

Bisignani calls for consolidation

Latin American airlines should be free to combine forces like in Europe, says IATA's director general

BY KERRY EZARD

Governments in Latin America must loosen their grip on the airline industry and open up opportunities for consolidation, potentially creating a big international carrier like Air France-KLM, according to IATA director general Giovanni Bisignani.

Addressing ALTA delegates yesterday, the IATA chief said it "makes absolutely no sense" that Latin America represents 5% of global traffic but is divided into 39 markets. "Bilateral agreements cannot keep pace with market developments and they prevent the consolidation needed to build strong global competitors," said Bisignani.

He added that as a region, Latin America should "throw into the game a big international player". The European approach, which has made consolidation possible in the cases of Air France-KLM,

Swiss and Lufthansa, and Brussels Airlines and Virgin Express, "could be a model" to follow, according to Bisignani.

He pointed out that the "building blocks for liberalisation" already exist in Latin America, with carriers such as LAN having developed "cross-border clone operations" as a way of getting around bilateral rules. "Now governments must catch up with commercial reality by defining a staged approach to full liberalisation with transparent and challenging targets."

Bisignani also lambasted countries in Latin America for running airports and air traffic management as monopolies and using them as "a licence to print money". He added: "The biggest problem is the airport concession fee structure that guarantees profits with no incentive to invest in efficiency or better facilities." ■



Airbus dancing to a new tune

Speaking at an Airbus-sponsored ALTA cocktail reception on Wednesday evening, Barry Eccleston (president and chief financial officer of Airbus North America) said that the European company was restructuring its presence in both the USA and Latin America. From 1 January 2008, a new customer-focused team, headed by VP customer affairs Rafael Alonso (pictured left with ALTA's Alex de Gunten, centre), will be based in Miami to service the markets in Latin America and the Caribbean. Alonso and his team will move from Toulouse from where they previously also looked after sales in Spain.

Mexican carriers preparing for bloody battle

Mexico's new low-cost carriers are gearing up for a potentially bloody battle for survival in a market which some say is oversaturated and headed for significant consolidation.

But there are differing views on the extent of overcapacity in Mexico, particularly in the low-cost and network carrier camps. Over in the network carriers' corner, Aeromexico chief executive



Enrique Beltranena

Andrés Conesa points to "significant overcapacity" in the market, which he blames for declining yields. "There is definitely space for a low-cost carrier in Mexico, but not for seven," he says, adding that nowhere else in the world has the number of airlines in one country doubled in the space of one year. "Mergers are one way to consolidate the industry faster."

However, in the low-cost corner,

Volaris chief executive Enrique Beltranena, while acknowledging that "the battle will be longer than we expected" and "the lowest cost will win", is optimistic in the potential for future growth in the Mexican market: "Mexico is a market of challenges and opportunities, but we see more opportunities than challenges. We are sure we can continue strengthening aviation supply in Mexico." ■



INSIDE THIS ISSUE

IATA demands safety first Page 3
Bisignani: Latin airlines suffer from political myopia Page 3

US carriers on the increase Page 4
Heilbron gazes into his crystal ball Page 6

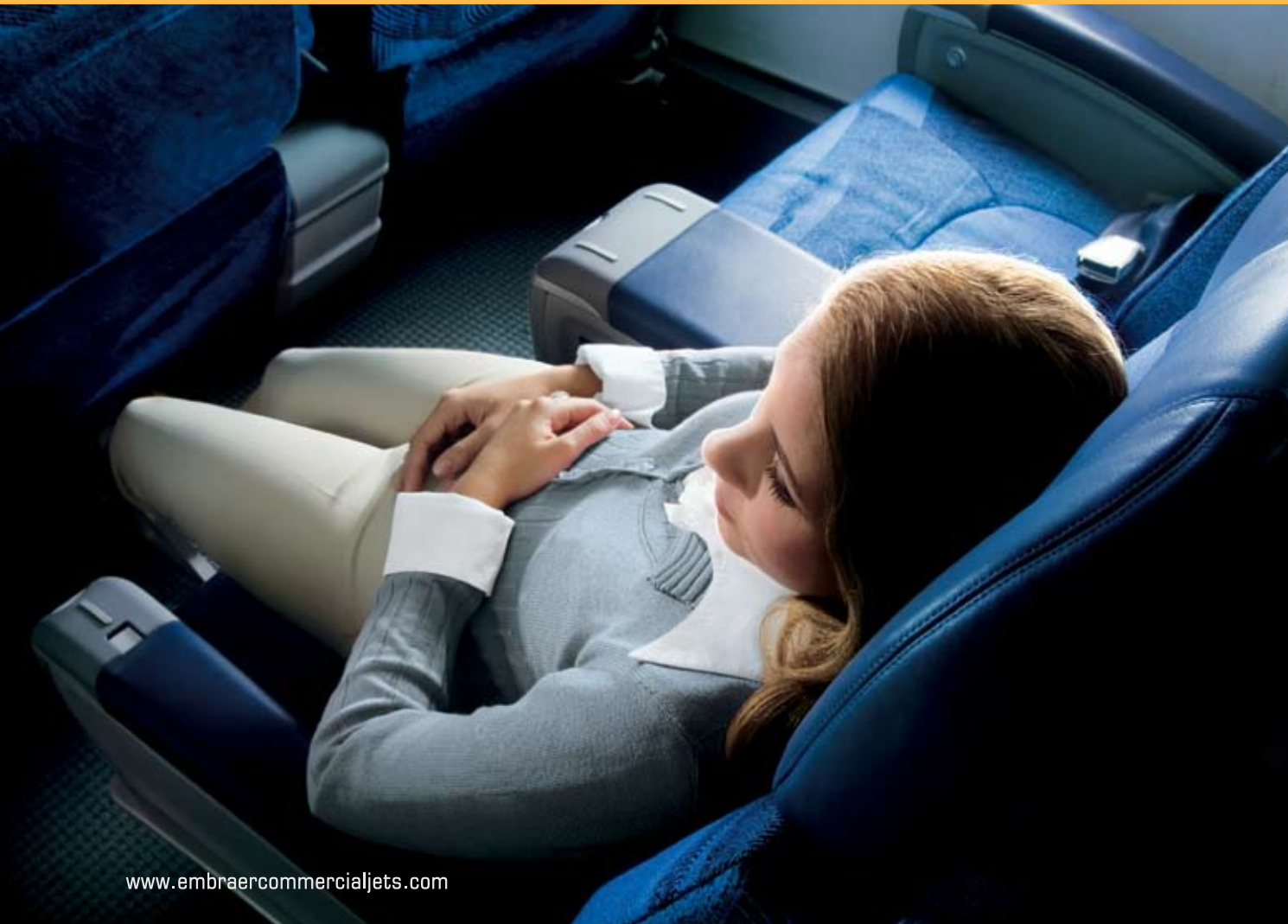
BRA undone Page 8
Slash credit card costs Page 10
Aladia grows leisure Page 10



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IATA demands safety first

Latin America's safety record languishes behind the rest of the industry

IATA director general Giovanni Bisignani yesterday said Latin America needs to improve its airline safety record because while the region only accounts for 5% of global traffic, it represents 14% of accidents.

During his presentation, he pointed out that 2006 was the global airline industry's safest year on record with one accident for every 1.5 million flights. However, he added that in Latin America this statistic changed to one accident for every 550,000 flights.

Safety remains IATA's "number one priority", and Bisignani is urging governments throughout Latin America to incorporate IATA's Operational Safety Audit (IOSA) into their national legislation. The IATA chief and ALTA president Pedro Heilbron praised Eustacio Fabrega, president of the Latin American Civil Aviation Commission (CLAC), for recommending the incorporation of IOSA into national laws.

Chile was the first Latin American country to follow the recommendation and Costa Rica recently announced that it would do the same.

Mexican minister of communications and transport, Luis Tellez, used the Forum to announce that Mexico will use IOSA in its safety

oversight programme.

Bisignani called this move "music to my ears" and said political leadership and commitment to safety is "critical to improving the region's safety record". He urged the other 36 governments in the region to "follow up these wise decisions with urgent action". ■



Mexican transport minister Luis Tellez receives an award from ALTA and IATA, recognising the country's decision to include IOSA in its civil aviation standards

BRIEFS

INTERJET VENTURES OUTSIDE MEXICO

One of Mexico's new breed of low-cost carriers begins its first international service this month. Interjet starts a daily service on 12 November between its Toluca base near Mexico City and Guatemala's La Aurora airport near Guatemala City, and between Cancun and Guatemala City. The airline also begins a double-daily service this week (7 November) between Toluca and Merida, in Yucatán. The privately owned airline, which flies only Airbus A320s, began service in December 2005.

VARIG ADDS FLIGHTS

Varig plans to add service between Argentina's capital of Buenos Aires and both of Brazil's major cities, São Paulo and Rio de Janeiro, starting 13 November. VRG, the former Varig, will initially offer 28 frequencies a week among the three cities.

Latin airlines suffer from 'political myopia'

Despite the expectation that Latin American carriers will post profits next year, IATA chief executive and director general Giovanni Bisignani (pictured) says that the figures in themselves – projected to be around \$200 million – are no reason to celebrate.

Speaking yesterday at ALTA,

Bisignani said that the figures "require us to ask some tough questions about the structure of the industry in this region. Governments treat us like 'cash cows' despite the fact that we provide more than two million jobs and support \$122 billion in business."

Airlines in the region "suffer

from political myopia" and this shortsightedness is despite the fact that they pay \$2.5 billion for infrastructure and receive little transparency in return.



To address these issues, CLAC and ALTA commissioned research to study the economic and social benefits and impact of airlines in the region, using Bolivia, Chile, Colombia, Mexico and Panama as the subjects.

Data from 1996 to 2006 was collected and this was analysed, also using Oxford Economics' *World economic model* to estimate the direct, indirect and induced benefits to each of the economies.

The results provide the airlines with much ammunition for the future, including:

■ Colombia: Tax revenues gener-

ated by air transport, including the tourism impact, amounted to £502 million – 2.1% of revenues.

■ Mexico: Demand-side benefits to GDP amount to 3% of Mexico's GDP.

■ Panama: Export earnings generated by air transport, including tourism spending is \$1.14 billion – 9.5% of earnings. ■

AIRLINE BUSINESS DAILY

PUBLISHED BY AIRLINE BUSINESS WITH AEROCOMM

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Printed by

Pixel Press, Cancun

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US carriers on the increase

A growing number of US carriers will enter the USA-Latin America market as they seek opportunities outside their mature domestic market, and as restrictions in bilateral agreements ease, according to Merrill Lynch analyst, Mike Linenberg (pictured).

“Latin America represents a faster source of growth [for US carriers] so more have been coming in,” said Linenberg, adding it will be “interesting to see what happens” as restrictions in bilateral agreements between the USA and countries in Latin America are eased.

Linenberg pointed to the recent expansion of the bilateral agreement between the USA and Colombia, which has led to US carriers such as JetBlue and US Airways applying for the rights to serve Bogota.

\$120 bn Latin market prediction, Boeing

Air travel within Latin America will grow 6.6% during this period – well above the world average growth of 5% and second only to China’s 8.8%.

Boeing’s ‘current market outlook’ analysis is compiled annually and it presents global and regional insights into aviation growth over the next 20 years.

John Wojick is Boeing’s VP sales for Latin America and the Caribbean and he says: “We forecast air travel within the region to continue to grow faster than most of the rest of the world.”

Deliveries to airlines in Latin America will represent approximately 4% of the deliveries measured by dollar value worldwide between 2006 and 2025.

In the next 20 years, deliveries in Latin America will comprise:

- 8% regional jets – less than 90 seats;
- 80% single-aisle – 90 seats and above;
- 12% twin-aisle – 200-400 seats, tri-class;
- and less than 1% or fewer 747-size or larger – more than 400 seats, tri-class.

Combined with the retained fleet and used airframe acquisitions, these deliveries will result in a regional commercial fleet of more than 2,420 aircraft by 2026.

The analysis also predicts single- and twin-aisle aircraft of between 100 and 350 seats will account for most regional growth in air travel over the next 20 years. ■

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A330
A340
A380

Boeing:

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747
757
767
777

MD-11
MD-80

Business Jets:

Airbus Corporate
Jetliner (ACJ)
Boeing Business Jet (BBJ)
Embraer Legacy
Bombardier: Challenger, Learjet,
Global Express
Gulfstream
Dassault Falcon Jet
Cessna Citation
Lockheed Jetstar
Raytheon Hawker
IAI Westwind
Sabreliner

Engine Services maintenance and overhaul

General Electric:

CF6-50, CF6-80C2
CF34-3, -8
CJ610, CF700

CFMI:

CFM56-2, -3, -5, -7

Pratt and Whitney:

JT8D-7 through -17AR
JT9D-7, -7A, -7F, -7J, -7Q
JT9D-59A, JT9D-70A
JT15D
PW4000, PW150, PW100

Rolls-Royce:

RB211-535
Trent 500, -700
Trent 900 (planned)
Spey
Tay

IAE:

V2500-A5, -D5

Honeywell:

TFE731

APUs:

APS2000/3200, PWC901A,
GTCP36, GTCP85, GTCP131,
GTCP331, GTCP660,
TSCP700

Component Services maintenance and overhaul including Landing Gear Services

Airbus:

A300, -600
A310
A318, A319, A320, A321
A330
A340
A380

Boeing:

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747
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BRIEFS

\$400M UPGRADE FOR BUENOS AIRES

Aeropuertos Argentina 2000 (AA2000) plans to invest \$250 million to build a new terminal and another \$150 million to upgrade infrastructure at Buenos Aires Ezeiza International Airport.

The announcement made by AA2000, which operates a network of more than 30 airports, comes only weeks before a crucial negotiation with the government over an extension of its concession period until 2028.

The airport renewal would give Argentina's principal international gateway a new 140,000m² passenger terminal sized for 13 million passengers per year.

But the five-year project is not the only incentive Aeropuertos 2000 is offering to the government to improve the terms of its concession; local press reports are suggesting that the Argentinean state might recover up to a 20% shareholding and a seat in the board of Aeropuertos 2000 by capitalising debts.

This step towards institutional and judicial peace is considered essential as AA2000 is planning to stage an initial public offering, offering a 30% stake in the company to investors.

TAM ANNOUNCES GROWTH OF RIO HUB

Brazil's largest carrier TAM has announced the launch of a number of domestic routes from Rio de Janeiro's Galeão International airport, which represents a significant change to its São Paulo-centric network.

On 5 November, TAM launched daily routes from Rio de Janeiro to Campinas and Porto Velho, via Brasília. On 12 November it will start operations to Manaus, while increasing flights to Curitiba, Belem and Vitoria.

This year TAM launched international flights from Rio to Caracas and Paris, effectively upgrading the airport to the airline's secondary hub.

Heilbron crystal ball gazes

ALTA's president and airline figurehead compiles a wish list for the region

Pedro Heilbron, ALTA president and Copa Airlines chief executive, used his remarks at the opening of yesterday's Forum to stress the industry's positive developments over the past 12 months. "Great things are happening with the region today," he told the audience.

However, the message, which may be his last as ALTA's figurehead if he steps down after this Forum, contained a wish list that would greatly enhance this development. According to Heilbron: "Imagine the future if we had:

- An industry recognised and promoted for its economic value and not just over-taxed;
- governments that promote regulatory integration and facilitation;
- airport authorities working with us as partners;
- CAAs working as industry partners; and

■ Intra Latin American-Caribbean Open Skies."

Such measures would give a major boost to a region that has seen its robust economies expand by more than 6% in 2006 and

achieve their fourth consecutive year of GDP growth.

This climate has helped create a vibrant airline industry that is forecast to grow at 6.6% for the coming years, he said. ■



Pedro Heilbron tries to imagine a better future for Latin carriers

Arab carriers make Latin inroads

BY BRENDAN SOBIE

Several Arab carriers are preparing to launch services to South America, the last continent to be covered in their fast-growing networks.

Emirates became the first Arab carrier to serve Latin America in October, when it launched six weekly flights on the Dubai-São Paulo route. The carrier says it sees Latin America as "a new frontier" and is eyeing several more

Latin American routes, starting with Dubai-Buenos Aires.

Qatar Airways chief executive Akbar Al-Baker says the carrier plans to launch its first service to South America next year. He says it has set aside the capacity to begin one South American route from its Doha hub but has not yet selected which airport to serve.

EgyptAir chief executive Atef Abdel Hamid says the carrier is also looking at launching services

to South America following its accession next year into the Star Alliance.

He says EgyptAir will initially serve South America through a codeshare with Star partner TAP, which flies to six destinations in Brazil, but wants eventually to operate its own services to the region.

"We are thinking about South America. We believe there is great potential there," Atef says. ■

Embraer stands by deliveries despite BRA crisis

Embraer delivery forecasts will not be affected by the financial crisis that has temporarily shut down Brazilian E-Jet customer BRA (see story on page 8).

BRA earlier this year signed a firm order for 20 Embraer 195s, leased another two of the same type and secured options and

purchase rights for up to 55 more.

Embraer issued a communiqué on Wednesday, assuring "any developments which may arise will not have a negative affect on delivery forecasts previously disclosed by the company".

Embraer does not break out delivery forecasts by type, but

expects to deliver between 165 and 170 total aircraft in 2007 and between 195 and 205 aircraft in 2008.

The company also lists receiving 52 total orders and 65 total options for E-195s, with an undelivered backlog of 42 aircraft remaining. ■

ALTA AIRLINE LEADERS FORUM

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Dress for the conference is business casual

Friday, November 9

9:00 – 10:00

New Distribution Models

Moderator: Mexicana Chief Information Officer Santiago Ontañon

- Amadeus Director of Airline Sales Europe, Middle East, Africa and Latin America Arnaud Debuchy
- SITA Vice-President Latin America Olivier Layly
- Sabre Senior Vice-President Latin America Kamal Qatato
- UATP Chief Executive Ralph Kaiser

10:00 – 10:20

Quantifying the Economic Impact of Air Transport in the Region

IATA Vice-President Latin America and Caribbean Patricio Sepulveda

10:20 – 11:00

Coffee Break

Sponsored by Snecma Services

11:00 – 12:30

Regional Safety Issues

Moderator: ALTA Executive Director Alex de Gunten

- Marsh Ltd Senior Vice-President Safety and Security Aviation Practice George Snyder
- FAA Assistant Administrator for International Aviation James Filippatos
- Airline panel
- IATA Senior Vice-President Safety, Operations and Infrastructure Guenther Matschnigg
- LAN Chief Executive Enrique Cueto

12:30 – 2:00

Lunch

Keynote Speaker – Mexicana de Aviacion Chairman of the Board Gaston Azcarraga

Sponsored by Boeing

2:10 – 2:55

US Perspective Panel

Moderator: Air Canada Former President and Chief Executive Pierre Jeannot

- Continental Airlines Vice-President Latin America Pete Garcia
- United Airlines Vice-President Latin America Josué Meza
- Frontier Airlines Director Planning Matthias Barbieri

3:00 – 3:25

Life after Chapter 11

- Avianca Chief Executive Fabio Villegas

3:25 – 3:45

Coffee Break

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3:45 – 4:45

Working with Government

- Grupo TACA Chairman Roberto Kriete
- Mexico Civil Aviation Director Capt Gilberto López Meyer
- Aerolíneas Argentinas Chief Executive Esteban Maccari

4:45 – 5:00

Closing Remarks

ALTA Executive Director Alex de Gunten

ALTA Announcement

6:00 – 7:00

Cocktail Reception

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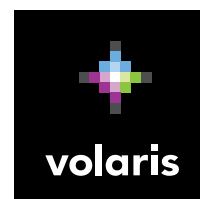
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Remarks

The ALTA Airline Leaders Forum Agenda is subject to change. Designated areas marked with brackets [].

The general dress code for the Conference is Business Casual.

BRA seeks funds after suspension

BRA claims suspension of services is temporary, but local media reports suggest otherwise

Brazilian carrier BRA Transportes Aereos is suspending all services with immediate effect as it seeks funding to continue operating.

The São Paulo-based airline claims that the suspension of both domestic and international operations, from 7 November, is just a temporary measure.

BRA says its shareholders are in negotiations to "obtain the financial resources needed to continue operations".

The carrier has a fleet of Boeing

767 and 737 aircraft, leased from various sources. But crucially it also firmed an order for 20 Embraer 195 regional aircraft three months ago.

Local media reports suggest BRA is laying off its workforce of 1,100.

BRA has had to cope with a number of recent problems including the resignation of its chief executive and requests by Brazilian authorities to restrict its international services in order to improve reliability. ■



BRA president Humberto Folegatti (left) shakes hands with Brazil's president Luiz Inácio Lula da Silva in better times for the carrier

Paraguay subsidiary for Brazil's Ocean Air

Brazil's Ocean Air is taking steps to set up an airline operations centre in Paraguay.

The move follows the expansion of its main domestic competitor TAM which established itself several years ago in the neighbouring country under the Transportes Aereos Mercosur (TAM) banner.

No details are known about Ocean Air's local fleet and route

plans, but a local source within civil aviation authority DINAC admits that, after a visit by Ocean Air's main shareholder German Efromovich to the country, the certification process is "in the works".

One of the first routes earmarked for Ocean Air Paraguay could be a connection to Bogota, the main hub of Avianca, which is also owned by Efromovich. ■

VivaAeroBus delays transborder service

Planned services between Texan capital Austin and Mexico have been postponed until March next year

Mexican startup VivaAeroBus has pushed back the start-date for its first transborder service.

The Boeing 737-300 operator will offer flights between Austin and Cancun, as well as Monterrey on March 1 instead of this month, chief executive Mike Szucs tells ATI in an e-mail.

The budget airline will add more Mexican destinations in

June and July, he says.

The carrier has been granted tentative US Department of Transportation approval to provide scheduled service to Austin from Guadalajara, Puebla, Leon, Queretaro, Cancun and Monterrey.

No carrier currently links Austin with Cancun, Guadalajara, Monterrey, Puebla, Queretaro or Leon, according to Innovata. ■

Gol profits fall sharply

Net profits at the parent of Brazilian carriers Gol and Varig fell 76% to R\$45.5 million (\$26.1 million) in the third quarter, prompting the firm to cut its full-year earnings-per-share outlook.

Gol Linhas Aereas Inteligentes, which is parent of the operators of budget brand Gol and newly acquired Varig, boosted revenues just over a fifth to R\$1.3 billion.

The revenue growth was, in a large part, driven by the integration of Varig operator VRG earlier this summer. Passenger numbers rose 15.7% at 5.5 million and ancillary revenues were up 57.7%.

But while the combined group increased capacity 76% over the same period last year, demand rose only a third partly due to disruption in the Brazilian air transport system following July's fatal

TAM accident. Consequently load factors plummeted 17.6 points to 61.2%. Yields also came under pressure, falling by 11.7%.

While operating costs per available seat-kilometre fell in the third quarter, the enlarged group's total operating expenses rose nearly 50% to reach R\$1.3 billion due to higher costs.

Operating profits fell sharply from R\$233.1 million to R\$30.8 million in the third quarter, while pre-tax profits were 75% down at R\$62.3 million.

Gol president and chief executive Constantino de Oliveira Junior says the main focus during this period was the relaunch of Varig's international operations and he is also heartened by improvements to Brazil's air transport system.

"The implementation of measures outlined by the airlines and government represent the industry's commitment to investing in the infrastructure for the growth of the air passenger transportation market in Brazil," he says. ■



Constantino de Oliveira Junior

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Time to slash credit card costs

The logic behind UATP's corporate credit card is simple, says Ralph Kaiser: "It just saves money – that's the bottom line"

Airline-owned and not-for-profit UATP is here at ALTA to attract Latin carriers to become issuers of its credit card, used by corporate travellers to buy air tickets. Airlines doing this "avoid altogether" the 2.5-3% fee that credit card firms place on each transaction, says David Holmes, director sales Americas for UATP.

Airlines issuing UATP cards receive commission on sales made to buy tickets but pay no fees to UATP. Several carriers in Europe and the USA are UATP 'issuers' but no carrier has signed up yet in

Latin America.

"That's why we see the region as such a good opportunity," says Kaiser, who expects to sign-up a Latin carrier in the next year.

Many Latin carriers already accept UATP cards as payment, says Robson Rodrigues, who is leading UATP's push into the region. This year, Mexico's Volaris, ALMA and Click Mexicana, as well as Brazil's Gol and Ocean Air, have become UATP merchants, he says.

The total business conducted on UATP cards will top \$10 billion for the first time this year. ■



IER targets Latin America

Check-in systems manufacturer IER will be using this year's Latin American Airline Leaders Forum to drum up business for its common use self-service (CUSS) kiosks throughout the continent, which it sees as an emerging market for this product.

IER vice-president and general manager, Herve Muller, says that while the company has not yet signed any contracts for CUSS in Latin America, it sees great potential and aims to seal several deals in 2008.

"[CUSS] is mature in Europe, but South America is where Europe and North America were two years ago," says Muller. IER is courting large capital airports in the region, such as Bogota and Caracas. Bogota has issued a request for proposals for self-service kiosks, according to IER sales and service director, Jerome Lavault.

The trend for self-service kiosks is slowly beginning to take hold in South America, with Cancun and Santiago airports having already installed kiosks supplied by SITA.



From left to right, UATP's Robson Rodrigues, Ralph Kaiser and David Holmes brandish their UATP cards

Aladia's leisure focus

With four Boeing 757s scheduled to be in service by the end of March, Mexico's Aladia is growing quickly just a year after inaugurating service to Cancun from Monterrey.

The airline part of the company was established to provide lower-cost lift to the tour operating side of the business, explains Alberto Morales, the chairman of Grupo Aladia. He describes his business as an "integrated travel enterprise" that operates in a different niche from the country's low-cost players in

Mexico's fast-paced market. "We see ourselves as more of a tourist industry than as an airline."

Privately owned Aladia focuses on offering charter packages on Mexican domestic routes to Cancun from the country's metropolitan areas and to US destinations like Orlando, Las Vegas and Vail, Colorado, says Aladia Airlines chief executive Andres Engels. These packages are sold by Aladia Travel. "We are budgeting to ramp up to one million passengers by year four," says Morales. ■



Aladia's Andres Engels (left), and Alberto Morales here at the Forum

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*Don Fields, Head of Passenger Air Service Development,
Metropolitan Washington Airports Authority*

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