

Travel and Tourism: Brazil on Top of the World

Brazil has increasingly attracted the attention of investors from all over the world after its economy proved resilient to the 2008/2009 global economic crisis and recorded positive growth in 2010. This growth has acted as a major magnet to international tourists, which led to positive growth in arrivals in 2010 and more dynamic domestic tourism.



Air transportation is increasingly favored by Brazil's growing number of middle class domestic tourists. This is only likely to increase as the country prepares to host global sporting events such as the 2014 FIFA World Cup and the 2016 Olympic Games. For these events to be successful, however, currently inadequate infrastructure must be remedied.

Infrastructure Developments Are the Priority

Airports operating at overcapacity, a precarious port infrastructure and the lack of hotel rooms in major cities represent the main concerns for Brazil's travel and tourism stakeholders in the long run-up to the 2014 FIFA World Cup and the 2016 Olympic Games. Therefore, government authorities are prioritizing infrastructure development in transportation and travel accommodation so as to be able to handle the expected massive increase in tourism flows for these two events.

Being key gateway cities and home to the busiest airports in Brazil, São Paulo and Rio de Janeiro have the highest priority when it comes to airport and travel accommodation infrastructure developments. As of 2011, government authorities have already started some construction work but,

overall, deadlines and timetables are not being adhered to. This explains why concerns still remain that not all of the current infrastructure work planned for Brazil will be completed in time for the start of the FIFA World Cup.



Brazil to Bet on Medical Tourism?

Medical tourism represents a great opportunity for Brazil to boost travel and tourism activity and further diversify its travel and tourism appeal. The country offers nationally and internationally accredited hospitals, highly qualified health professionals and modern technology, among other attractions for potential medical tourists.

Nevertheless, capitalizing on such a profitable travel and tourism segment will not be an easy task as Brazil will need to tap into demand for medical tourism currently being met by other well-established medical tourism destinations in the Asia Pacific region such as Thailand, India and Singapore. One way of achieving gains in medical tourism would be to focus primarily on what the country does best: the 'humanization' of its services and creating greater synergies amongst all involved in travel and tourism in order to promote Brazilian excellence in medicine and healthcare.

Tam and Lan to Form Latam Airlines

On 13 August, Chile-based Lan Airlines and the largest airline in Brazil, TAM Airlines, announced plans to merge through a single holding company known as Latam Airlines Group. The two airline brands will be operated separately. Once the deal is finalized, the new entity will control over 17% of air transportation revenues in Latin America, creating the largest airline in Latin America.



The merger solidifies the airlines' existing code share agreement, allowing for more coordination on routes and pricing as well as increasing negotiating power with suppliers. Furthermore, it expands the geographic presence of both airlines. TAM does not have domestic operations outside of Brazil and Lan, while strong in Chile, Argentina, Ecuador and Peru, has so far been unable to break into the massive and rapidly expanding domestic air transportation in Brazil due to foreign ownership restrictions.

Liberalized Skies Policies Lie Ahead for Air Transportation Players

In an attempt to liberalize its air transportation policy and attract more international tourists into the country, the Brazilian authorities signed a number of open skies agreements during 2009/2010. The most important was signed with the US, which will be fully operational by October 2015.

The elimination of government interference in the commercial decisions of airlines with regards to routes, capacity and pricing is expected to result in more affordable and efficient air transportation services in Brazil for both domestic and inbound air passengers. Nevertheless, future capacity growth will be limited by infrastructure constraints.

TOP ARRIVALS TO BRAZIL 2010

| <i>Number of Trips</i> | <i>'000 trips</i> |
|-------------------------------------|-------------------|
| <i>Arrivals from Argentina</i> | <i>1,383.7</i> |
| <i>Arrivals from USA</i> | <i>669.1</i> |
| <i>Arrivals from Italy</i> | <i>291.3</i> |
| <i>Arrivals from Germany</i> | <i>233.6</i> |
| <i>Arrivals from France</i> | <i>232.0</i> |
| <i>Arrivals from Uruguay</i> | <i>219.1</i> |
| <i>Arrivals from Paraguay</i> | <i>210.8</i> |
| <i>Arrivals from Portugal</i> | <i>205.8</i> |
| <i>Arrivals from United Kingdom</i> | <i>197.4</i> |
| <i>Arrivals from Chile</i> | <i>188.4</i> |
| <i>Arrivals from Spain</i> | <i>181.9</i> |

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