



Going
SOUTH
*for Business
Opportunities*

STORY BY SCOTT M. SPANGLER

Mashing together all the available information in a crude equation suggests there are roughly 22,500 GA aircraft on Latin American ramps, about half the number flying in Europe and roughly 10 percent of the U.S. GA fleet.

On the ramp, Latin America seems to offer ripe opportunities for those in the business of avionics. Its growing fleet of general aviation aircraft ranks third in the world, after the United States and Europe. Like GA airplanes everywhere, most of them are older, built a decade or two before the digital technology that forever changed the aerial environment.

Trying to get an accurate count of these airplanes, however, hints at the challenges avionics firms in the United States face when possibly following this flock south.

As a hemisphere, Latin America is composed of three regions. The Central American isthmus connecting North America to South America is subdivided into eight nations, with Mexico to the north and Panama to the south. Panama connects to the continent of South America at Colombia. At the other end is Argentina. The equator runs ashore at Ecuador and dives into the Caribbean Sea from Brazil. In these warm waters to the south of the Gulf of Mexico float 29 island nations, such as the Bahamas, Cuba, Trinidad and Tobago, as well as territories, such as Netherlands Antilles and the U.S. Virgin Islands.

Most Latin American nations are members of

the International Civil Aviation Organization, but its influence doesn't seem to extend further than the airlines, and the most recent ICAO general aviation fleet data is dated 1994.

Finding online the government or military agency that regulates aviation in a Latin American nation is no easy task. When discovered, the information — such as the number of general aviation aircraft registered there — is either well hidden or only apparent to those who speak the language.

English might be the language of aviation in the air, but on the ground in Latin America, where business takes place, it's Spanish or Portuguese.

Mashing together all the available information in a crude equation suggests there are roughly 22,500 GA aircraft on Latin American ramps, about half the number flying in Europe and roughly 10 percent of the U.S. GA fleet. Most of them either have piston engines or rotary wings.

There are nearly 1,000 business jets roosting in 16 Latin American nations, according to a 2006 *Aviation International News* article, which called

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them “a relatively small market on the global map” compared to the more than 16,000 corporate turbines flying in North America. However, reports from the General Aviation Manufacturers Association show their number is growing annually.



In the go/no-go business opportunity equation, the regulatory requirements carry more weight than the potential customer base, especially when looking beyond America’s borders. The bureaucratic buffet starts at home, with export licenses and restrictions (given the technology involved, avionics are particularly vulnerable) — most of which are collated by the U.S. Department of Commerce (www.commerce.gov).

Business Environment

If there is a common business denominator among Latin American nations it is the fluidity of their governments. Since the

dawn of powered-flight, colonies — such as the Bahamas — have become independent nations, and a good number of independent nations have changed governments as one regime has succumbed to the next. The most recent example is Honduras, where the military ousted president Manuel Zelaya earlier this year.

As goes the leadership, so goes the government regulation of aviation. It often falls under military control. Independent aviation agencies comparable to the FAA are just now taking hold. In Brazil, home of Embraer, a player in the airframe market, the Agência Nacional de Aviação Civil (ANAC) was established in March 2006. Before that, the staff, structure and functions belonged to the Brazilian Air Force’s civilian aviation department.

According to a U.S. Commerce Department report in February 2007, “Venezuela’s civil aviation authority, the Instituto Nacional de Aviación Civil (INAC), a semi-autonomous agency of the Ministry of Infrastructure, addressed a long-standing need” by enacting the nation’s first regulations covering “the certification of parts, components and materials needed for civilian aircraft.” Their purpose is to “fill a gap that had created significant problems for airworthiness inspectors attempting to monitor repair and installation records and the sourcing and quality of civilian aircraft parts.”

The report said companies familiar with U.S. and ICAO regulations “will find no seri-

ous discrepancies in the new Venezuelan regulations,” which are available only in Spanish. “Responsibilities to comply lie with the local importers of such products and the local facilities, which install products covered by the new rules. However, U.S. suppliers should be aware that compliance will require stipulated paperwork and up-to-date certificates.”

Latin America’s political climate runs the gamut, but during the past decade, it seems to be leaning further left. However, like socialist governments in other hemispheres, they haven’t turned their backs on a free-market economy.

The U.S. Department of Commerce is a good place to start for researching business opportunities to the south. Its U.S. Commercial Service publishes a number of informative reports. Some focus on broader issues. “Doing Business in Colombia: 2009 Country Commercial Guide for U.S. Companies” said the nation was “the fifth largest market for U.S. exports in the region, after Mexico, Brazil, Venezuela, and Chile, and is ranked 29th as a market for U.S. exports globally. Since the election of President Alvaro Uribe in May 2002 (and subsequent re-election in 2006), Colombia has become one of the most stable economies in the region.”

Other reports are industry-specific. According to a 2008 report, “Total Argentine imports of civil aviation aircraft, parts and components amounted to USD \$111 million in 2007. Traditionally, the U.S. has dominated the mar-

ket, with a healthy 80 percent share, or USD \$89 million. In spite of Argentina's vast territory, the aviation sector and the business aviation sub-sector continue to be an underdeveloped market....Aircraft represent approximately 70 percent of the total Argentine demand, and aircraft parts, components and avionics account for the remaining 30 percent.

"The Argentine government is looking to restructure the aviation sector, introducing significant reforms in the commercial and civil aviation industry. The government has recently created ANAC, the Civil Aviation Administration, which entails the future transition from military to civilian control of civil aviation. According to the Argentine Air Force, there are 2,145 aircraft registered for general aviation.

"There are no non-tariff barriers to the sale of U.S. aviation or avionics products in Argentina. Argentine end-users are quite loyal to existing suppliers, so it is crucial to establish a solid relationship with one to pursue any new system or project. Sales of aviation equipment are typically made with the assistance of a well-respected agent or representative. The importance of finding an effective agent or consultant cannot be over-emphasized, and the appointment should only be done after careful due diligence. We recommend interested U.S. firms make use of the Embassy's Commercial Section for assistance in identifying potential agents or consultants."

Business Opportunities

Doing business in Latin America today seems to hinge on the identification and cultivation of an opportunity in a single nation, unless a company's business is manufacturing the avionics themselves.

"Nations have their own regulatory body and requirements," said Michelle Y. Stevenson of L-3 Communications Avionics Systems. Most Latin American nations recognize FAA TSOs, but "each country has its own aviation authority, and certification of our products really depends on the country," she said.

L-3 works with "OEMs, retrofit shops and the various militaries," Stevenson said. "The retrofit market is growing. Mexico has a sizeable fleet, yet their purchasing power seems limited. In South America, Brazil is the largest customer, followed by Argentina, Chile, Columbia, and Venezuela.

"Brazil sometimes accepts U.S. STCs and certifications, but sometimes requires our shops in that country to get Brazilian STCs. Argentina, Columbia, and Chile usually are fine with the U.S. STCs and don't require any additional in-country approval," she said.

Headquartered in Moline, Ill., Elliott Aviation does a fair amount of business in Latin America, said Mark Wilken, director of avionics and product development for Elliott. Most of it is comprised of multi-part

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makeovers of mid-size turbo-props and jets, where avionics is but one part of the job. The regulatory requirements vary with the region, he said, and it is easiest in the Caribbean.

“If you’re (an FAA) repair station, they are, pretty much, good with that,” he said.

Elliott doesn’t do any real marketing in Latin America, according to Wilken. “Like most of our worldwide market, they find us on the Internet” in their search for multi-part upgrades or a specific STC.

Given the “big pool of potential customers” in Brazil, Elliott took the proactive step of earning ANAC approval to install its RVSM solution for 200/300 series King Airliners there. Gaining this approval was relatively straightforward.

“It’s mostly a matter of paperwork and a fee,” said Wilken, adding that the paperwork is based on the FAA STC.

“We view Brazilian certification of our RVSM solution as an outstanding opportunity for us to introduce Elliott Aviation and our complete range of avionics upgrades and other services to aviators in South and Central America,” he said.

Elliott must repeat the approval process for each nation where it hopes to sell the solution, which also has been approved in Venezuela. Elliott is looking at Peru next.

Many Latin American aircraft, especially those flying in corporate service, wear N-number

registrations — maintaining their resale value is among the reasons, according to a number of border shops in California, Texas, and Florida that serve the maintenance and avionics needs for these aircraft.

“We compete internationally on a small scale, about 5 percent, mostly instrument repair,” said John Dors of Instrument Overhaul Service of San Diego. “We get Mexican airplanes for installs all the time. I get so many of them I don’t count them; they are just like American airplanes.”

Regardless of the airplane’s registration prefix, N or X, “if I certify an installation with a (Form) 337, that’s good enough for them. I’ve never dealt with the (Mexican) government, but I’ve never had an issue.”

Avionics Sales Corp. (ASC) has served a number of Latin American aircraft at its Adventura, Fla., home base. Since it was founded in 1991, it has opened shops in Fort Lauderdale, Fla., Lenexa, Kan., and San Jose, Costa Rica.

About eight years ago, ASC began serving several Costa Rican operators who needed avionics services not available there, said Eduardo Marquez, president of ASC. Most of them fly “small airplanes; 80 percent are piston-powered, but we just started servicing some operators with a Falcon Jet, a couple of King Airliners and Hawkers.”

In providing equipment, exchanges, technical data and repairs, ASC discovered a potential market and a lack of competition. After doing all the necessary research with both governments,

ASC set up a shop in Costa Rica with eight employees. Since then, it has been “tweaking and structuring its business model to better fit” its needs and customer needs, Marquez said.

Today, ASC’s Costa Rican facility offers complete AOG (airplane on ground) services. Its customers include the U.S. Embassy and the Costa Rican police department and government. In 2008, it retrofitted a government airplane with a Honeywell RDR 2000 weather radar and KMD 850 multi-function display, along with navigation and communications systems.

The shop only serves Costa Rica, Marquez said. Given the complexity of moving airplanes and their avionics across Latin American borders, it is easier for ASC’s U.S. shop to work directly with other South American nations rather than going through its Costa Rican facility.

Business Resources

When it first went south, Avionics Sales Corp. joined ALA, the Asociación Latinoamericana de Aeronáutica, or Latin American Aeronautical Association (www.ala.aero). Established in 1989, ALA is a communications link between the hemisphere’s aviation community and the global aviation industry.

Published in Spanish and Portuguese, the ALA magazine provides information about new products and services, technological advancements, current events, informative articles and reviews. Its website includes an extensive aviation encyclopedia, directories of products and services, a Spanish/English, English/Spanish avia-

tion dictionary, information about ALA and magazine excerpts.

For the corporate community, LABACE, the Latin American Business Aviation Conference & Exhibition (www.labace.aero), is the leading networking opportunity. Since 2003, the exhibition has taken place annually at the Congonhas Airport, in Sao Paulo, Brazil. More than 60 display aircraft and 110 exhibitors participated in the 2009 event, an increase of 12 airplanes and 22 exhibitors from 2008. LABACE 2010 will take place from Aug. 12-14, in Brazil.

Latin America will not realize its full potential until it normalizes its aviation requirements, as the European Union has done through EASA, the European Aviation Safety Agency. In Latin America today, "there are too many differences between one and the other," Marquez said, and they can be extreme, such as placing airline standards on GA aircraft.

The potential for such a unifying aviation agency exists. In May 2008, a constitutive treaty was signed, creating the Union de Naciones Suramericanas (UNASUR). Modeled on the European Union, the Union of South American Nations (www.comunidadandina.org/ingles/sudamericano.htm) has plans for a common currency, parliament and passport. Its headquarters will be in Quito, Ecuador. The South American Parliament will be in Cochabamba, Bolivia, and its bank will be in Caracas, Venezuela.

UNASUR's goal is to have the union up and running by 2019. If it follows the EU model, a Latin

American aviation safety agency to regulate universal certification and equipment requirements will be on the to-do list. □

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