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Taking your airline to new heights

THE PILOT

A CONVERSATION WITH
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Mexico's Major Modifications

During the past few years, Mexico's air transportation industry has undergone significant changes involving privatization of its major carriers — a situation that has ushered in a boldly renewed competitive environment along with a number of new low-cost carriers.

■ By Hector Gonzalez and Horacio Mena | *Ascend* Contributors





Aviation in Mexico traces its nativity to the early years of the 20th century, not long after Orville and Wilbur Wright first proved the viability of manned, powered flight in 1903. This was a restive period during which Mexico was about to become involved in a long, drawn-out civil war — the “Revolución Mexicana” — which broke out in 1910 and continued well into the 1920s.

That internal struggle in Mexico marked the first armed conflict in which the airplane was used not just logistically, but as an actual weapon.

The Mexican government army under Gen. Victoriano Huerta was one of the world’s first to designate an airborne unit — flying just a couple of early bi-winged aircraft — to patrol Mexican territory. And at several junctures during this revolutionary interim, aircraft were used by both the government and the rebels.

Another notable event occurred when Mexican president Francisco Madero became the first sitting chief executive of any country to fly in an airplane. That historic flight left the ground on Nov. 30, 1911, from a makeshift airstrip in Mexico City, and lasted only about 10 minutes.

Earliest known commercial aviation in Mexico dates to 1921, when the company now known as Mexicana de Aviación was founded.

In the late 1920s and early ’30s, first solo nonstop trans-Atlantic pilot Charles Lindbergh flew to Mexico several times, almost always to raucous welcomes. Among the aircraft Lindbergh piloted to Mexico was a workhorse Ford Tri-Motor — when he flew from Brownsville, Texas, to Mexico City for Pan American Airways.

Certainly, Mexico has a long and storied aviation history, which has mainly revolved around its two government-owned carriers, Mexicana and AeroMéxico. Through the years, both carriers have alternated between being privately owned and government owned and, once again, in 2005, the country’s air transport industry changed quite dramatically when the Mexican government looked to again privatize its two airlines; first selling Mexicana to private interests in late 2005, then finally letting go of AeroMéxico last year.

And with the privatization of the country’s two network carriers, the Mexican commercial aviation picture became a much more competitive and dynamic environment, marked primarily by the entrance of a number of new players — most operating on a low-cost business model.

These new carriers — Avolar, Interjet, Volaris, ALMA de Mexico and VivaAerobus — all joined older airlines

including Aviacsa, Aerocalifornia and Transportes Aeromar in what has rapidly evolved into a crowded and highly competitive Mexican air travel environment.

But it’s not just the newer airlines and those that are more specialized that are developing innovative business plans in Mexico. It’s the large network carriers and those that are intensifying their efforts to grow.

AeroMéxico — as Mexico’s flag-carrier airline — is No. 1 among the nation’s carriers in terms of passengers as well as the size of its aircraft fleet. Now under private ownership, AeroMéxico is closely examining its operations and implementing various cost-cutting initiatives, while concurrently awaiting delivery of its orders of a number of new Boeing 737, 777 and 787 aircraft.

A huge part of the carrier’s operating strategy involves reliance on its subsidiary airline AeroMéxico Connect (formerly AeroLitoral) to drive business and promote passenger connections within AeroMéxico’s greater route system.

Similarly, AeroMéxico’s chief rival Mexicana is leaning heavily on its associated airline Click (formerly AeroCaribe) to complement its primary route structure. Mexicana emerged from its government ownership to be acquired by the Posadas Group, a mainstay of Mexico’s travel and

hospitality industries and one of the country’s primary hotel owners and operators.

Since its privatization, Mexicana has focused its business plan on being more efficient, including a full-fledged corporate cost restructuring. It has also recently expanded its route network to more U.S. and Canada destinations.

At the bottom line, most of Mexico’s airlines have been striving to grow, taking advantage of this unique interlude in the Mexican commercial airline industry, which has grown steadily in terms of passengers since the early ’90s.

In 1992, for example, more than 14 million passengers were boarded in the Mexican air travel market; by 2006, that figure had risen to more than 22 million passengers; and last year 27.5 million passengers were boarded.

With regard to their immediate future, Mexico’s air travel customers should continue to benefit from a greater range of carrier options and very attractive fares — although consolidation between or among several carriers could be just around the corner and is probably inevitable.

Business analysts have predicted a number of airline consolidations in Mexico, particularly between some of the new players (since most of them operate on similar low-cost business models).



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Mexico’s Volaris is one of several new carriers that has contributed to a highly competitive environment for the country’s traditional carriers. The Toluca, Mexico-based carrier operates 14 Airbus A319-100 aircraft to 17 destinations.

Unquestionably, Mexico's airline industry is expected to continue to grow, as carriers order new aircraft and map out new routes. Therefore, advanced technological platforms will continue to play extremely important roles, essentially paving the way for airlines in Mexico to achieve their goals, from planning to execution.

Worldwide, there's a mushrooming customer preference to select and purchase transportation options through direct channels. And the trend is impossible to miss in Mexico, where the number of people who have access to the Internet is steadily and substantially increasing.

In addition, attractive fares offered by Mexico's low-cost carriers have obliged the network carriers to reduce fares — yet at the same time, the network carriers have encountered considerable difficulty in trying to reduce their operating costs, creating the common conundrum in which fares are artificially kept at low levels and losses accumulate.

But lower fares have helped stimulate phenomenal air transportation growth in Mexico. Double-digit growth is forecast for the next several years. Fares, though, must eventually move more in line with operational costs.

Regardless of what happens in the future, however, the new players in the Mexican air travel market have struck positive chords in creativity and breaking paradigms, innovatively acquiring resources and partnering with companies from other industries in sponsor relationships.

At the same time, these new players have been able to take advantage of the various abilities of their partners and investors to help lower costs. Volaris, for example, provides entertainment on its flights through its close connection to Grupo Televisa, and it offers snacks in cooperation with its sponsor Krispy Kreme Doughnuts.

On the whole, Mexico's airline industry is spawning innovative approaches and realizing rapid growth. And generally, the country's travelers are experiencing what is for now, at least, a notably affordable and enjoyable ride. ■

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Photo courtesy of Boeing

In late 2006, Mexico's largest airline, AeroMéxico, ordered two additional 787-8 Dreamliners, bringing to five the number of 787s the carrier expects to acquire. In June 2006, the airline announced plans to lease three 787-8s from International Lease Finance Corp. with deliveries scheduled to begin in early 2010, making it the first Latin American airline to incorporate the mostly composite airplane into its fleet.



Photo courtesy of Boeing

Mexicana, Mexico's second-largest airline, was acquired in 2005 by the Posadas Group, one of the country's most prominent hotel owners and operators. In a move to remain competitive and satisfy customer demand, the carrier expanded its network to include additional destinations in Canada and the United States.