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Mexicana de Aviación Announces Plan to Resume Business Operations; Flight Schedules Remain Uncertain

by *Carlos Navarro*

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Mexicana de Aviación, which ceased operations after filing for bankruptcy in August 2010, is poised to make its return by late January, albeit on a much smaller scale. The airline announced plans to begin selling tickets by Jan. 24, although the date when flights will actually begin has not yet been determined. The Secretaría de Comunicaciones y Transportes (SCT) said the private equity company PC Capital has managed to assemble a group of investors to finance the purchase of Mexicana, which cited labor costs as a principal reason for filing for bankruptcy in August 2010 ([SourceMex, Aug. 4, 2010](#)).

The airline filed for protection from creditors in Mexico and Chapter 15 of the US Bankruptcy Code after executives said they had failed to reach cost-saving agreements with three labor unions. The Chapter 15 petition prevented US creditors from seizing planes or canceling contracts.

Deputy communications and transportation secretary Humberto Treviño said the investors pledged about US\$200 million to the airline after authorities were able to negotiate a deal with unions representing pilots, flight attendants, and ground crews in mid-December. To comply with Mexican law, the majority of the investors who form part of the group assembled by PC Capital are Mexican companies, although a handful of overseas participants were also recruited.

The SCT and PC Capital had hoped that Mexicana would resume operations by mid-December, the start of the peak Christmas-travel season. But the reluctance of some investors to commit in the absence of an agreement with the unions delayed the completion of accords.

Even though the investor agreements had not been fully completed by Jan. 5, there was enough progress to prompt Mexican authorities to declare that a resolution was imminent. This led to the announcement that Mexicana would resume business operations by the end of the month. "The 24th is maintained as a start date for commercial operations but not for aeronautical operations," Treviño told a news conference after meeting with airline representatives, potential investors, and government officials.

Treviño acknowledged that ensuring that all investors are on the same page could be a challenge. "This is a delicate matter," said the deputy secretary, citing the divergent interests among the companies providing the capital.

Labor Secretary Javier Lozano Alarcón regretted that the agreement was not in place in time for the Christmas-travel season but suggested Mexicana would be fully operable by the next busy travel period, which is Easter Week. "What is important is that we have a solid and sustainable operation," said Lozano.

Airline to offer limited flights

Even when Mexicana resumes flights, the airline will be a shadow of its former self. Lizette Clavel, secretary-general of the flight attendants union (Asociación Sindical de Sobrecargos de

Aviación, ASSA), said Mexicana will initially operate flights between Mexico City and Guadalajara, Monterrey, Tijuana, and Cancún. A handful of destinations in the US and Canada will also be added.

Before filing for bankruptcy protection, Mexicana flew to 65 destinations in Mexico and other countries. In 2009, the company transported more than 11 million passengers.

Clavel said one feature of the new Mexicana will be lower fares, although she doubted that the low-cost airlines previously affiliated with the company, Click and Link, would be able to fly again. "We are saving an airline that was about to go into full bankruptcy," said Clavel. "A major reason for the confidence that investors are giving us is because the plans for the company have been moderated."

Other airlines, including Aeroméxico, have moved to fill in the gaps in service left by Mexicana. After reaching an agreement with the pilots union (Asociación Sindical de Pilotos Aviadores, ASPA) in December, Aeroméxico was able to draft a growth plan that will allow a large expansion of its operations. The company—which has seen an injection of capital from a group of investors led by Grupo Financiero Banamex—expects to invest about US\$1 billion to add at least 25 planes to its fleet.

"Today we have much better operating margins than we had three years ago, with a significantly lower debt level than we had last year," chief executive officer Andrés Conesa told Dow Jones news service.

Other Mexican airlines are also expanding into the routes previously served by Mexicana. For example, in late December 2010, Mexico-City based Volaris announced plans to begin flights between Guadalajara and the Fresno Yosemite International Airport in California by mid-2011. "Fresno is one of the cities we are going to open in the first six months of next year," Volaris spokeswoman Sai Irene Sánchez Correa told the Fresno Bee.

Volaris also flies from Guadalajara to three other airports in northern California: Oakland, San Jose, and San Francisco. In addition, the airline serves Los Angeles from Guadalajara, Zacatecas, Morelia, and Toluca, and Chicago Midway from Guadalajara.

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