

Deregulation has had differing results for Chile's and Argentina's airlines



A tale of two countries

LAPA has stayed in the black in spite of a poor regional economy

PAUL LEWIS/SANTIAGO
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CHILE AND ARGENTINA offer contrasting pictures of the state of civil air transport in South America. The former is held up as a textbook example of successful deregulation, having embraced open skies and fostered a financially robust airline industry eager to expand. The latter has yet to reap the benefits of reform, and its airlines face almost as much uncertainty as they did a decade ago.

Santiago has led the region in adopting market-friendly policies and, despite the recent economic hiccup, still hosts arguably the most successful South American flag carrier. Lan-

Chile is the only airline on the continent to be listed on the New York stock exchange and, at the end of last year, made a \$47.6 million profit while others continued to haemorrhage red ink.

CHILE LEADS IN LIBERALISATION

"There is some kind of political assumption that regulations ensure you have a healthy airline industry. What tends to happen is the reverse. Chile has been liberal and developed a strong domestic and international airline industry. We're the only airline in South America that is making money," says Kryl Acton, LanChile senior vice-president for strategic development.

This is underpinned by a triple B credit rating from consultants Duffs and Phelps and the air-

line's ability to raise international financing for its planned fleet of seven Airbus Industrie A340-300s and twenty-five A320s. It has also served to make LanChile an attractive local partner for a global alliance and a source of investment capital for cross-border airline ventures.

In October, Chile became the third South American nation to sign an open-skies treaty with the USA, after Peru and Argentina, and the first to implement the agreement for passenger and cargo services. This cleared the way for LanChile to finalise an alliance with American Airlines and, in doing so, to open the door to full membership of the oneworld global partnership.

"We're in the process of implementing oneworld and this will be completed in the course of the year," says Acton. Full member-