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Aeromexico Sale Under Way with Two Viable Bidders; Third Bidder Possible

by LADB Staff

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The government has received two viable offers from private groups to acquire a majority share in Aeromexico and is pondering possibly allowing a third bidder into the process. The two groups that have stepped forward to acquire the airline are Grupo Saba and a consortium led by Grupo Financiero Banamex and Grupo Modelo.

Aeromexico, Mexico's largest airline, is one of two units that comprised Corporacion Internacional de Transporte Aereo (CINTRA), which the government rescued in the mid-1990s (see SourceMex, 1995-01-18). The other airline was Mexicana, which the government sold to Grupo Posadas in 2005 (see SourceMex, 2005-12-17).

Posadas, a major player in Mexico's hotel industry, has requested permission from the government's anti-trust agency (Comision Federal de Competencia, CFC) to participate in the Aeromexico process through another company called Grupo Mexicana. Grupo Saba, the property of Moises and Isaac Saba, made an initial offer of US\$100 million for Aeromexico but promised to raise the bid after the Banamex-Modelo consortium presented its offer of US\$151 million.

The consortium includes 12 other business interests. The investor group is seeking to acquire 100% of Aeromexico's shares. The government has not said when it will make a decision on the Aeromexico bids, but it is unlikely that anything will be decided until after the CFC rules on whether to allow Grupo Posadas to participate.

The CFC was expected to make a decision by mid-October. Congress offers advice The Mexican Congress has weighed in on the decision, urging the Secretaria de Comunicaciones y Transportes (SCT) to place a higher priority on Mexico's national-security interests than on financial considerations. "I find it interesting that a financial institution like Banamex would have an interest in operating an airline," said Deputy Jesus Ramirez Stabros, a member of the opposition Partido Revolucionario Institucional (PRI) and chair of the transportation committee (Comision de Transportes) in the lower house.

Other committee members urged the government to sell the airline to a party that has expertise in aviation, which would imply that legislators favor the participation of Grupo Mexicana in the process. "We believe that Mexicana and Aeromexico can again become a single unit," said Deputy Francisco Davila Garcia, a member of the governing Partido Accion Nacional (PAN). "But this would imply that the current owners of Mexicana expand their base of investors."

The transportation committee members said they would closely monitor the sale of Aeromexico to ensure that the best interests of the public are served, including guaranteeing that the transaction

would not affect service to any community in the country. The pilots association (Asociacion Sindical de Pilotos de Aviacion (ASPA) appeared to favor the consortium led by Banamex and Modelo. ASPA director Dennis Anthony Lazarus Jaber said that the consortium would not only keep the airline from bankruptcy but that it had promised to inject capital into its operations.

Jaber acknowledged, however, that the Saba group has shown signs of good will toward ASPA, meeting with 835 pilots to propose to make them stockholders in Aeromexico in exchange for modifications to the collective bargaining contract.

Analysts said the new owners of Aeromexico will have to take steps to make the airline more competitive in the face of competition from discount air carriers like Volaris and Interjet (see SourceMex, 2005-05-27 and 2007-03-28). Even Mexicana has launched its own discount airline, known as Click Mexicana (see SourceMex, 2005-04-13). According to the SCT, Aeromexico transported 21% of passengers on domestic routes in 2006, compared with 30% in 2001.

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