

# AEROMÉXICO'S EAGLE KNIGHT SOARING FOR 75 YEARS

*by Ken Donohue*



*Aeroméxico's logo was adopted by Aeronaves de México at the start of the jet age. The Aztecs established a military organization of privileged Eagle Knights (Caballeros Águilas), warriors who were chosen because they had proven their courage in battle. For major public events, as well as for ritual sacrifices, the Aztecs organized spectacular ceremonies that included military parades featuring the dance of the Eagle Knights, who leapt as if they were birds ready to take flight.*

*On September 14, 1934, Antonio Diaz Lombardo's Aeronaves de México made its first revenue flight, from Mexico City [México] to Acapulco, using a five-passenger Stinson SR-5A Reliant. Lombardo could not have foreseen that 75 years later his enterprise, now known as Aeroméxico, would have become one of Latin America's leading airlines.*

**L**ike most carriers, its history has been uneven. A scarcity of resources in wartime forced the company to sell a 25% stake in 1941 to Pan American Airways. And while the first two decades of the company's existence were unremarkable, the Fifties promised much, as the airline began to grow through the acquisition of smaller competitors, including Guest Aerovías México. In doing so, it secured routes to Madrid and Paris, which are still operated.

By 1955, Aeronaves had a fleet of a dozen passenger Douglas DC-3s, plus a cargo C-47, two 50-seat DC-4s. Soon afterward four 44-seat Convair-Liners were added, the first pressurized equipment. Nonstop service was launched to New York (Idlewild, now JFK) in 1958 using the Bristol Britannia turboprop. At the same time, a new route between Acapulco and Los Angeles was initiated. But in concert with growth, trouble was brewing. At the end of the decade, in response to a strike by the pilots' union, the Mexican government nationalized the airline.

Aeronaves acquired Douglas DC-8s and DC-9s in the Sixties, and in 1972 adopted the name Aeroméxico for marketing purposes. Two years later, the 277-seat 'El Grande' DC-10-30 arrived. Despite spreading its wings to 39 destinations on three continents, and carrying

40% of all domestic passengers, Aeroméxico was a habitual money-loser. During three decades under government control, the carrier was profitable in only three years: 1979 to 1981.

Everything fell apart in April 1988, when a strike by the airline's ground handlers forced the company into bankruptcy, with the government declaring that it was inefficient to the tune of \$100 million a year in subsidies. Banobras, a state bank, was called upon to act as trustee, and a significantly reduced operation resumed after a month with only five aircraft and ten routes, which were unserved by any other airline. With more efficient use of labor, Aeroméxico quickly ramped up its operations. Three months after the airline was grounded, the number of destinations served increased to 21, and with greater stability the government sought to divest itself of the airline.

In October 1988, a group of private investors led by Gerardo de Prevoisin bought 65% of the company. Resurrecting the airline from bankruptcy would mean restoring labor union contracts. To circumvent this, a new company, Aerovías de México, still marketed as Aeroméxico (AMX), was created. The fleet was reduced by a third and two-thirds of the 12,000-strong workforce was dismissed.

Improved service was AMX's priority. "When the airline was privatized, we had one of the worst on-time performance rates, now it's one of the best in the world," says Nicolas Rhoads, Aeroméxico's senior VP planning. "We implemented a number of strategies as a way to differentiate ourselves from other airlines." Indeed, on-time performance soared to 96%, and through extensive use of modern IT (information technologies) and innovations, such as México's first frequent-flyer program, Aeroméxico's market share grew from 27 to 40%. The airline continues to monitor its operations and key performance indicators daily to ensure that performance goals are met.

With a new structure in place, the Nineties should have been a decade of great promise. Aerovías de México bought a stake in Aeroperú, and also acquired a controlling interest in competitor Mexicana (Compañía Mexicana de Aviación—Airways, Nov/Dec 1996). The two Mexican airlines remained

independent, however, with Mexicana concentrating on indigenous traffic to the USA, Caribbean, and Central America, and AMX targeting business travel to the USA, South America, and Europe. At the same time AMX was expanding the government was deregulating the industry, which led to a price war with the start-ups. Losses were staggering, and devaluation of the peso caused an economic slump. Owed nearly \$400 million in current liabilities alone, creditors took over Aerovías de México whose chairman, de Prevoisin, fled amid charges of embezzlement of \$70 million.

Finally, in 1996, with the industry in disarray, the government again stepped in and bailed out the two airlines. This time, though, the government distanced itself from the actual operations, and instead formed a holding company, Grupo CINTRA (Corporación Internacional de Aviación, or International Air Transport Corporation), in which it held a 15% stake, to operate Aeroméxico and Mexicana, plus their affiliated regional carriers, maintaining competition through separate management and accounts.

Four years later, the CFC (Comision Federal de Competencia, or government anti-monopoly agency) ruled that CINTRA would have to be broken up and the



ANDRE DU-POINT



RURIK ENRIQUEZ

*Boeing 777s, leased from ILFC, have replaced 767s on routes to Europe and Asia. The surviving Boeing 767s will be replaced by 787 Dreamliners. Because of the latter type's composite construction, AMX's polished aluminum scheme is being phased out as aircraft are repainted.*

airlines sold. The first step was accomplished in 2002 with a division of assets into two sub-controlling groups in preparation for the privatization of Aeroméxico and Mexicana. This move was postponed, however, as was a planned merger with Mexicana. Instead, in 2005, Mexicana was sold to hoteliers Grupo Posadas, and CINTRA was renamed Consorcio Aeroméxico.

Faced with substantial losses, the state-owned holding company was forced to offer Aeroméxico for sale. A frenzied bidding war ensued, and in October

2007 a group of investors led by Citigroup (through its Banamex subsidiary) purchased Consorcio Aeroméxico for \$249 million, assuming an estimated \$1 billion of debt. (By acquiring the holding company, Citigroup circumvented a 25% limit of foreign ownership of a Mexican airline.) Another \$240 million was injected to expand the network.

In 2000, the airline was a founding member of the SkyTeam alliance, which was a natural fit considering AMX already had partnership agreements in place with Delta Air Lines and Air France. While he would not disclose figures, Rhoads tells *Airways* that the alliance is an important revenue generator for Aeroméxico.

As in almost every other part of the world, the low-cost carrier (LCC) phenomenon came to México, challenging the established operators. AMX reacted by increasing its fleet of EMBRAER regional jets, which are operated by Servicios Aéreos Litoral under the name Aeroméxico Connect. "This allowed us to offer more flights with less capacity and less cost, giving us a competitive advantage," explains Rhoads. "Low-cost airlines have fewer flights, operate at odd times of the day, and don't easily connect. We could offer a better product for our business passengers." Currently, Aeroméxico Connect flies some 13,000 passengers a day on more than 330 departures.

"We're always asking ourselves if something is good for our customers," says Fernando Ceballos, the airline's senior VP airports. "We offer a more human approach, good value, and excellent connectivity for our passengers transferring to flights within México and throughout Latin America." Thirty percent of Aeroméxico's passengers are connecting to other flights, a third of those to international destinations.

Mexico City's Benito Juarez International Airport (MEX) is the airline's primary hub, with all of its operations using Terminal 2 (T2), which opened in 2007 (*Airways*, November 2008). T2 has three check-in bays, and 33 self check-in kiosks for added convenience,



ANDRÉ DU PONT

*Aeroméxico was a founding member of SkyTeam.*



RURIK ENRIQUEZ



MIKE CARTER

*In 2007 Aerolitoral changed its business name to Aeroméxico Connect. At the same time, the company introduced 99-seat, two-class ERJ 190s to supplement 50-seat ERJ 145s.*



ANDRÉ DU-POINT

*Aeroméxico and subsidiary Aeroméxico Connect operate more than 600 daily flights through Terminal 2 at Mexico City.*

although only 14% of AMX’s customers use the latter, while 20% use web check-in. The airline would like to see more kiosk use, and allocates staff to aid passengers, but Ceballos admits that this will take time because many people lack familiarity with the technology.

Aeroméxico has a separate check-in area for ‘Clase Premier’ (business) passengers. With the liberal use of rich wood accents, this area has a different feel than the other counters, and was purposely placed across from competitors. “We want their customers to see what they’re missing with Aeroméxico,” Ceballos remarks with a smile. “We also place our best customer service agents here. They see it as an honor to be assigned to check-in our premier passengers.” The airline operates two stylishly designed business lounges on T2’s mezzanine level, complete with a special kids’ area, the latest video game systems, a spa, and laptops for guests.

With Aeroméxico serving 85% of the 10 million passengers that pass through T2 each year, mornings and evenings are the airline’s two peak periods, with about 15 departures an hour in the morning. And between 1800 and 2200, the airline has about 20 of its aircraft on the ground preparing for flights throughout the network. Aeroméxico currently has about a third of the domestic market, with Mexicana carrying slightly more passengers overall.



AEROMEXICO



KEN DONOHUE

*The T2 lobby, with separated Clase Premier check-in.*

New routes to the USA and Canada include New Orleans, Toronto, and Montréal. Regular service to Atlanta and Washington, DC, as well as to Colombia and Costa Rica, is under consideration. Three European routes cover Paris, Barcelona, and Madrid. The latter is one of the airline's most important destinations, given the historical links between Spain and México.

An outside observer may question the viability of direct service from México to Tokyo and Shanghai, but with the large Japanese diaspora in Brazil and Perú, along with burgeoning trade between the Americas and Asia, AMX is able to make it work.

Service to Shanghai, launched two years after Tokyo, in May 2008, was interrupted a year later when China banned all flights from México after the outbreak of H1N1 influenza. "The impact of the cancellation meant that we had an extra Boeing 777 with no route to fly," Rhoads admits. "We were pleased with how this destination was developing." Although China's ban was lifted within a few weeks, AMX did not resume service to Shanghai until March 26, 2010, because of weak demand.

The Mexican airline is currently the only one from Latin America serving Asia, and with Japan Airlines's cancellation of its twice-weekly Tokyo–Vancouver–Mexico City service in January 2010, AMX is the sole direct link between México and Asia. "The economies of México and Asia are becoming more and more linked," notes Rhoads. "As well, there is double-digit growth in commerce and trade between Central America and Asia, and with new trade agreements these emerging markets are not slowing." Indeed, two-way trade between Latin America and China totals more than \$70 billion, 70 times the figure three decades ago.

Given the mean temperature and altitude of Mexico City—more than 2,225m (7,300ft)—AMX routes flights to Tokyo and Shanghai via Tijuana, Baja California, which at sea level offers better payload/range performance for the 777-200ERs. The stop, made in both directions, also caters to local businesses, and even residents of southern California.

In 2003, an aggressive fleet renewal program was initiated, which saw AMX acquire 737-700s and -800s (all of which are equipped with Aviation Partners Boeing blended winglets—*Airways*, April 2004) to replace elderly DC-9s and MD-80s. Boeing 767s and 777s are used on intercontinental routes, and in 2006, a decision was made to lease three 787-8s from International Lease Finance Corporation on ten-year contracts. Delivery of the Dreamliners was originally scheduled for 2010; they are now scheduled for 2012 and 2013—when they will be joined by two ordered from the manufacturer.

Aeroméxico's punctuality, reliability, and low percentage of mishandled baggage are largely the reasons for its recent success. "Customer service is our best tool," notes Ceballos. "We want to be the airline of preference. We have a strong product and reputation." The airline's standard for baggage delivery is that the first bag should be on the carousel before the passengers are there. When I jokingly told Ceballos that it didn't happen when I arrived, he said, "Then we didn't deliver." To be fair, it took only a couple of minutes to pass through immigration and customs. "Our philosophy is that baggage is considered the second passenger," says Ceballos, with pride. "Everyone wants to get to their destination and be able to change their underwear."

Unlike some airports, Mexico City doesn't experience many weather delays; however, on some occasions when heavy rain falls in a short period of time, the taxiways and runways can become flooded, forcing the airport to close for several hours. If weather isn't a challenge for the airport, then surely congestion is. Ceballos tells *Airways* that the airport reaches its limit three times a day. This, along with slot restrictions at the airport, affects AMX's ability to grow.

While today only a small percentage of Mexicans can afford to travel by air, the developing Mexican economy bodes well for the future of AMX. "There is a close correlation between GDP [gross domestic product] and

*(continued on page 19)*



CARY LIAO

More new 737NGs are due in 2010, along with three second-hand Dash 800s adding to six already in the fleet.

# *In-flight with* AEROMÉXICO



TRISTAR-YYZ

*AMX operates a daily service between SFO and MEX, departing at 0700. Check-in at the International Terminal was efficient, taking less than five minutes. Unfortunately, TSA (Transportation Security Administration) screening did not start until 0530, so passengers were forced to wait with very few amenities open.*

*The 737-700 was waiting at Gate A6 following a late-night arrival. Boarding was orderly, as gate agents called passengers by row numbers. Several Spanish language newspapers were available at the end of the Jetway. The 124-seat aircraft was about two-thirds full, and the cabin felt new and fresh. Seats were upholstered in a pleasing blend of dark and light blues, accented with small yellow dots.*



<b>Flights:</b>	AM665, AM19
<b>Route:</b>	San Francisco International, California (IATA: SFO/ICAO: KSFO)– Mexico City-Benito Juarez International (MEX/MMMX)– Los Angeles International, California (LAX/KLAX)
<b>Aircraft:</b>	Boeing 737-700
<b>Class:</b>	Economy (coach)

**W**ith all passengers and cargo aboard, pushback began a few minutes before our scheduled departure time. A short taxi brought us to Runway 37R, for takeoff to the north. With the sun rising, we made a wide 180-degree turn to the left, affording passengers on the right side a great view of downtown San Francisco, with the iconic Golden Gate Bridge in the distance.

Flight time was given as 4hr 5min. Announcements from the cabin crew were in Spanish and English, although there was no word from the cockpit during the flight, either to explain the route or share any other information.

An hour into the flight a complimentary breakfast—consisting of a muffin, yogurt, and fresh fruit, along with a beverage service—was offered.

In-flight entertainment consisted of small overhead monitors, showing one movie. Complimentary headphones were offered to each passenger. Nine audio channels were also available. AVOD (audio and video on demand) are available on the airline's services to Madrid, Paris, São Paulo, Buenos Aires, and Tokyo. AMX's in-flight magazine, *Escala*, featuring bilingual articles along with the airline's route network, is provided in the seat pocket. A collection of other magazines was also available at the front of the cabin.

An hour before arrival, a complimentary drinks service was performed.

Nearing MEX, the city's infamous air pollution became visible. We descended through the smoky haze, with this historic and sprawling city of nearly 20 million people spreading in every direction. We landed on Runway 05R at 1315lt.

There were few arrivals at that time, so passing through immigration and customs at the pleasant T2 was quick. Although I waited ten minutes for my luggage, there was some compensation from being able to observe the airport activity through large glass windows. Twenty-five minutes after arrival at the gate, and a stop at the currency exchange booth, I was in a taxi to my hotel.

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Check-in at T2 did not go smoothly. I was directed to use the self-check-in kiosks, but the first wasn't working although I found another easily enough. The machine wouldn't accept my confirmation number, or the destination. When I pointed this out I was told to wait at the far counter, which turned out to be for those who had boarding passes and were dropping off luggage. I went to the next counter, and explained my predicament. The agent looked disinterested and then told me she was leaving. With no-one to help I returned to the original agent who had sent me to the kiosks, and explained my situation. I was then sent to a vacant check-in counter, where the agent found my reservation and issued a boarding pass.

The aircraft was about half-full, and the main door was closed at 0930, our scheduled departure time. Pushback was 15 minutes later, and there were no announcements explaining the delay. At 1000, we took off from Runway 05R. The airport was using staggered landings and takeoffs on both parallel runways.

Climb-out showed once again how huge and densely populated this city is. Those of us on the left side of the aircraft were treated to a spectacular view of the Iztaccíhuatl [Ixtaccíhuatl] and Popocatepetl volcanoes



PHOTOS: KEN DONOHUE

70km (45mi) southeast of MEX; the latter is México's second highest peak, rising to 5,426m (17,800ft).

Flying time to LAX was 3hr 35min. A similar light breakfast was served, and a series of television programs was shown on the overhead monitors.

At 1130lt we landed on Runway 25L, on the south side of LAX. We had a short delay to cross 25R to Terminal 5 because of landing traffic.

There was a wait of about 15 minutes for bags to arrive on the carousel. Suffice to say—as it was not part of the AMX experience—that LAX continues to underwhelm, especially for connecting passengers with baggage.

## Overall impression

On both flights the smartly attired cabin attendants were friendly and efficient, but a check-in agent walking away from a customer without providing any assistance or direction is unacceptable. The complimentary and simple breakfast is more than most North American airlines offer, although IFE is limited on the 737s, and there are no personal seatback monitors. →

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traffic growth,” says Rhoads. “We’ve seen this in the rest of the world and we see it in México.” The airline industry relies heavily on México’s highly developed tourism industry to fuel its business. With more than 22 million visitors each year, México ranks as the tenth most popular country in the world.

Historically, Aeroméxico and long-time rival Mexicana complemented each other on route development long before they were controlled by the same entity. Recently though, they have started to compete on routes that each once served exclusively. Some in the industry feel that greater cooperation and alliances are needed for a sustainable future. Rumors of a merger between AMX and Mexicana have long dogged both companies. “These rumors have been around since 1995,” says Aeroméxico’s Rhoads. “We believe Mexico can sustain two large international airlines.”

Aeroméxico CEO Andrés Conesa also discounts a merger with Mexicana, but hints that a ‘stock participation’ fusion between AMX and another domestic or overseas airline could happen this year.

Nevertheless, in January the federal government proposed a merger of the two airlines, although the CFC cautioned that a full review is necessary in order to maintain competition because an unchecked combined entity would have 70% of the market.

There are a lot of positives for Aeroméxico: a young fleet, Terminal 2 at Mexico City, and limited competition on routes to Asia. If the airline can stay independent and true to its commitment to deliver superior customer service and serve routes based on sound business principles, then the historical symbol of the Eagle Knight that has adorned the tail of Aeroméxico’s aircraft for decades will continue to soar. →

## Fast Facts—Aeroméxico (Aerovías de México)

**IATA:** AM      **ICAO:** AMX      **IATA/ARC:** 139      **Radio:** Aeromexico

Paseo de la Reforma 445  
Colonia Cuauhtemoc  
Mexico City, DF 06500  
México

Tel: +52 5 327 4000  
Fax: +52 5 511 5359

**Website:** www.aeromexico.com

### Cities served:

**México:** Acapulco, Aguascalientes, Campeche, Cancún, Chetumal, Chihuahua, Ciudad del Carmen, Ciudad Juárez, Ciudad Obregón, Ciudad Victoria, Cozumel, Culiacán, Durango, Guadalajara, Hermosillo, La Paz, León, Los Cabos, Los Mochis, Matamoros, Mazatlán, Mérida, Mexicali, Mexico City, Monterrey, Morelia, Nuevo Laredo, Oaxaca, Poza Rica, Puebla, Puerto Vallarta, Querétaro, Reynosa, San Luis Potosí, Tampico, Tapachula, Tijuana, Toluca, Torreón, Veracruz, Villahermos, Zacatecas, Zihuatanejo

**USA:** Chicago, Denver (seasonal), Houston, Las Vegas, Los Angeles, Miami, New Orleans, New York (JFK), Ontario, Orlando, Phoenix, San Antonio, San Diego, San Francisco, Seattle

**Canada:** Montréal, Toronto, Vancouver

**Central America:** San Pedro Sula

**South America:** Buenos Aires, Lima, Santiago, São Paulo

**Asia:** Shanghai, Tokyo

**Europe:** Barcelona, Madrid, Paris

**Code-shares:** Air Europa, Air France-KLM, Alitalia, Copa Airlines, ČSA Czech Airlines, Delta Air Lines, Gol, Japan Airlines, Korean Air, LAN (Chile & Perú), Mayair, Servicios Aéreos Litoral (Aeroméxico Connect)

**Interests:** Servicio Mexicano de Vuelos de Fletamento (ATE, dba Aeroméxico Travel), Servicios Aéreos Litoral (SLI, dba Aeroméxico Connect), Empresa de Mantenimiento (EMA, or Air Maintenance Company)

**Passenger traffic (2009):** 10.2 million

**Founded:** 1934 (as Aeronaves de México)

**Ownership:** Grupo Financiero Banamex (Citicorp)

**CEO:** Dr Andrés Conesa

**Employees:** 6,000

### Fleet

Type	Nº	Seats	Engines
EMBRAER EMB-145ER	5*	Y50	RR AE3007A1
EMBRAER EMB-145LR	17*	Y50	RR AE3007A1-1/A1-2
EMBRAER EMB-145LU	10**	Y50	RR AE3007A1
EMBRAER EMB-145MP	5*	Y50	RR AE3007A1
EMBRAER ERJ 190-100 LR	7*	C11Y88	GE CF34-10E6
McDD DC-9-87 (MD-87)	1**	Y122	P&W JT8D-219
Boeing 737-700	29***	C12Y112	CFMI CFM56-7B-22
Boeing 737-800	6*	C24Y126	CFMI CFM56-7B-27
McDD DC-9-83 (MD-83)	2**	Y155	P&W JT8D-219
Boeing 767-200 (ER)	3	C21Y160	PW PW4056
Boeing 767-300 (ER)	2	C21Y188	PW PW4060/4062
Boeing 777-200 (ER)	4	C49Y228	GE GE90-90B

\* operated by SLI

\*\* operated by ATE (due for replacement in 2010 by 737-700s, Y143)

\*\*\* one parked

### On order

ERJ 190-100 LR	11	due 2010 (7), 2011 (4)
737-700	10*	due 2010 (4), 2011 (6)
737-800	3	due 2010, ex Air Europa & Gol (2)
787-8 Dreamliner	5**	(GEnx-1B64)

\* 3 for ATE

\*\* 3 leased from ILFC; due 2012 (2)-2013 (3)