

Emergency Agenda for the Brazilian airline industry

**ABEAR's proposals to stimulate air
transportation, economy, connectivity
and regional development in Brazil**



Proposals

1. Establishing the price of ATF according to international market

Objectives

Lower the risk for companies and consumers and promote price stability

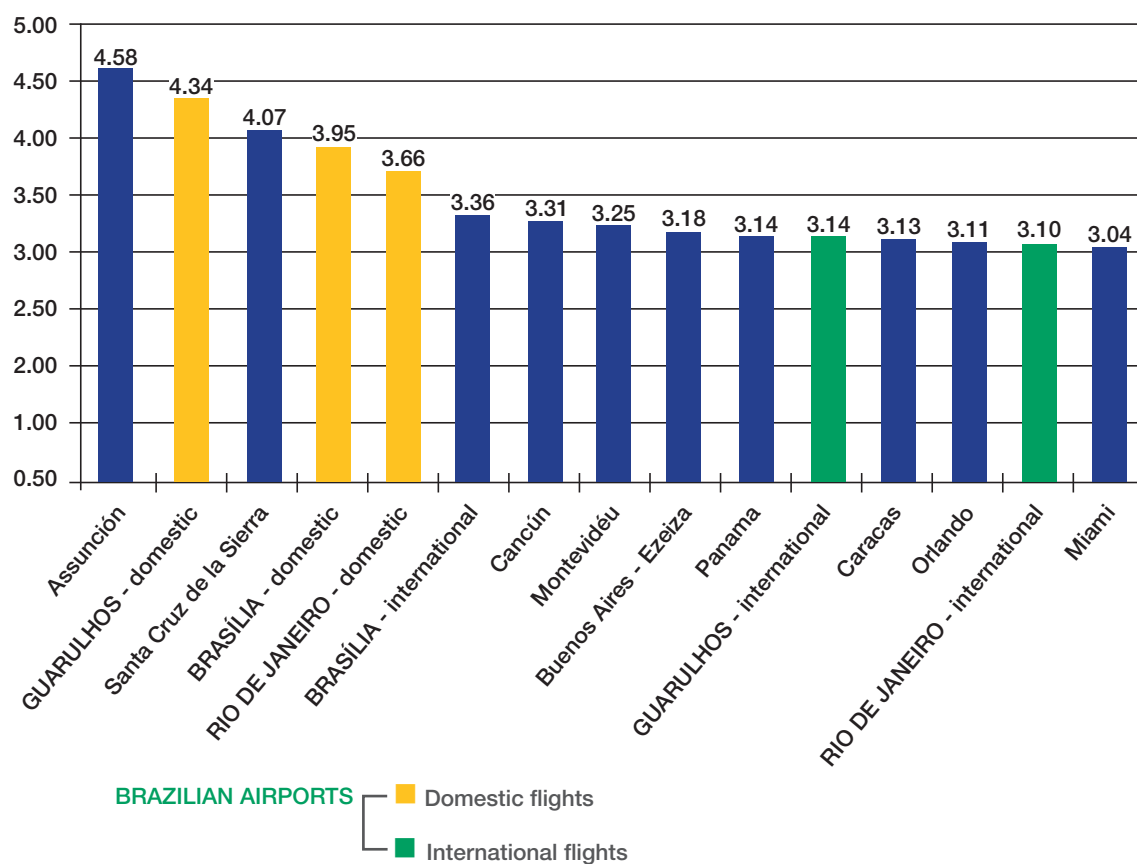
How to

Petrobras would offer fuel at a fixed price according to a fare basket, taking into consideration the ATF price in the ten main countries of the airline market throughout 12 months, being revised by the end of that period for the next one (see chart below)

Explanation

- » As great part of the ATF is refined in Brazil, establishing the price might implicate opportunity cost for Petrobras, but will not represent disbursement or loss
- » As it is the main input of the Industry, the stability of ATF prices favors companies' management

Price of aviation fuel in different airports (USD/gal) - August/2013





Proposals

2. Amplifying the FNAC proposal concerning Aviation and Airport Fees for all airports

Objectives

Amplifying the FNAC proposal concerning Aviation and Airport Fees for all airports and amplifying the system's cash flow capacity, within a specific program

How to

Revising FNAC's regulation structure, amplifying the passengers limit per airport, liable to tax exemptions and rates.

Explanation

Fares represent a relatively small proportion of costs, but significant volume of cash flow

3. Approval of Dornelles Amendment on MP 617/2013

Objectives

Approval of Dornelles Amendment together with MP 617/2013, which exempts airlines' revenue of PIS and COFINS

How to

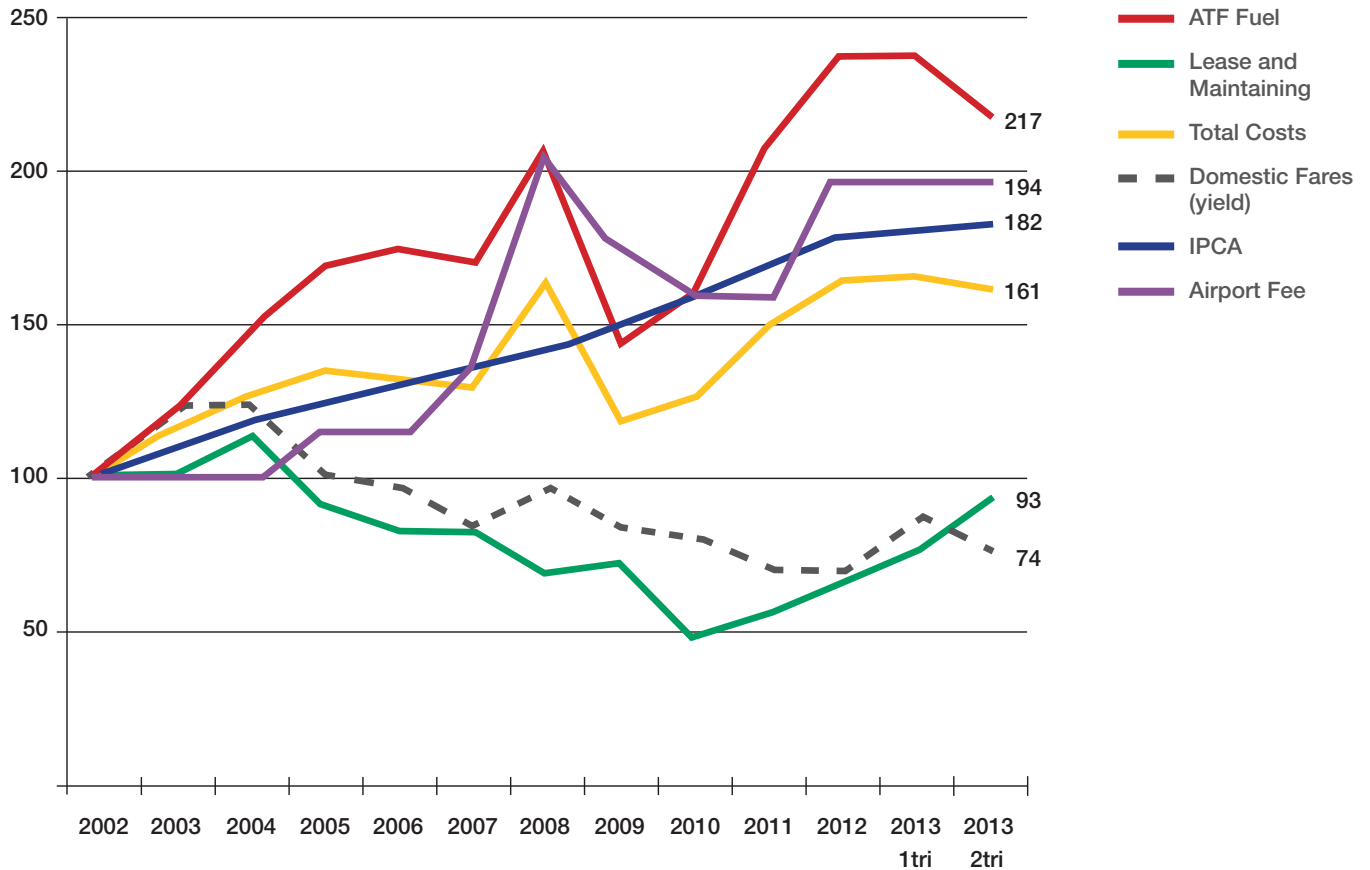
Federal Government support together with Congress for approval of the Amendment

Explanation

- » Air Transport is also public transport
- » Passengers recently incorporated to air modal are going back to bus
- » The Industry is going through difficulties, mainly because of devaluation of the real



Internal Inflation and Fees Evolution (yield) - Domestic Sector - Indexes of Major Items of Cost



Source: ABEAR member airlines



Proposals

4. Unification of ICMS over ATF in all national territory

Objectives

Make the ATF cost in Brazil more competitive, end the practice of tankering, amplify competitiveness of destinations located further away from central routes and gain with efficiency and sustainability

How to

- » Vote the Senate Resolution specific for the ATF, establishing that in interstate commerce (e. g., interstate flights) the aliquot should be only 6%
- » Federal Government should propose compensatory measures to the states

Explanation

- » Unification will lower the final cost of ATF for all domestic flights
- » Recovers competitiveness capacity of tourist destinations throughout Brazil facing international market, stimulating internal tourism

Impact on reducing ICMS

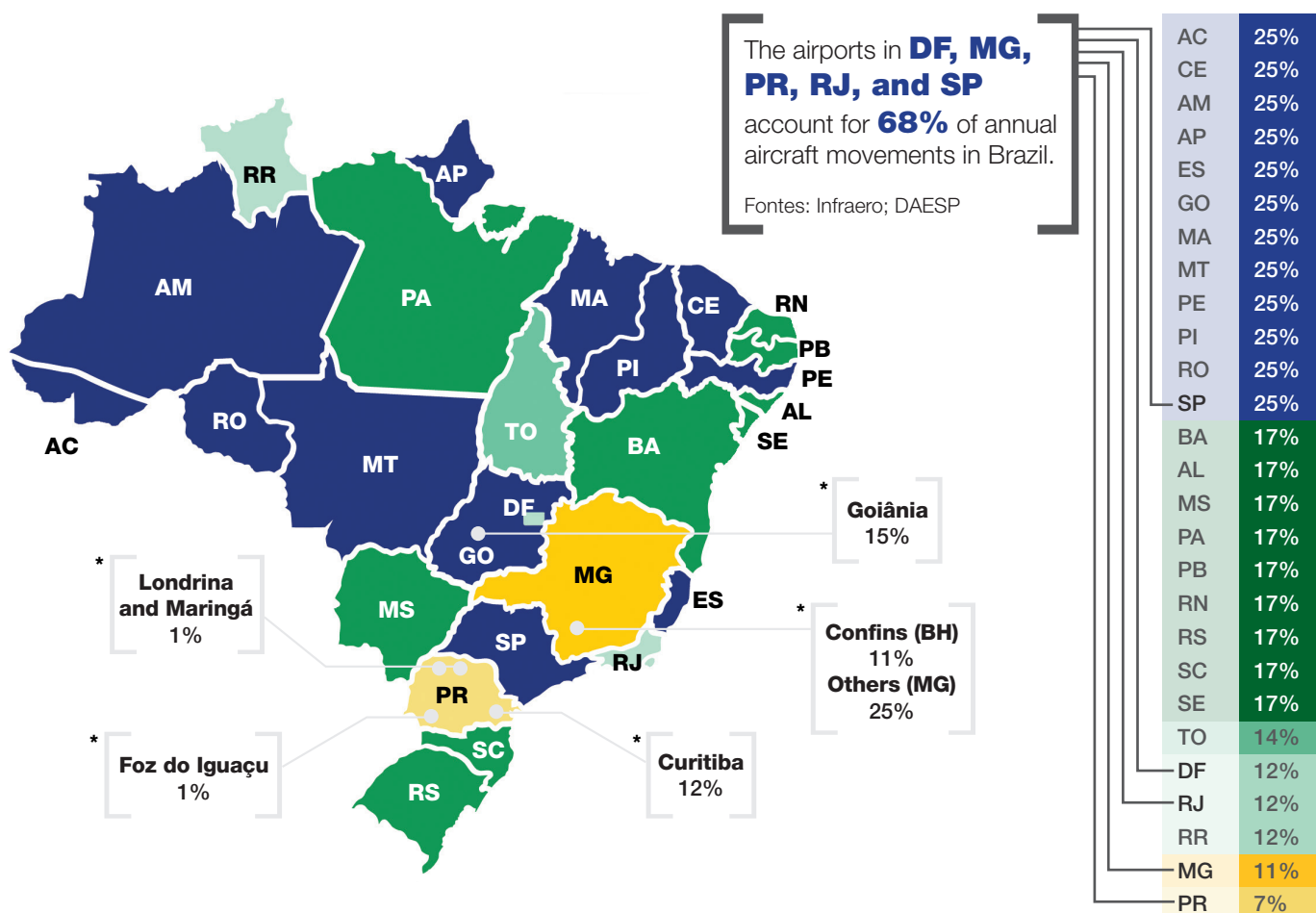
Aliquot of ICMS	Job posts created	Contribution with GDP
18,0% (current average)	0	0
13,5%	7.000	R\$ 344,1 million
9,0%	13.000	R\$ 685,6 million
4,5%	20.000	R\$ 1.024,6 million
0,0%	27.000	R\$ 1.361,1 million

Source: ABEAR, with IATA and Oxford Economics data, 2012



ICMS on ATF in Brazilian states

The different tax rates imposed by Brazilian states end up shaping the air network



Sources: CP Consultores Associados

* Airports subject to different tax rates than the rest of the state



Necessary operational measures of immediate impact

1. Amplifying airports patios capacity and, where necessary, of passengers terminals, which could even be temporary structures, according to the material sent to SAC
2. Technological upgrade at the air navigation structure (PBN, RNP-AR, BARO-VNAV, CAT) at the airports included in the material sent to SAC
3. Establishment of an integrated program aiming at preventing robbery and baggage violation, according to the document sent to SAC
4. Follow up of solicitations and administrative practice of new airport dealers aiming at preventing abuse
5. Implementing improvements in airports now without operations, according to the material sent to SAC