

## **DELEGATES REPORT**

### **IFALPA SAM REGIONAL MEETING**

#### **REPORT BY BRAZIL - SNA**

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#### **1. General-Economy/Political Details**

##### **a. POLITICAL/ECONOMIC SITUATION**

The OECD published its Brazil 2018 survey just as the country released figures showing its economy grew 1% last year, its first year of expansion since 2014. This organization also reports predicted Brazil's GDP growth would pick up to 2.2% this year and 2.4% in 2019. This is a walking dead recovery for an economy emerging from its worst recession in history and looking to at least return to its previous size.

Brazil has abundant natural resources and a relatively diversified economy. It is also a large industrial power, but it continues to face social issues and has one of the highest levels of inequality in the world. Brazilians overpay for consumer goods and services, a factor that increases inequality and costs in the economy.

The service sector represents over 73% of Brazilian GDP and employs 69% of the active workforce. In recent years, the country has embarked on the production of high added-value services, especially in the fields of aeronautics and telecommunications.

After a promising rise on the global stage that included hosting the 2014 World Cup and the 2016 Olympic Games, Brazil today is entangled in profound economic and political crises.

Latin America's largest country is not only trying to recover from its deepest-ever recession, but also facing political disturbance brought about by corruption scandals that have embroiled the last three presidents and the leaders of all major political parties.

Brazil experienced the impeachment of president Dilma Rousseff, the condemnation and imprisonment of ex-president Lula, the Operation Car-Wash (who denounced a scheme of payments of billions of bills involving large corporations and several political parties) and other scandals involving several politicians (ministers, deputies, senators and current President Michel Temer, ended up reporting on corruption and tip fees).

However, there were national elections last month, and the far-right candidate Jair Bolsonaro have won presidential race and is going to become the President of Brazil for the next four years, beginning January 1<sup>st</sup>. He built a popular following on the back of promises to crackdown on crime and corruption and won the support of investors by enlisting the support of University of Chicago-trained economist Paulo Guedes, who backs small government and free enterprise. With the election of Bolsonaro, Brazil will hardly be able to act as one of the moderating powers in the international scenario, which in the past has been able to solve imbrications in international trade or in climate negotiations.

The Brazil Bolsonaro designed in the election campaign - and for which many Brazilians elected him - would be somewhere between Indonesia and Turkey in an international ranking of democracies. Nothing is isolated, just think of Poland, Hungary, France, Germany, USA, among many other countries, but each case is different.

Moreover, Brazilians expect a big change in the next year, most part of the Congress representatives was replaced by new politicians and new small parties have become bigger. Brazilians responded by brutally punishing traditional parties in elections in which dozens lost seats in Congress and Bolsonaro allies scored major wins in Brazil's most populous states. Outside Bolsonaro's home in Rio de Janeiro on Sunday, his supporters rallied in the green and yellow of the Brazilian flag, pointing their fingers in the shape of a gun — Bolsonaro's trademark gesture. While some Brazilians began to see Bolsonaro as their hero, others seemed to overlook his bombastic statements in a search for meaningful change. Investors will be watching to see if the controversial new administration delivers on economic and budgetary promises.

Global stocks have taken a beating this month, but one surprising market has bucked the overall negative trend. Brazil's Bovespa index is up more than 8 percent in October. The question now for markets is whether Bolsonaro's administration will be able to maintain those gains.

**b. GOVERNMENT AFFAIRS**

The SNA has been having many issues related to the bureaucracy of the National Civil Aviation Agency (ANAC/Brazil) and Airport Operators, mostly linked to problems with the flight crew access to restricted areas of the airports.

The ANAC has opened a number of public consultations to reform some of the civil aviation standards, including standards for FRMS, Civil Aviation Instruction Centers, and amendments to RBAC 119 (Certification: regular and non-scheduled operators), RBAC 121 operational: domestic, flag and supplementary operations) and RBAC 135 (Operational requirements: complementary and on-demand operations). The SNA participated in these public consultations and monitored all proposed changes, always with the aim of safeguarding the rights of the category.

### c. SOCIAL/LABOUR/INDUSTRIAL ISSUES

A Brazilian statistical institute estimates that over 14 million Brazilians are out of work. Over the past three years, the nation's jobless rate rose by more than 6 percentage points, reaching 13.7% of the labor force in the first quarter of 2017. Young adults are especially affected by the economic crisis: Nearly three-in-ten Brazilians (28.8%) between the ages of 18 and 24 are jobless, an increase of nearly 16 percentage points since the end of 2013.

High non-salary labor costs, low domestic productivity, and ongoing political uncertainties hamper business formation. Business owners often complain about the *Custo Brasil* (Brazil Cost), including poor infrastructure, inflexible labor laws, and complex tax, local content, and regulatory requirements. It is the same for the aviation market, Brazilian airlines' expenses and costs are 27,5% for fuels and lubricants and 20,3% for rental, insurance and maintenance of aircraft. A large part of these costs is taxation.

Recently, the Brazilian Supreme Court ruled that outsourcing (subcontracting) might also include all the production activities, corroborating with last year's labor reform, which freed outsourcing for the entire production chain. However, mostly thanks to the work of our union, the pilots and cabin crew of the country is not subject to this practice, since the new Flight Crew Law, also approved at the end of last year, established safeguards, so pilots and flight attendants cannot work as outsourcers.

Despite the economic and political instability, we are constantly undergoing, the increase in the number of passengers transported in the last 12 months by the Brazilian airlines, the rise in profit and the hiring of co-pilots make us believe that airlines will maintain the trend of growth and hiring pilots for the next few years.

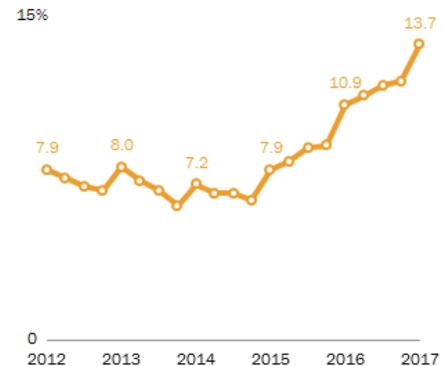
However, the last few years demonstrates a dangerous government liberal position in the aviation market. As pointed out, the country is going to have a liberal government in economy for the next four years, with President Bolsonaro. Considering that, the liberalization of air services and the opening of 100% of the capital of Brazilian airlines to foreign capital will be a strong possibility. Currently, by law, foreigners can only have up to 20% of a national airline.

The effect of unrestricted capital opening, coupled with other issues such as bilateral agreements, mergers and exchanges of air traffic rights between countries, can be catastrophic, not only for the maintenance of Brazilian jobs, but for aviation as a strategic sector. There may be impacts including flight safety, as companies could hire foreign pilots with lower labour costs and whose training is unknown, without control of the Brazilian state.

Finally, the last year published new labour law came to modernize the labour relationship, but somehow it has retroceded into a number of labour rights. The SNA won some victories in Congress, causing some legal mechanisms not to be applied to pilots.

#### Unemployment in Brazil has risen sharply

% of the labor force unemployed



Source: Brazilian Institute of Geography and Statistics (IBGE).

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## 2. **General-Member Association Details:**

SNA Brazil has been participating in IFALPA committees and local safety groups, but this participation stayed at the same level, this year. Mainly, influenced by the Brazilian Labour Reform and the end of the compulsory union tax, as of November 2017. It greatly affected the Brazilian unions, including SNA, generating a huge loss of revenue. We estimate that our union's revenue fallen by half, because of that. It is being a great challenge for us, this year, also affecting our capacity to be present at many international events and meetings. A new associative campaign is being conducted.

Apart from these problems, we are grateful for the opportunity we have had by hosting in SNA Head office, in São Paulo (Brazil), the IFALPA FTL/FRMS Training Course, last month. The event had have experts in FRMS from Brazil, Argentina, Australia and European Union, with discussions about human fatigue, the analysis systems, practical implementation of FRMS and challenges, flight time limits, requirements of Safety Systems and other related issues. This was a very good opportunity of bringing excellent education activities to South America and offering a free aviation course to the Member Associations, this time, in SAM region. The event have stood out as a unique opportunity for the exchange of information between participants from 11 countries. We hope to bring more IFALPA training courses to SNA São Paulo.

Moreover, SNA have hosted, in Rio de Janeiro, a very important HUPER Committee Meeting. This committee is addressing essential discussions in Medical issues (Fatigue, Cabin Air Quality, Total Pilot Health), Human Factors (Pilot Monitoring, Information Management), and Licensing & Training (Competency-based Training and Assessment, Manual Handling Skills, Electronic Learning).

## 3. **Association Carriers:**

According to the National Civil Aviation Agency (ANAC/Brazil), from September 2017 to September 2018, Brazilian domestic aviation registered demand expansion of 2.7% and supply expansion of 5.4%. In this period, Brazilian airlines carried 7.6 million passengers domestically, with an expansion of 1,2%. The market share consist of: GOL – 34.5%; LATAM – 32.5%; AZUL – 19.2%; and AVIANCA – 13.5%. In the first nine months of 2018, the occupancy rate remained almost stable and the cargo volume increased by 12.2%.

For the international carriage of passengers, the travel volume grew by 16.7%, reaching a total of 4 million passengers boarded from September 2017 to September 2018, with a market share consisting of: LATAM – 69.2%; AZUL – 12.9%; AVIANCA – 9.4%; and GOL – 8.5%.

It is expected that the Congress pass a law project liberalizing the opening of 100% of the capital of Brazilian airlines to foreign capital. Currently, by law, foreigners can only have up to 20% of a national airline. SNA points out that it will work to defend the inclusion of labour restrictions in the text of this bill.

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4. **Other Carriers: NA**

5. **Summary**

Brazilian IFALPA has been participating in committees and local safety groups. It is exercising leadership among the industry, bringing to the table the pilot's needs and helping the development of the industry. Besides, last month, SNA have hosted the IFALPA FTL/FRMS Training Course and the IFALPA HUPER Committee Meeting.

Even with the economic crisis and high level of unemployment, the Brazilian domestic and international aviation is registering demand expansion and we expect more pilots to be employed by the companies.

Moreover, the SNA is participating in ANAC public consultations and is monitoring all proposed regulatory changes, always with the aim of safeguarding the rights of the category.

Finally, SNA believes it is extremely important to follow all the governments' movements in the international civil aviation market, following the bilateral and multilateral air services agreements between the States Members of ICAO and, mostly, the ICAO ATRP meetings. The liberalization of international air services is something inevitable, and it is up to us (IFALPA) to defend the maintenance of the jobs and the worthy working conditions of the pilots.