



Chile: Aerospace & Airports Maritime & Ports Security

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Date: March 2006
ID: 136483

Summary

Chile offers a variety of opportunities for U.S. suppliers of security equipment, technology, and services. Independent Chilean government agencies administer and supervise these areas of the Chilean economy; i.e. airports and aerospace are under the DGAC, Dirección General de Aeronautica Civil (Civil Aviation Administration), and maritime and ports are under DIRECTEMAR, Dirección General del Territorio Marítimo y Marina Mercante (Chile's Maritime Authority). In terms of high threat targets or top vulnerabilities, Chile is considered by the State Department a low threat post. In general, armed forces cover their own facilities, the police is charged with the security of government agencies, streets, VIPs, crowd control, roads/bridges/tunnels patrols, etc. and private security guards cover electric power plants, water distribution systems, and oil & gas facilities/refineries, railroads, as well as shopping malls, banking institutions, and manufacturing establishments.

U.S. imports for safety and security industry as a whole, in 2005, represented 24.6% of total imports, and is expected to grow 6% this year. There are no restrictions, trade barriers, or reservations against U.S. products. Due to the U.S. – Chile Free Trade Agreement, in place since January 2004, ninety percent of U.S. imported products enter Chile duty free, including many of the safety and security product, however there are some exceptions according to HS codes. For example, duties for fire extinguishers (HS Code 84241000) will be eliminated by January of 2007. Commercial Service Santiago recommends that you verify the specific HS Code of your product.

Market Demand

Chile's booming and healthy economy is partially due to unprecedented and sustained copper price on the rise in 2004 and 2005, an increase in exports due to the trade agreements currently in place, in addition to its stable political situation, transparency and openness to business.

Airports

- U.S. technology offering security within the segment of secure and coordinated air traffic control, network of radars, radio navigation aids, satellites, and airplane communications systems;
- Security equipment concerning aircraft towing, parking, and mooring vehicles segment;
- Rescue and firefighting equipment/tools for aircrafts as well as passenger/cargo terminals;
- Aeronautic meteorology equipment and services segment; and
- Passenger control (immigration) and luggage security checks.

The following projects have been approved for the Santiago international airport and represent procurement of security related equipment/technology:

- Construction of a new parking platform for two aircraft
- Construction of a six-floor hotel by airport's concessionaire SCL and Holiday Inn, inaugurated in 2007.
- Construction of new vehicle parking areas.
- Extension of two arrival gates for jumbo aircraft.

Approved security measures include:

- Glass enclosure of sterile areas; bridges and escalators/stairs.
- Increase in height and number of railings/banisters.
- ID cards for access control to security areas.

Ports

- U.S. suppliers of new technology for the operation/maintenance of piers, wharves, terminals segment;
- Adequate technology/equipment and services to prevent/overcome navigation hazards in vessels;
- Systems/technology/equipment and methods to improve port's clearance facilitation of cargo and passengers, in accordance with Chilean regulations;
- Systems and methods for protection of aquatic ecosystems diversity, productivity, and stability; and,
- Navigational aids.

Ports' infrastructure projects coordinated by the Directorate of Ports' Works, Ministry of Public Works, are estimated to reach US\$23.6 million investment. Some of these projects represent potential purchases of security related equipment/technology. Examples include:

- Improvement of coastal defenses in northern Chile.
- Completion of minor port facilities in northern and central Chile.

The International Ship and Port Facility Code, ISPS, *Código de Protección de Buques e Instalaciones Portuarias (PBIP)*, went into effect July 1, 2004. Ports in Chile meet this standard. Although Chile has implemented the Container Security Initiative (CSI), and Customs Trade Partner Against Terrorism (CTPAT), there remains much needed training and awareness/education.

Market Data (in U.S. million dollars)

	2004	2005	2006*
Total market	52.6	54.8	58.3
Local production	3.8	4.1	4.6
Exports	2.6	3.0	3.3
Imports	51.6	53.8	57.0
Imports from the U.S.	9.9	13.2	13.9

Source: Incomex

*Estimate

Notes to table: total market equals imports plus local production minus exports.

Estimate average dollar exchange rate for 2006: CH\$ 550

Estimate annual growth for 2006: 6%
 Estimate Consumer Price Index inflation for 2006: 2.7%

2005 US market share and major competitors: U.S. 24.6%, China 21.9%, and Germany 7.5%.

Best Prospects

- X-Ray detection equipment
- CCTV
- Access control
- Signaling systems
- Firefighting and encapsulated suits.

Key suppliers

Most of the specialized equipment is imported, with the lion's share from the U.S. While most of the investment in the building or upgrading of newly concessioned airports is channeled through local building contractors and construction companies, which use primarily locally produced building materials, the U.S. has an established presence in the supply of specialty imported equipment. Competition is strong from Europe as suppliers gain access through concessionaries, several of which have European partners like Ferrovia and Dragados, from Spain.

The U.S. is strong in ground support equipment: tractors (Clark brand Victory GSE), and detection and x-ray equipment (Perkin Elmer Instruments, the Vivid brand from L-3 Communications, and Invision Technologies). The German brand, Heiman is also present. In baggage handling, the New Zealand company, Glidepath, is the dominant player. Chile's principal airport in Santiago, Arturo Merino Benitez, completed the baggage handling system, in 2001, including 104 check-in units with weight scales and induction conveyors, an oversize conveyor, eight pallet loop reclaim conveyors, hold baggage screening, tracking from check-in and a pusher diverter sorting system with a capacity of 6,000 bags per hour. The overall system was installed in conjunction with Glidepath's GlideControl software, and is fully integrated with one of four in-line Perkin Elmer level one x-ray machines capable of screening 1,500 bags an hour. Any problem bags are sent to the level three FAA-certified Invision CTX 9000 x-ray machine for further screening. In radar and antenna equipment, the largest supplier is the Airsys Group, a European conglomerate.

For ports the U.S. is also a dominant player, however followed very near by China. Security equipment used in ports include CCTV, card ID, and radiation detectors. Drug and explosive detection equipment from SMITHS, Control Screening, and GE from the U.S. X-Ray equipment is imported from China, Nutech, and from the U.S., L3, SMITHS, and SAIC.

Prospective buyers

- DGAC, administrator, operator, and controller of Chile's air space and the country's network of 35 airports and airfields, is the independent agency that releases bidding opportunities to cover all needs under its supervision.
- DIRECTEMAR, maritime and ports authority of Chile. Chile has sixty-eight maritime terminals and three government owned ports. There are three categories: a) The largest, hi-volume ports in Chile, state-owned, but under a 20 year concession, Talcahuano, San Vicente, San Antonio, Antofagasta, Iquique, and Valparaíso, located

in north, central and south of Chile, and each one with a private concessionaire too; b) private/public terminals such as Puerto de Lirquén (southern Chile) or Puerto Mejillones (northern Chile), which are public, but administered privately; and c) state-owned, such as Puerto Natales and Chacabuco, located in southern Chile.

Market Entry

All government purchases are channeled through ChileCompra (www.chilecompra.cl) (www.chilecompra.cl), whether they are bids for large contracts or recurring inexpensive purchases. A foreign entity that wishes to become a supplier for a government entity must open a subsidiary in Chile or establish a local partner through which to conduct business. The online portal does not require a local tax identification number to enter, thus a foreign entity can obtain information on public bids.

Establishing a local subsidiary or branch office in Chile is the appropriate strategy for a U.S. exporter who is convinced that sales volume will be large and/or local service support or localized inventory are keys to success. Any corporation legally constituted abroad may form, under its own name, an authorized branch (agencia) in Chile. Another practical and more common market entry strategy, especially for new-to-market exporters, is to appoint an agent or representative with good access to relevant buyers and solid technical expertise.

Seaports are the most important points of entry for merchandise entering Chile. Approximately 97 percent of exports and 59 percent of imports go through seaports, of which the most important are San Antonio and Valparaiso. Remaining trade enters/exits the country via airports and by surface transportation principally through Argentina, Brazil, and Bolivia. From point of entry, merchandise is distributed to final destinations mostly by surface transportation. Chile's train network is limited, although there are plans to modernize and expand it. Logistics operations have been modernized, and many new distribution centers and warehouses have been built (especially by large retailers such as department stores, supermarket chains, and distribution companies.) Courier and transportation companies operate efficiently throughout the country.

Market Issues & Obstacles

Chile generally has few barriers to imports or investment allowing, in most cases, foreign firms to enjoy the same protections and operate under the same conditions as local firms. As a result of the U.S. – Chile Free Trade Agreement, in place since January 2004, ninety percent of U.S. imported products enter Chile duty free, including many of the safety and security product, however there are some exceptions according to HS codes. For example, duties for fire extinguishers (HS Code 84241000) will be eliminated by January of 2007. Commercial Service Santiago recommends that you verify the specific HS Code of your product. Other prohibited imports include: industrial waste, used vehicles, and used buses.

Trade Events

Feria Internacional del Aire, Fidae, www.fidae.cl
(Aviation international trade show, bi-annual)

Expo Naval, www.exponaval.cl
(Navy international trade show, bi-annual)

Mining International Trade Fair, Expomin, www.expomin.cl
(bi-annual)

Resources & Key Contacts

Dirección de Aeronautica Civil, DGAC, www.dgac.cl
Dirección Nacional del Territorio Marítimo y Marina Mercante, DIRECTEMAR, www.directemar.cl
Ministry of Public Works, MOP, www.moptt.cl
Gobierno de Chile (Chilean Government), www.gobiernodechile.cl
Cámara de Comercio de Santiago (Santiago Chamber of Commerce), CCS, www.ccs.cl

For more information

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