

BOEING AND AIRBUS FIGHT OVER LATIN AMERICA



Latin America continues to grow, becoming a key market for big businesses worldwide. Boeing and Airbus are some of the companies holding an ongoing dispute for leadership in this market.

It is estimated that in 20 years Latin America will require more than two thousand new passenger aircrafts: 1,653 single-aisle aircraft, twin-aisle 334 units and 41 large aircraft, which together have a market value of \$197 billion.

The rise of the middle class in Latin America and the growth of their economies have been reflected in the development of the aviation industry on the continent, bringing synergies to buy 810 aircrafts produced by Airbus during the last 14 years.

The European manufacturer has a business relationship with 27 airlines in the region, with 457 aircrafts in service in their fleets. Only last year and at the beginning of 2013, Airbus received orders for 160 airplanes from six South American operators.

Avianca, TAM, LAN, Volaris, Interjet and Sinergy submitted 364 orders to Airbus to build A320 models that have a single aisle and are more efficient for regional flights, and A330 that have two aisles, more passenger capacity and the autonomy to travel long distances.

Amaya Rodríguez-González, Airbus' Marketing Director for Latin America, said that the air traffic has doubled in the past 15 years and that history is expected to be repeated in the 15 years to come. The growth of air transport today is higher in growing economies like Latin America which provides a 6% annual increase of passengers per kilometer mobilization.

Most of the Latin American market is concentrated in a single aisle aircraft with a capacity of over 100 passengers, who are part of the A320 series models, especially its neo improved version that will allow a 15% reduction in fuel consumption.

Within the order of 51 A320 aircrafts that AviancaTaca made, 33 are A320 neo, next is Volaris with 30 units, then TAM with 22, and LAN goes last with 20.

According to calculations by the Airbus' research team, the forecast traffic growth during this decade in Latin America will be 5.9%.

For its part Boeing, the U.S. manufacturer maintains its dispute with the European company, and holds a privileged position in Latin America despite the problems presented with its 787.

The Sales Vice President for Latin America, Africa and the Caribbean, Van Rex Gallard, said that in 2013 they expected to deliver around 600 aircrafts in total, only in this region he sees growth to be around 8%.

Gallard, along with Randy Tinseth, Boeing's Marketing Vice President, in an interview in Mexico projected the need of 2,500 new planes in Latin America in the next 18 years. Talking about specific

requirements for the Boeing 787 Dreamliner in the region, a senior source in the U.S. company said it would take about 340 within the next 20 years.

"For the year 2031 there will be a required 34,000 aircrafts in the world, valued at U.S. \$4.500 million and 2,510 will be for Latin America, which means 7% of total demand. Of these aircraft that will be needed, 14,110 will be replacements (41%) and 19,890 will be net growth (59%)," said Gallard.

The airline LAN recently added to its Colombian fleet three Boeings 767 to provide better schedules and more frequent international travel from the country. According to Hernan Pasman, CEO of LAN Colombia, the airline made a \$360 million investment to acquire these aircrafts, with the expectation of increasing the number of passengers and international flights.

The main buyers of Boeing airplanes in the region, which is the second largest producer of aircrafts behind the French Airbus, are the Brazilian TAM and Gol, the merged Colombian-Salvadoran Avianca-Taca, and the Mexican Aeromexico, without discounting the Panamanian Copa Airlines, which also uses its planes.

But competition is not just about sales. It is also about brand positioning by offering facilities that become an added value for customers. While Airbus began building an assembly facility in Mobile, Alabama, Boeing will build a research and technology center in Brazil.

The Airbus assembly center will allow the reduction of cost and time by the buyer, and would save fuel costs of moving the aircraft and of course time delivery of their orders.

For Boeing, its research center in Brazil will focus its work on sustainable aviation biofuels, advanced management of air traffic, metals and biomaterials, and advanced technologies and services.

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