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Aeroméxico, Delta Airlines Abandon Facility at Guadalajara Airport because of Land-Use Uncertainty, Will Construct Huge Maintenance Site in Querétaro state

by Carlos Navarro Category/Department: Mexico *Published:* 2012-09-12

Aeroméxico and US-based Delta Airlines have announced plans to construct a new aircraftmaintenance center in the industrial park in Querétaro state, which in recent years has become the hub for Mexico's aviation industry. But the construction of the new facility at the Querétaro airport (Aeropuerto Intercontinental de Querétaro) requires the two companies to abandon an existing facility at the Guadalajara airport (Aeropuerto Internacional de Guadalajara Miguel Hidalgo y Costilla). The decision to leave the Guadalajara site, which was in large measure the result of a dispute about land-use rights, has caused great concern to the Jalisco state government, which is concerned about the economic implications, including a negative signal to potential investors and an increase in unemployment among workers not willing to relocate to Querétaro.

Aeroméxico and Delta officials acknowledged that the land-use dispute was a main catalyst for the move. The two airlines had considered expanding and modernizing their operations in Guadalajara, but the uncertain legal status of adjacent land prompted the decision to construct a brand-new facility in Querétaro.

The problem was an unresolved dispute regarding lands adjacent to the Guadalajara airport, including the communal farm Ejido El Zapote. A group of landholders and agricultural organizations asked the Secretaría de Comunicaciones y Transportes (SCT) in April of this year to revoke concessions for the Guadalajara airport and its private management unit, the Grupo Aeroportuario del Pacífico (GAP) because they have proceeded with expansion of a customs facility despite a court order not to do so.

The SCT has declined to take action against the airport and GAP, arguing that the expropriation of the lands was conducted in a legal and timely manner.

But the landholders argue that the customs facility and other proposed sites have been constructed on land that had been designated exclusively for agricultural purposes under the original expropriation agreement. They have filed a lawsuit seeking that all buildings, parking lots, and other airport-related facilities constructed on this land be demolished.

Jalisco business leaders worried about losing more investments

The Jalisco state government and local business leaders blame the SCT for failing to come an agreement with the landholders. They warn that the conflict might drive other tenants from the airport and discourage new companies from establishing operations.

"The biggest loser is Jalisco," said Jaime Martínez Flores, who heads Jalisco's economic promotion ministry (Secretaría de Promoción Económica, SEPROE). "How can it be possible that an expropriation decree that was made in 1975 remains unresolved?"

Local business leaders say the proposed expansion of the Aeroméxico-Delta maintenance operation, which fell through, would have involved an investment of US\$40 million and created at least 1,500 new jobs.

"This is a major blow to Jalisco. We spent years negotiating with [Aeroméxico and Delta], and they were ready to begin installing the new units in the Guadalajara airport,"" said Manuel Herrera Vega, coordinator of the Consejo de Cámaras de Jalisco (CCIJ). "But today they bid farewell because of the absence of legal certainty and the lack of political will and inefficiency of federal authorities, specifically the SCT."

Several business leaders, including Luis Aguirre Lang of the Consejo Nacional de la Industria Maquiladora y Manufacturera de Exportación (CNIMME) and GAP official Miguel Aliaga Gargollo, wondered whether the stalemate could discourage potential investors. "We urge authorities to resolve this conflict, this dispute, as soon as possible because it will continue to affect the ability of our airport to remain a viable port," said Aliaga Gargollo.

Other projects such as a second runway for the Guadalajara airport might also be at risk. Some proposals have placed the runway, which will be constructed in 2017, on disputed land. But GAP has denied that the conflict will affect construction of the runway.

Jalisco authorities are reaching out to other airlines to locate at the Guadalajara facility, including Mexican commuter airline Volaris. Others like Lufthansa Technik had considered Guadalajara but have changed their minds. "We had expressed cautious interest [in the Guadalajara airport] because Aeroméxico was there. With Aeroméxico gone, we have not yet decided where we will place the project," said company official Luis Valtierra.

Querétaro facility largest in Mexico

The decision to move the facility to Querétaro was not difficult for Aeroméxico and Delta because the state has become the hub of Mexico's aviation industry (SourceMex, June 6, 2007). Even though the new maintenance facility will be located at the airport in the capital city of Querétaro, the site will be adjacent to the state's Aerospace Park.

"With the site selection, the joint efforts now move to begin constructing this facility that will usher in lower maintenance costs without compromising the very high quality work that Aeroméxico provides Delta," Delta Air Lines president Ed Bastian said.

The project was included in a memorandum of understanding signed in 2011, which also involved Delta Airlines' acquisition of a 4.17% stake in Aeroméxico for about US\$65 million.

The two companies will share equally in the cost of transferring the maintenance operations from Guadalajara to Querétaro. The new site, which will have an area of about 100,000 cubic meters, will include three hangars, each with a capacity to service about seven aircraft.

Andrés Conesa, director general de Grupo Aeroméxico, said the new facility would allow the two airlines to expand the maintenance and repair agreement that they signed in 2006.

Grupo Aeroméxico, which recently announced the purchase of 100 Boeing aircraft, operates 550 flights daily to cities in Mexico, the US, Canada, Central and South America, Europe, and Asia.

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