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LIVIN' LA VIDA BUENA

TOP LATIN AMERICAN CARRIERS
TACA, TAM, LAN, GOL AND COPA
ARE CHANGING THE REGION'S
AIRLINE INDUSTRY THROUGH
INITIATIVES THAT ARE LURING
PASSENGERS FROM BUSES
TO AIRPLANES.

Photo courtesy of TACA



Photo courtesy of United Airlines



Earlier this year, TACA and United Airlines implemented a codeshare agreement, offering United customers access to 18 new destinations in Central and South America and giving TACA customers access to 192 cities worldwide.

■ By Lynne Clark | *Ascend Staff*

Many airlines north of Mexico may still be struggling, but strong signs of recovery, growth and optimism are visible in Latin America's previously stagnant airline industry. Alliances, investments, new strategies and start-up airlines are showing a confidence in the market that has not been seen for some time.

The airline industry in Latin America is one of the fastest growing in the world with companies in Brazil, Mexico and Colombia luring scores of passengers off buses and onto planes. Growth has largely been triggered by improvements in the region's economy and rising per capita income. The number of passengers in the region rose to 76 million in 2005, up 14.4 percent from 2004, according to figures from Aital, a Miami, Florida-based industry association grouping of 29 airlines in Latin America. But while the number of passengers is rising, the number of available seats in Latin America expanded only 8.1 percent over the same period.

The aviation market in South America can best be described as turbulent: carriers recovering from the economic crash of 2001 still face staggering challenges ranging from political unrest, shaky local economies and fluctuating exchange rates to high fees and taxes, and restrictive legislation.

Despite these challenges, several Latin American airlines made headlines in recent months with announcements of new alliances, fleet acquisitions and cross-border flights signaling an optimistic future for the region's emerging airline industry.

TACA Reaches out

Some of the biggest news came in June when United Airlines and TACA, a leading commercial aviation consortium in Latin America, began a codeshare agreement. The partnership opens 18 new Central and South America destinations to United customers and gives TACA customers unprecedented access to 192 cities worldwide. TACA serves 35 cities in 19 countries in the Americas, with hub operations in San Salvador, El Salvador; San Jose, Costa Rica; and Lima, Peru.

"Partnering with such a prominent, high-quality Latin American airline group as TACA both strengthens the value of our service and supports our ability to grow internationally," said Mike Whitaker, United Airlines' vice president-alliances, international and regulatory affairs. "Our agreement with TACA enables us to significantly and strategically increase the depth and breadth of our service into Central America for our customers."

Roberto Kriete, TACA's president of the board and chief executive officer, said, "Complementary route networks, shared

Photo by Carlos Yamil Ramos/MyAviation.net



Photo by EDINEY/MyAviation.net



Panama-based Copa Airlines and Chile-based LAN have become two of the more successful Latin American carriers. Copa increased its fleet by three aircraft, enabling the airline to add service to Trinidad and Tobago, Brazil, the Dominican Republic, Uruguay, and Honduras. LAN will introduce long-haul service on Boeing 767-300 aircraft to North and South American destinations.

Photo by Javier Guerrero/AirTeamImages.net



Photo by Javier Guerrero/AirTeamImages.net



Brazilian-based TAM and GOL plan to expand to neighboring countries. In July, GOL launched two new flights to Argentina, and the airline plans to launch a low-cost carrier in Mexico. TAM recently introduced seven new flights, including routes to Paraguay and Argentina.

commitment to superior customer service and experience in the industry that dates back to the beginning of the century make TACA and United natural partners in their continuous efforts to improve the customer travel experience. This agreement's forward-looking approach yields strategic implications that will enable our users to enjoy a worldwide connection and combined frequent flyer benefits."

Copa Airlines Expands

Also in June, Copa Airlines, a subsidiary of Copa Holdings, S.A., expanded its fleet with the arrival of three new aircraft, two Embraer 190ARs and one Boeing 737-700 NG, bringing the total number of aircraft in the airline's fleet to 27. The expanded fleet will accommodate Copa's route expansion later this year to Trinidad and Tobago, Brazil, the Dominican Republic, Uruguay, and Honduras.

"These new routes are part of Copa Airlines' regional expansion and consolidation plan, which provides our customers a greater number of travel options and convenient connections through our 'Hub of the Americas' in Panama," said Jorge Garcia, commercial vice president, Copa Airlines. "Our new flights contribute to the growth of commerce and tourism in these important cities."

Copa Airlines is one of the leading passenger airlines in Latin America. Operating from its strategic location in the Republic of Panama, Copa offers more than 90 daily scheduled flights to 30 destinations in 20 countries in North, Central and South America and the Caribbean. In addition, Copa provides passengers with access to flights to more than 120 other international destinations through code-share agreements with Continental Airlines and other airlines.

TAM and GOL Cross Borders

In July, Brazilian-based airlines TAM Linhas Aéreas and young start-up GOL Linhas Aéreas Inteligentes both announced cross-border expansion plans to neighboring countries.

TAM announced seven new flights, including two international routes, one to Asunción, the capital of Paraguay, and another to Buenos Aires, the capital of Argentina. The announcement came less than a week after TAM signed a memorandum of understanding to buy 37 airplanes from Airbus.

Toward the end of 2005, TAM, Brazil's leading domestic carrier, controlled the market with a 44 percent share, according to the country's civil aviation authority, the Departamento de Aviação Civil. TAM flies from São Paulo to major points within Brazil, neighboring countries, France and the United States. Recently, the airline has faced stiff competition from GOL but remains focused on differentiating itself by appealing to customers with its high levels of service (the red carpet is rolled out



LAN Peru, with a hub in Lima, brings thousands of travelers each year to the city and its many attractions such as the cathedral in the Plaza de Armas.

for boarding passengers) and direct flights to a large number of destinations.

South America's most profitable carrier, GOL, announced two new flights to Argentina in July and continues to make news in Mexico as it nears the launch of a yet-to-be-named low-cost carrier.

Since its launch in 2001, analysts agree that GOL has achieved more in five years than most companies do in decades. The company's share price has more than doubled since the company went public in June 2004. It has surpassed most of Brazil's other more-established air carriers in terms of size and performance and is now Brazil's second-largest domestic carrier, transporting more than 1 million passengers per month, mostly business customers.

According to GOL, Mexico is Latin America's second-largest airline market after Brazil, transporting 30 million passengers per year on domestic and international routes.

The Mexican market seems ripe for GOL's low-cost strategy aimed at customers who normally travel by bus. Mexican airlines transport roughly 18 million passengers a year on domestic routes, while an estimated 2.5 billion trips are made by highway, according to the government-run airline holding company

Cintra S.A. The potential market for domestic air travel in Mexico is 50 million passengers a year, according to Cintra.

GOL has partnered with Mexican investment group Inversiones y Tecnicas Aeroportuarias S.A. and is working with authorities to begin flights in the near future.

LAN Goes Premium

Chilean-based LAN announced in June that it was joining other major world carriers in eliminating first class by focusing on its "premium business" to be introduced on Boeing 767-300 long-haul flights between North and South America during the second half of 2006.

LAN Airlines is one of the leading airlines in Latin America and is part of one of the region's most successful airline service alliances that includes LAN Express, LAN Peru, LAN Ecuador, LAN Argentina and LAN Cargo.

Through its own operations and code-share arrangements, LAN serves 15 destinations in Chile, 11 destinations in Peru, nine destinations in Argentina, two in Ecuador, 20 in other Latin American countries, 25 in North America, 10 in Europe and four in the South Pacific. Currently, LAN operates 67 passenger aircraft and nine dedicated freighters.

LAN Airlines is a member of the **one-**world alliance. It has bilateral commercial agreements with **oneworld** partners American Airlines, British Airways, Iberia Airlines and Qantas Airways and also with Alaska Airlines, AeroMexico, Mexicana and TAM. One of the biggest airlines in Latin America, it posted profits for the fourth quarter of US\$47.6 million compared with US\$35.2 million for the same period the previous year.

Although the airline has not made an official statement, tourism and travel magazines as well as Web sites indicate LAN is considering entering the Brazilian market possibly in 2008.

While speaking to the Aviation Club of Great Britain in 1998, former United Airlines President Jim Goodwin said, "In the world of Latin American aviation, nothing works as well as a good marriage. As the skies across the region open to competition from global carriers, alliances may be the determining factor in the success or failure of the region's domestic airlines." Judging by the headlines, the honeymoon is just beginning for a growing number of Latin American carriers. **f**

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+count it up

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Number of airports implementing International Air Transport Association common self-serve kiosks as part of IATA's Simplifying the Business initiative.

225+ billion

Amount in U.S. dollars the International Air Transport Association's financial systems process annually.

5.7

Percentage of the world's aircraft fleet that will be replaced during the next two years, a decrease from the 7 percent rates of previous peaks.