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Taking your airline to new heights

JET STREAM

A conversation with Wolfgang Prock-Schauer, the chief executive officer of Jet Airways.



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Scoring a GOL

In little more than five years, Brazil-based GOL progressed from a startup carrier with a basic philosophy and few assets to one of the leading carriers in South America.

■ By Phil Johnson | Ascend Staff

When they initiated operations in January 2001, the people who founded São Paulo, Brazil-based GOL Airlines went into business with a simple philosophy and just a few assets.

Those assets consisted primarily of six aircraft, which were scheduled at the onset to fly to only seven destinations — all in Brazil.

And, as hinted at in its Portuguese-language name — “goal” in English — the company espoused a very basic business philosophy centered on the goal of making air travel both affordable and accessible to a greater number of Brazilians while still generating income.

So to whom might an airline turn for inspiration as well as a good example of how to establish and maintain highly profitable, low-cost (and low-fare) operations?

Company founder Constantino de Oliveira Jr. freely admits his airline role models begin with Southwest Airlines, but also include jetBlue, Ryanair and easyJet. Once every Real is accounted for, however, it may be GOL Airlines that is actually teaching others around the world how to operate a low-fare airline profitably.

Today, GOL Airlines uses more than 50 aircraft to fly to more than 50 destinations in seven South American countries, and it has placed orders for 101 additional Boeing 737-800 aircraft, to be delivered between now and 2012.

The new 737s will feature the latest in fuel-efficient and other cutting-edge technology, which figures to help the company maintain or even enhance its daily average in-flight time of more than 14 hours per aircraft.

GOL’s dealings with Boeing, in fact, represent a unique business relationship. Boeing had never before entered into a “special-order” aircraft agreement with a Latin American carrier. As part of the contract, Boeing makes design modifications — such as accommodating features — to enable GOL aircraft to better handle the shorter takeoffs and landings

required at Rio de Janeiro’s close-in Santos Dumont Airport, where most of Rio’s domestic air traffic is routed.

Taking advantage of Boeing’s “phased” maintenance program — featuring frequent inspection and evaluation of aircraft, rather than maintenance at fixed intervals — GOL has held down maintenance costs and further enhanced overall efficiency.

By reliable but conservative estimates, from an initial investment valued at approximately US\$20 million six years ago, GOL Airlines has grown in valuation to more than US\$6 billion and recently announced plans to purchase Varig, the Brazilian flag carrier, for US\$275 million and assuming another US\$45 million in debt.

What’s the secret? How can an airline serving only South America — and operating primarily within the confines of the still-emerging economy of Brazil — grow by such proportions in such a relatively brief timeframe?

According to Oliveira, it’s not by using smoke and mirrors. “Our mission is to popularize aviation all over South America,” he said. “To do that, prices must continue falling.”

Oliveira also pointed out the significant number of first-time flyers who travel on GOL — up to 10 percent or more by his estimate — and he appears to have made it his special mission to illustrate to a greater number of South Americans just how wise and affordable flying can be.



As it continues to grow into one of Latin America’s largest and most successful carriers, GOL Airlines is doubling its fleet. By 2012, the airline, which currently operates more than 50 aircraft, will add 101 Boeing 737-800s to its fleet.

Photo courtesy of GOL Airlines



GOL Airlines founder Constantino de Oliveira Jr. said Southwest airlines, along with other successful low-cost carriers such as jetBlue, Ryanair and easyJet, represent the role models used when he started up the airline.

Photo courtesy of GOL Airlines

challenge was to rewrite aviation history from a blank paper."

To create something from nothing in the transportation industry, it's been one of GOL's objectives to set a certain South American standard of customer service through a dogged dedication to teamwork.

For example, all GOL Airlines crew members — along with its pilots — spend required training time in flight simulators to better understand the in-flight issues pilots face. The result is an enhanced capability for the entire crew to interact during flights in communicating with passengers, and also a very real sense of camaraderie.

Another GOL policy is to intermingle people who have greater experience with people who have less experience in its flight crews, the better to share knowledge and avoid the formation of cliques of tenured employees — a situation that might effectively sabotage the company's culture of creativity.

As Oliveira explains, "We've mixed young people with expert ones, but all with an innovator spirit. And it worked."

A generous incentive bonus program also helps, and Oliveira makes it a point to communicate with and relate directly to employees in sit-down luncheons involving small groups on a regular basis.

There's an active corporate-wide initiative at GOL to both maintain and further enhance employee morale that would undoubtedly make even the legendary Herb Kelleher of Southwest Airlines swell with pride.

Imitation, after all, is the sincerest form of flattery. And GOL's culture as well as its efficient business model remind a lot of analysts of Southwest — down to the airline's forward-looking plan to continue buying Boeing 737 aircraft painted in its distinctive orange for the foreseeable future.

And the proof of GOL's intense competitiveness in its market areas can be seen at least partly in the positive contrasts of its operations compared to the difficulties of its Brazilian airline rivals — with both VASP and Transbrasil having gone out of business since GOL started flying.

It would definitely appear that GOL Airlines — while not necessarily inventing the concepts that enable low-fare airlines to succeed — has adapted those concepts well to help make South America a much more affordable continent for air travel. ■

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Coming from one of the quintessential high-profile Brazilian sports backgrounds as a racecar driver, Oliveira cut his management teeth in Brazil's bus industry. With his transportation roots, he knows from his own personal experience what Brazilians are typically willing to pay to travel.

Recently, in answer to a question about GOL's capability to continue generating profits

consider 60 million [Brazilians] effectively traveling. Out of that number, 20 million live in areas where there is an airport in the neighborhood. So, the Brazilian aviation market can be more than doubled."

Oliveira has also prominently noted GOL's penchant for innovation.

"GOL has broken paradigms," he said. "We've launched Internet bookings, Internet

“GOL has broken paradigms. We’ve launched Internet bookings, Internet check in, night flights with bus prices, and we’ve financed fares with 36 installments.”

— Constantino de Oliveira Jr.

while charging lower prices, Oliveira told Brazil-based *Dinheiro* magazine, "Our logic is [based on] always generating more demand. [Looking at] all of our routes, the market has grown 20 percent.

"GOL's new mission is to popularize air transport," he said. "If we want to have more people flying, prices cannot get higher. There are 8 million people [in Brazil] who fly. We've evaluated that at least 20 million Brazilian citizens can use air transport.

"We [founders of GOL Airlines] were born in the bus-interstate travel industry, which carries 180 million [Brazilian] passengers a year. Let's

check in, night flights with bus prices, and we've financed fares with 36 installments. Because of that, GOL is now a reference in the market.

"We know that tomorrow there will be someone better than GOL. And we work hard to be ourselves," he said. "In order for a new competitor to grow, he will have to break paradigms. But we are watching out. I'm still focused on my job and trying to be even better.

"GOL's value creation is much more focused on the dream of popularizing air transport than getting wealthier. Our life has always been about passenger transportation — and it will go on like that. At GOL, our chal-