



the European aircraft. "Both are excellent aircraft...but, in these decisions, the financial considerations are also important," Ardalla says. Aerolíneas initially began using four ex-Cathay Pacific A340-200s on lease, and had planned to take early this year two -300s originally destined for Philippine Airlines.

One of the most important AMR-inspired decisions – the purchase of up to six A340-500/600s – may be first to be affected by the restructuring. "A decision is to be made this year, and I imagine we will want to bring in more -300s instead to speed up the phase-out of the 747s," says Ardalla. The carrier's original plan to have 12 A340s, ranging from -200s to -600s, could therefore be revised to consist only of -200/300s and then only -300s, he adds.

"The A340 is proving to be good aircraft for us, particularly on routes to Rome, Paris, New York and Auckland," says Ardalla. The carrier says it also needs a smaller 250-seat aircraft, such as the 767-300ER, to complete the international long-haul route fleet. On their way out are Aerolíneas' two Airbus A310s, which may be exchanged for A300-600Rs.

Aerolíneas plans to build its combined domestic fleet around in-service 737-200s and 11 ex-British Airways aircraft. The ex-BA 737s are replacing Austral's McDonnell Douglas DC-9s and MD-80s, and will help form the backbone of the newly combined service from April. Having seen the 737-700 in service with its domestic competitor, Líneas Aereas Privadas Argentinas (LAPA), Aerolíneas seems impressed.

"As soon as we can fix the financial problems, we must think of updating our domestic fleet, and the [Boeing] Next Generation is something we are thinking about," says Ardalla. The airline is also looking at the A320 and has expressed interest in the 717-200 as a potential one-for-one replacement for Austral's DC-9s, plus other 100-seater-sized routes being examined. "We are looking at it carefully, and we will initiate a formal study into that aircraft," says Ardalla.

YOUNG AND AGGRESSIVE

Perhaps the biggest single beneficiary of the trouble besetting Aerolíneas is the young and aggressive LAPA. Started by Andres Deutsch as a small charter operator in the mid-1970s, LAPA took advantage of deregulation and Aerolíneas' apathy to grow quickly as a self-styled "Southwest" clone. The airline is the second largest in the country, has the youngest mainline fleet in Latin America and has sustained profitable, steady growth despite the effects of the recession and the fatal crash of a 737-200 last year.

"The opposition's [Aerolíneas Argentinas] big mistake was to ignore us and, by the time they noticed us, it was too late and we had achieved critical mass," says LAPA managing director Ronnie Boyd. "We have operated on a break-even basis, and we have been able to

touch 48% of the market. So, we have been able to grow, while Aerolíneas has operated well below break-even, and generated huge losses on the same market."

Boyd believes that LAPA's future will depend on establishing "integrated operations" with other airlines. "At the moment, we have way too many seats and too many players for an 8 million passenger market. It could be served handsomely by one carrier with 45 aircraft, but now you have Aerolíneas Argentinas [and Austral], LAPA and other minor players like Dinar and Southern Winds."

LAPA is to double its fleet of 737-700s to 20 by the end of next year as it begins to phase out its elderly -200s. The airline, which also operates a pair of Boeing 757-200s and a single 767-300ER on long haul, predominantly charter, flights to Brazil, the Caribbean and the USA, is studying converting some of these routes into scheduled operations. The move, if sanctioned, could lead to acquiring another 767 and possibly larger-capacity 737-900s.

Also sharing the busy Aeroparque Airport ramp is Dinar. The Salta-based airline thrives on a self-created niche of regional services out of Buenos Aires to northern Argentina, and is gradually expanding its fleet. Acquisitions this year include a DC-9-34 configured for 106 passengers, and an MD-82 with the same cabin configuration as its MD-81s.

Another growing niche operator is Cordoba-based Southern Winds, a start-up regional that is expanding quickly with Bombardier Canadair Regional Jets (CRJs) and de Havilland Dash 8s. "We will have 12 aircraft by the middle of this year," says Southern Winds general manager Christian Maggio.

From its modest start in 1996, Southern Winds has rapidly grown to serve 20 destinations from Cordoba and Buenos Aires with almost 100 flights a day. The sheer length of Argentina, and the distances between secondary cities, has lent itself to the economics of 50-seat jet operation, adds Maggio – "particularly from Buenos Aires. There are lots of routes that can be best served by a 50-seater, and not by a 737".

The carrier is analysing the stretched Dash 8-400 and the CRJ-700 and -900 jets. It says: "There are routes for both those types here as well, although we have not ordered anything yet. But we are interested in having the 70-seater particularly as it has perfect performance for quite a few routes." It sees potential for 18 CRJs, although it believes that a codeshare arrangement in the works with Aerolíneas could see the fleet eventually expanded to "30 at least".

Southern Winds appears to be the vanguard of a regional revolution in Argentina. This, along with the radical changes under way at Aerolíneas Argentinas and the continuing expansion of LAPA, makes Argentina an increasingly important barometer of the health of commercial aviation in Latin America. □

mitted to the disposal of its Interinvest holding, but cannot do that without restructuring the airline and dealing with its \$800 million debt.

While other potential management teams, such as one offered by Continental, wait in the wings, Aerolíneas' restructuring is under way. Despite the problems, flight operations vice-president Juan Ardalla is optimistic that the airline has the basic ingredients for success. "Three important things make up an airline: people, systems and its fleet. We have a very good team of people and will have more than 1,000 pilots when the two airlines are merged," he says.

"The fleet is our weakest point. It needs to be renewed and rethought," he adds. "We need to know what to do with the [Boeing] 747. It's an excellent aircraft and we love it, but fuel prices are rising and it is affecting our costs, so we have to think about a replacement."

The airline has begun to phase out the first of its nine 747-200s, and expects to focus use of its remaining aircraft on two major trunk routes: to Miami (for cargo), and Madrid (for passengers). Having passed over the Boeing 777 for the Airbus A340, Aerolíneas is enthusiastic about