passengers and shippers over the past 5-10 years, from growth in traffic numbers and the choice of destinations and frequencies
- b) Benefits (or otherwise) to company profits in the air transport value chain over the past 5-10 years
- c) Direct benefits to the economy from jobs and economic activity in the air transport sectors
- d) Indirect benefits to the economy from jobs and economic activity generated in suppliers to the air transport sector
- e) Induced benefits to the economy from jobs and economic activity generated by the spending of incomes earned by workers in the air transport sector
- f) Catalytic, productivity or 'supply-side' benefits to the economy from increased connectivity to overseas markets of economic importance

3. Methodology

The following steps are required to produce the deliverables:

- a) For each country, gather data from 1996-2006 on passenger and cargo traffic (O&D basis, arriving and departing separately), average fares paid, employment and revenue and cost measures for the country's airlines, airports and others in the air transport industry plus operating profits (EBIT). Also data over the same period on destinations and seats available and investment in capacity by airlines, airports and ANSPs
- b) Using a spreadsheet model estimate the benefits to passengers and shippers plus company profits
- c) Using the Oxford Economics World Economic Model estimate the direct, indirect and induced benefits to each of the three economies
- d) Using a spreadsheet model estimate the 'supply-side' benefits to the economies from increased connectivity
- e) Write up report



3) Data sources

The following data would be required from the IATA member airlines (AeroMexico, Copa Airlines, LAN Airlines, Mexicana de Aviación) on each of the three countries:

- a) Number of people employed in the air transport industry - ideally split full-time and part-time, and with a breakdown between airlines, airports and other employment.
- b) Revenues of companies in the air transport sector
- c) Costs of companies in the air transport sector split down something like:
 - i) Wages & salaries and pension costs (of which, income tax and payroll taxes)
 - ii) Subcontractors
 - iii) Fuel costs
 - iv) Landing and other airport fees
 - v) Other costs for bought-in goods & services,
 - vi) Capital investment
 - vii) Taxes (broken down into VAT, corporation tax, other taxes)
 - viii) Operating profits of companies in the air transport sector.
- d) Passenger and freight movements; number of passengers broken down by international, domestic, transit/transfer; volume of freight movements; O&D domestic and international passenger numbers and freight tonnes from 1996-2006, quarterly or monthly
- e) Tourism flows, average spend per night, average length of stay etc. although we can probably get this ourselves from other sources
- f) Investment in capacity by airlines, airports and ANSPs, annually in the past 10 years

4. Time line

The initial estimate of the time line to produce these deliverables is:

- a) Data gathering April
- b) Estimation of passenger, shipper, profit benefits April-May
- c) Estimation of 'supply-side' benefits from connectivity May
- d) Estimation of direct, indirect and induced benefits May-June
- e) Analysis of results June
- f) Discussion of results and writing of report July

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