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Guest Article by Alex de Gunten, Executive Director of ALTA\*

**Latin America:**

**One of the Fastest Growing Aviation Markets in the World**

**As one of the fastest growing aviation markets in the world, the Latin America and Caribbean region has successfully overcome numerous challenges and is expected to continue spreading its wings into the future. This article focuses on what's happening in Latin America and the Caribbean today, where the region's aviation industry is compared to the world stage, what the future holds and how the industry will get there.**



Overall, the Latin America and Caribbean region is going through a period of robust economic expansion and has a bright future ahead. Economies expanded by more than five percent in 2007, the fifth consecutive year of GDP growth. GDP per capita has risen over 15 percent since 2003, while inflation dropped to 40-year lows. All of these fundamentals help the industry's economic expansion. Although the health of the US economy is being watched closely, most forecasts for the region are still very positive.

Latin America earnings are up, which is good for air demand. Latin Business Chronicle recently reported that local and multinational companies had an exceptional third quarter 2007 with double digit sales growth in the region. The list of companies and results is impressive with one of ALTA's airline members – LAN – making the list.

The region's aviation industry growth has also been very strong with traffic continuing to grow at a steady and well above average rate – approximately 15 percent per year over the last three years (excluding Varig's operations).

Although the industry is slowly consolidating, there are still over 80 operators in the region. The market is still highly fragmented in over 40 countries and territories with Brazil and Mexico, the region's two main markets, accounting for approximately 60 percent of traffic. They are also the two main markets in the transportation of people for internal routes. Brazil alone is the eighth largest domestic market in the world. On the other hand, Mexico and the Caribbean are placed as the third and fourth favourite international destinations for passengers from the USA, after Canada and the UK.

Traffic increases also attest to the region's vibrancy. ALTA member traffic (representing 92 percent of all ASKs flown by Latin American and Caribbean carriers) shows passengers are up 8.4 percent, ASKs are up 8.9 percent, and RPKs are up 7.8 percent for 2007 over 2006. In addition, Boeing is forecasting that over the next 20 years air travel within Latin America will grow by 6.6 percent, which is well above the world average growth of five percent and second only to China's 8.8 percent forecasted growth rate. There is also an expectation that the fleet in Latin America will be over 2,420 aircraft by 2026.

Today's Latin American and Caribbean airline industry is also a more vibrant and safer industry than ever before. The region's safety record has improved from three jet hull losses per million sectors in 2001 to 1.8 in 2006. That number improved to 1.6 in 2007. Unfortunately, the region is still far from reaching U.S. and European standards. IOSA is a powerful tool that is helping the region to address safety standards and it is quickly becoming the standard of the region. All ALTA carriers will have to achieve these international standards by the end of this year.



There are four publicly traded carriers in the region with very positive results – Copa Airlines, GOL, LAN, and TAM – which are among the most efficient carriers in the world.

There are also very positive developments that should be recognized in other areas such as infrastructure improvements across the region. The airports of Santiago and Panama are to be commended for their leadership in providing efficient customer-friendly airports that view the airlines as partners and not as a monopolistic opportunity.

The Colombian Civil Aviation Authorities are leading a cross-industry team, including civil aviation authorities, airlines, ALTA, IATA and ATAC, to help make the Colombian air-space more efficient. The CLAC is also recommending that its members adopt IOSA standards in their requirements. Chile, Mexico, Costa Rica and more recently Brazil, are being proactive and are already taking action on these recommendations.

Unfortunately, we still have areas of critical concern. The Latin American and Caribbean air transport industry is being taxed as if it were a luxury or a vice rather than an engine for development. We have some of the highest fuel costs in the world. Airport privatization has also had a negative effect on the industry as the newly created monopolies have taken advantage of their dominant position. Another key area of concern is distribution costs as the region is paying considerably more than other regions.

Latin America and the Caribbean have come a long way. But imagine what the future could hold if, in addition to all of these positive developments, this industry was recognized and promoted for its value to the economies and not over taxed. What if governments encouraged regulatory integration and facilitation to the benefit of all the users? What if all of the airport authorities worked as partners to make travelling both more pleasurable and more cost effective, instead of demonstrating a blind tendency to increase costs? What if all of the civil aviation authorities worked as a team to remove the inefficiencies in the air and on the ground? What if there was intra-Latin American and Caribbean integration?

Unfortunately there is currently a lack of recognition of the positive economic impact of aviation. The industry needs promotion, not suffocation through increased taxation and fees. By facilitating tourism and commerce, air transport is the key to sustainable development in the region. With all of the industry players working together on infrastructure planning, airport and air navigation efficiencies, safety and the environment, all of these 'what if's' will become a reality. ■

\* As Executive Director of ALTA, the Latin America and Caribbean Air Transport Association, Alex de Gunten is responsible for leading a multi-national team of professionals and more than 40 member airlines on critical governmental, regulatory, financial and operational issues that affect aviation in the region. His efforts focus on guiding the association and its members toward achieving their objective of working together to ensure a safer and more efficient Latin American and Caribbean airline industry.

De Gunten brings 20 years of airline industry experience to ALTA with specific expertise in the Latin America and Caribbean region. His broad range of executive management experience includes serving as Managing Director International of Orbitz, CEO of RepWorld Holdings, Vice President International LanChile Airlines, and Director General for Latin America of Canadian Airlines International (now part of Air Canada).

Fluent in English, Spanish and French, de Gunten was born in Spain and received his Masters in Business Administration with a major in International Business at Queen's University Ontario, and a Bachelor of Engineering with major in chemical engineering and minor in management from McGill University in Quebec, Canada.

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