Latin America & the Caribbean: Growth and PMA Opportunities

MARPA Conference
Las Vegas, NV
October 24, 2013
Flight Plan

I. Introduction to ALTA
II. Latin America Economic Overview
III. Latin America and the Caribbean MRO Industry
IV. PMA Challenges & Opportunities in Latin America
Latin America and Caribbean Air Transport Association (ALTA in Spanish)

- Industry trade association founded in 1980 by Latin American and Caribbean passenger and cargo carriers
- Committed to promoting a safer, more efficient and environmentally-friendly commercial airline industry in Latin America & the Caribbean
ALTA represents:

- Over 30 airlines
- Over 90% of capacity in the region
- Over 170 million passengers in 2013
- Over 5 million Freight Tonne Kms (FTK)
- Revenues in excess of USD $30B/year
- Combined fleet of over 1000 aircraft
Working Committees

- Safety & Ops
- Environment
- Legal
- Technical
- Fraud Prevention
- Airports/ATC
- CCMA
- Fuel
- Distribution
Conferences

- Pan American Aviation Safety Summit
- ALTA CCMA (Suppliers Meeting)
- ALTA Aviation Law Americas
- ALTA Airline Leaders Forum
- ALTA MRO Engineering and MRO Summit

- 200+ attendees
  30+ airlines

- 700+ attendees, 40+ airlines,
  3000+ mini-meetings, 300+
  companies

- 150+ attendees
  30+ airlines

- 600+ attendees
  45+ airlines

- 180+ attendees
  15+ airlines
Latin America
Economic Overview
Gross Domestic Product (GDP)

LATAM/CAR GDP (USD Trillions)

Source: World Bank
Foreign Direct Investment (FDI)

LATAM/CAR (US Billions)

Source: CEPAL
People Above Poverty Line

Source: CEPAL

LATAM/CAR

% Above Poverty Rate

2002: 56.1%
2012: 69.6%

Source: CEPAL
Traffic Growth Rate

Passengers Carried in LATAM/CAR

Source: World Bank
Recent Traffic Growth

Source: IATA

LATAM/CAR

Global

2011 vs 2010: 10.2% vs 5.9%
2012 vs 2011: 8.4% vs 5.2%
2013 vs 2012 (YTD): 8.7% vs 4.8%

Source: IATA
City Pairs Between LATAM/CAR and RoW

Source: OAG
Alliance Membership

10 years ago
101 Airlines

Today
79 Airlines

Note: % of Region ASK's

Source: OAG
557 new aircraft ordered since 2009

$44.6 Billion USD
Latin America and the Caribbean MRO Industry
LATAM/CAR MRO Spend

2012 Total: $3.1 Billion

Source: ICF SHE&E
MRO Spend Growth by Region

Difference in MRO Spend (2012 vs 2022)

Source: ICF SHE&E
Projected MRO Growth

Source: ICF SHE&E

2012

2022

$1

$2

$3

$4

$5

$6

MRO Spend (USD Billion)

Narrowbody

Widebody

Regional

Turboprop

$3.1 Billion

$5.9 Billion

59%

20%

10%

11%

8%

10%

20%

62%
PMA Challenges & Opportunities
Challenges

✓ Lack of education within and outside the Industry regarding PMAs

✓ Joint efforts of all stakeholders are needed in order to increase PMA adoption in our Region

✓ Increase awareness and education of regulators, ECA’s, financiers, and lessors

✓ Change state of mind of many airlines with regards to using PMAs vs accepting 2nd hand aircraft with PMAs installed

✓ Acceptance of PMAs on engines. ALTA estimates USD $25B will be spent in the next 20 years on engine maintenance by our members
ALTA Initiatives

✓ PMA Education Campaign

• Workshops with PMA Manufacturers and Aircraft Lessors
• Best practices exchange among airlines
• Developed Generic PMA Clause for leasing contracts
• Cost Savings Assessment
• Focused in interiors and non-critical parts
Areas Of Opportunities

✓ Costs Reduction

• Engines. They represent about 20% cost of new aircraft and up to 50% cost of ownership

• Patents: what if we apply a similar approach to patent protection just like the pharmaceutical industry does in terms of expiration or at least require that exclusivity should no longer apply after X amount of years

• Leasing rates of 2nd hand aircraft with installed PMAs

  • New generation aircraft are being rolled out on shorter cycles

  • Increased market control and concentration by manufacturers, mainly on the engines side
Thank You
Gracias
Obrigado
Merci