

Saturday, June 7, 2014

## Your View

### HIGH-FLYING, ADORED?

Cabinet chief Jorge Capitanich was reported in the Herald on 27 May as praising Aerolíneas' high standards of service and guaranteeing connectivity in Argentina which he lauds as commendable innovations under Mariano Recalde's stewardship.

Mr. Capitanich failed to mention that recent improvements have in part been at the price of a retrenchment in international connectivity, much to the detriment of Argentina's tourism, trade and bilateral relationships with New Zealand, Australia, and Asia.

Aerolíneas has walked away from 25 years of pioneering and market development in Oceania on the false premise that there is not enough passenger or freight demand to make flights economic.

This is a disingenuous interpretation of a financially disastrous state of affairs Aerolíneas bought upon itself and which raises questions around the perils of state ownership and politics interfering in business.

Until 2012 Aerolíneas' Sydney flights made a refuelling stop in Auckland, New Zealand and Aviation World Magazine estimated they had a stellar average 85 percent annual load factor and that Sydney was the highest yielding route in the airline's network.

In 2012 Aerolíneas started direct flights to Sydney (no refuelling in Auckland) even though the near-12,000 kilometres flight is at the extreme end of their Airbus range.

Range contracts rapidly when headwinds are a factor (the weight of the aircraft has to be reduced to compensate for wind resistance) and the prevailing winds meant the outbound Sydney flights could only operate at a maximum 60-percent capacity without freight and indeed often when the outbound winds were especially strong, the flight could only take 95 passengers (capacity 249), again without freight.

Aerolíneas immediately started to lose an average of 1,500 dollars per passenger per flight (their figure) on the Sydney service.

The restitution of a refuelling stop in Auckland was the simple and easy way to restore profitability but instead the Sydney service was cancelled.

It goes without saying that Mariano Recalde must have known flying direct to Sydney would be financially disastrous so it can only be that there was an underlying motive to manufacture an excuse to cancel the service.

Strangling one of Aerolíneas' very few golden geese to death can only make sense if it was at the behest of Aerolíneas' political masters

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The aircraft from the Transpolar route are now employed on Aerolíneas' new route to New York and in increased frequencies to Miami, Rome and Barcelona.

I can only surmise that the government was not prepared to buy more long-haul aircraft for an expansion to New York and Europe and told Aerolíneas to find a politically and diplomatically acceptable way to justify axing the Oceania route so that its three aircraft could be utilized for the new operations.

It appears the Argentine government thinks facilitating shopping trips to Miami & New York and European holidays are more important than capitalizing on Aerolíneas' pioneering transpolar route which, if nothing else, was indispensable if they are serious about wanting to increase trade with China and the rest of Asia (Oceania being the logical airway connection point between Asia and Argentina as it is the shortest route).

Aerolíneas has handed LAN Airlines a massive windfall as in the absence of competition on the transpolar route, LAN has doubled and even in some cases tripled their air fares which has led to a drastic reduction in Argentina's inbound tourism from Oceania and Asia, as well as in trade and cultural contacts.

Since the bad old days of Iberia & Grupo Marsans ownership, Aerolíneas has made great progress in modernizing (its on-line services are incomparable) and it now provides much better connectivity within Argentina, as Mr. Capitanich says, but it's short-sighted to have pulled back from Oceania.

I can only hope that one day soon wiser heads will prevail so that Argentina's transpolar route will be restored to not only help boost the Aerolíneas' bottom line but to enhance Argentina's trade, cultural and fraternal outreach to Oceania and Asia and in particular to New Zealand where it is most welcome.

Otaki Beach, Wellington, New Zealand

Thomas Manning

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NOTE:

The writer Thomas Manning is a New Zealand businessman active in Argentina for over 25 years and is a director and past Vice President of the Latin America New Zealand Business Council.

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