ICAO AIR TRANSPORT SYMPOSIUM

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Strategies and Tools for Sustainable Air Transport

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ALTA**

ALTA

- Industry trade association representing LATAM and Caribbean carriers

- Founded in 1980

- Committed to promoting a safer, more efficient and environmentally-friendly commercial airline industry in Latin America & the Caribbean

- IOSA Driven

ALTA

- Over 40 airlines

- 90% of traffic in the region

- Aggregated revenue of over USD 24B/year

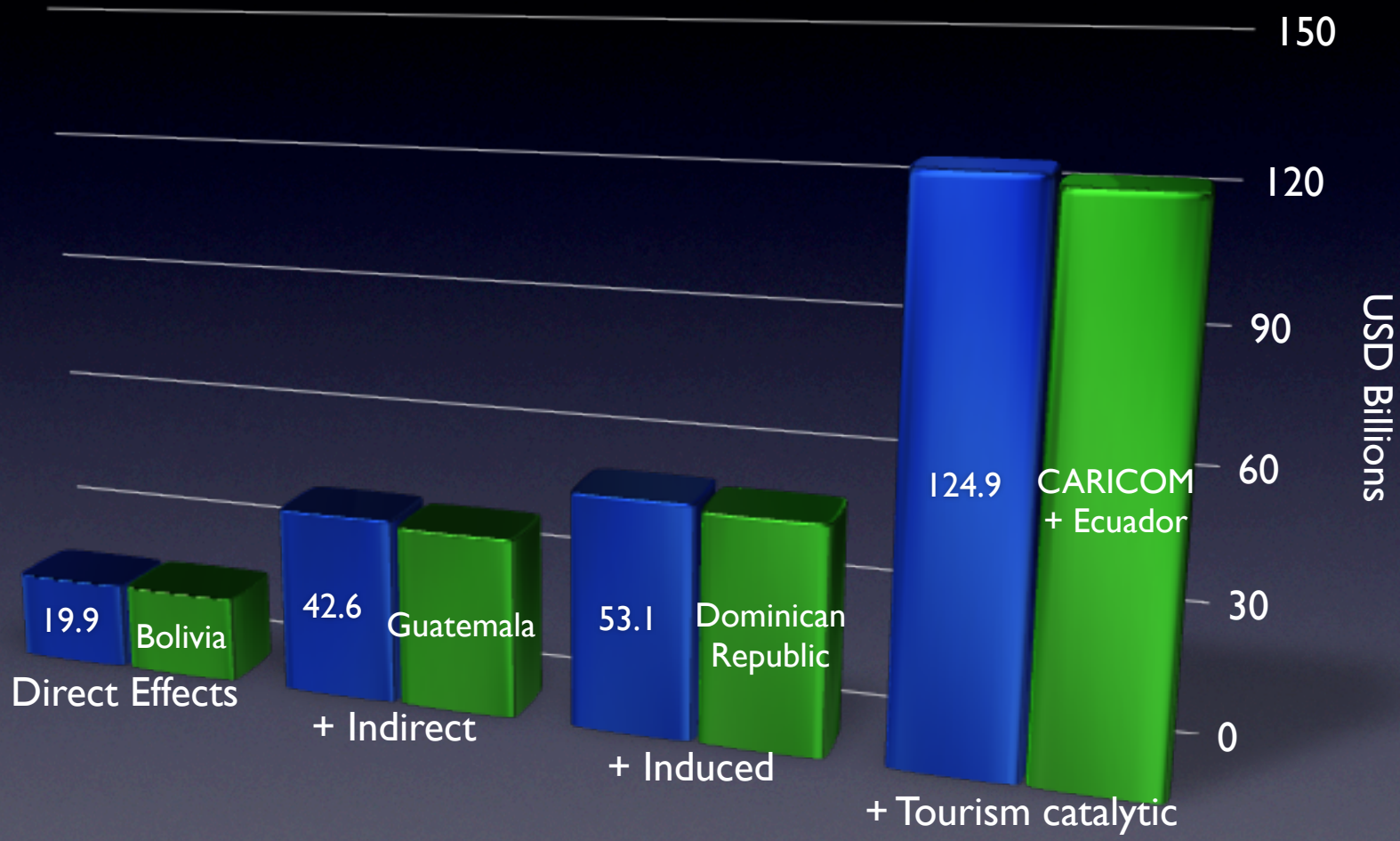- Combined fleet of over 950 aircraft

LATAM Region

- Air Transport is the most efficient and reliable mode of transportation

- Few trans-border rail connections

- 1,925 aircraft in service

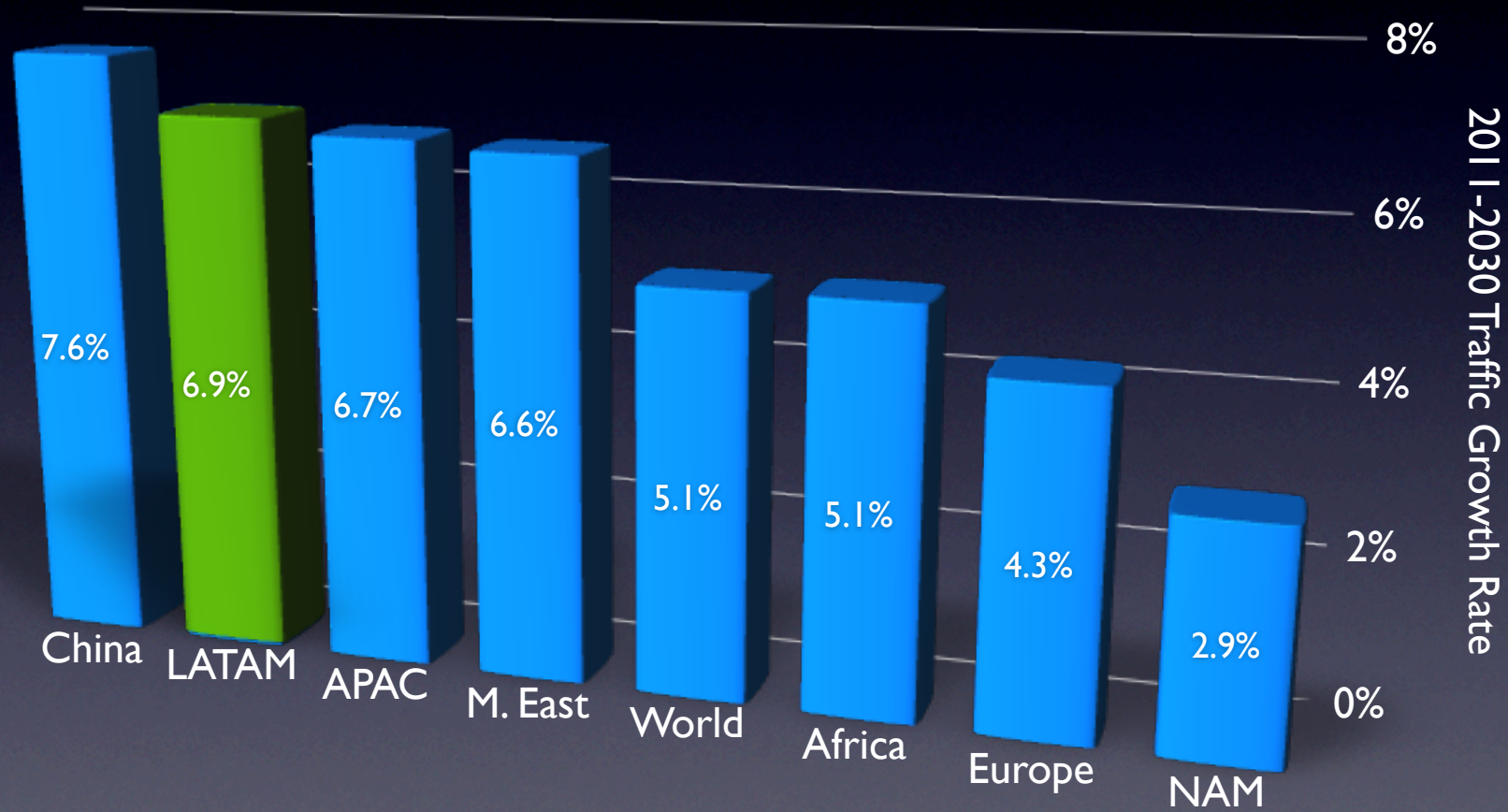- 2 million flights per year

Engine of Development

- 524,000 direct jobs

- 5.4 million jobs considering indirect, induced and catalytic (tourism) effects

- USD 125B of the region's GDP

Encouraging Long-Term Forecasts

2011-2030 Traffic Growth Rate

- China: 7.6%
- LATAM: 6.9%
- APAC: 6.7%
- M. East: 6.6%
- World: 5.1%
- Africa: 5.1%
- Europe: 4.3%
- NAM: 2.9%

Source: Boeing

Encouraging Long-Term Forecasts

2011-2030 Traffic Growth Rate

8%

6%

4%

2%

0%

7.6%
6.9%
6.7%
4.3%
2.9%

China   LATAM   World   Africa   Europe   NAM

Source: Boeing

35 Billion

Aircraft orders value in 2006-2010

2011 orders: 11.8 Billion

*excludes the USD 2B Volaris order finalized in 2012

USD 4B

In fees and charges

Governments have not kept pace with Industry's efforts

Congested Airports

- 🔴 Highly Congested
- 🟡 Congested

One of every three flights in the region departs from a congested airport

Brazil

Airport	Passengers 2010	Passengers 2014
Sao Paulo (GRU)	26,774,546	37,181,170
Sao Paulo (CGH)	15,481,370	20,517,314
Brasilia	14,149,306	21,176,666
Rio de Janeiro (GIG)	12,229,513	21,150,373
Rio de Janeiro (SDU)	7,805,387	8,723,403
Salvador	7,540,298	10,979,630
Belo Horizonte (CNF)	7,261,041	11,250,620
Porto Alegre	6,676,216	9,822,394
Recife	5,933,137	8,931,867
Curitiba	5,769,712	8,534,465
Fortaleza	5,072,786	7,502,377
Sao Paulo (VCP)	5,021,939	9,584,419
Manaus	2,705,131	3,985,265
Cuiaba	2,134,267	3,251,185

Brazil

- Three airports concessioned to private sector in early 2012

- But infrastructure might not be ready for 2014 FIFA World Cup

  "The concern is that nothing is made or prepared to receive so many people, because the world wants to go to Brazil. I am sorry to say but things are not working in Brazil" (FIFA's Secretary General Jerome Valcke)

Mexico

- MEX saturation is hampering the country's air connectivity

- The airport reached its historical peak; there are even more operations than when Mexicana was flying

- Slot regulation do not provide a long-term solution

- A new airport is needed to accommodate growing traffic and new aircraft ordered by Mexican Carriers

Colombia

- New operations in Bogota's El Dorado can only be scheduled between 11:45pm and 5:00am

- Airlines looking for alternatives to base their operation and avoid congestion

Argentina

- Buenos Aires' airports are highly congested

- Lack of aircraft stands at Aeroparque

- Ezeiza's security checkpoints, immigration and customs are saturated at peak hours

Quality of Air Transport Infrastructure

	Ranking 2007	Ranking 2011
Argentina	84	115
Brazil	57	93
Colombia	53	89
Costa Rica	68	80
Ecuador	71	73
El Salvador	25	33
Mexico	55	65

Reinvestment in Air Transport Infrastructure

Brazilian Airports Privatizations

- Government raised a **348% premium** over minimum bid

- In GRU, committed payments to the Government amount to 90% of 2011 gross revenues

- Worries that ANAC does not have expertise or budgte to monitor contracts effectively

- Concerns that the National Aviation Fund will not be reinvested in the industry

Privatizations

Do	Don't
Have a consultation process with the users Stimulate the efficiency of the operator and have competitive prices Ensure complete independence between the operator and the regulator	Make the users pre-finance the investments Allow the operator to extend its monopoly to ancillary services Award the contracts with direct cash generation goals

Improve and review both the concession and privatization processes in the Region

Besides congested, and poorly privatized.......
airports in the region are *expensive*

-43%

Decrease of airline unit costs in <u>real terms</u> since 1980

-45%

Decrease of average domestic fare in Brazil (<u>in real terms</u>)

Airport charges have <u>increased</u> in real terms between 2003 and 2009

Contributing Factors to High Airport Charges

- Contracts stipulate elevated payments to governments

  - In some cases over 50% of gross revenues

- Inflexible investment requirements that might not reflect market realities

Ensure airports are efficient and have competitive charges

Fragmented and Inefficient ATC

- Airspace fragmentation

- Outdated equipment

- Shortage of controllers

- Approval of new, direct routes takes too long

RNP on the Lima-Cuzco Route

- Industry-wide effort involving LAN, GE Aviation, CORPAC, and the DGAC of Peru

- Route shortened by 30.5 km; 6.5 mins of flight time

- Savings of 67.5 gallons of fuel and 644 kg of CO_2 per flight

- Annual savings of 1,700 flight hours and 11,000 tons of CO_2 when fully implemented

Promote investment and use of technologies, integrate ATC

Harmonization

- Heavy fragmentation of technical regulations

    - Crew licensing

    - Airworthiness

    - Maintenance facilities

- Proliferation of measures under the excuse of protecting the environment

Some Positive Steps

- SRVSOP: regional project created by ICAO for the CAR/SAM region

- Bolivia, Chile, Colombia, Ecuador, Paraguay, and Peru already agreed on the mutual recognition of MRO shops based in those 6 countries

- We encourage the remaining countries to join in this initiative

Better integration and coordination of technical and environmental regulations

Thank you

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