

Airlines Plot Courses to Mexico

U.S. carriers are adding flights, hoping to cash in on an increase in travel between the countries.

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Lured by a growing tourist trade and hopes of generous profits, U.S. airlines are taking a new look at an old destination ?Mexico.

Full-fare operators such as Delta Air Lines Inc. and Alaska Airlines, as well as discounters such as Frontier Airlines and JetBlue, are thirsting for more flights to cities and towns south of the border. The destinations include resorts and business centers, and much of the service will originate from Southern California ?particularly Los Angeles International Airport.

Mexico has long been a popular market for both U.S. and Mexican carriers. The nation is by far the most common international destination from LAX, with almost twice as many passengers last year than No. 2 Canada.

But growing tourism and business ties, tough competition on domestic routes and a new air agreement between the U.S. and Mexico are giving a boost to air traffic between the two countries. Passenger traffic between Los Angeles-area airports and Mexico has grown 28% since 1996, including a 14% jump in 2005 compared with the year before. And last year, Mexico surpassed Britain to become the United States' second-busiest international air gateway, with almost 20 million passengers.

"Mexico is a strong growth market, and U.S. airlines see that," said Douglas Abbey, managing partner of Velocity Group, an airline consulting firm.

More flights between the two countries can't come soon enough for tourist-dependent business operators such as Jonathan Roldan, who runs a sportfishing and diving business out of La Paz on the Baja peninsula. La Paz, the capital of the state of Baja California Sur, lost much of its air service to the United States ?and its only daily nonstop flight from LAX ?when the Mexican regional carrier Aerocalifornia was grounded in April for maintenance problems.

Although Aerocalifornia was recently cleared by the Mexican government to resume limited operations, the damage caused by overreliance on one airline has been done.

"My own business has dropped off perhaps 90%," said Roldan, whose Tailhunter International has offices in Hacienda Heights. "We lost almost all of our bookings for April, May and June, and now clients are dropping out for later in the season."

Delta and Alaska Air Group Inc.'s Alaska Airlines ?the leading U.S. carrier between the L.A. Basin and Mexico ?are seeking government approval to launch service from LAX to La Paz.

Although new service won't replace business Roldan and other local tourism operators have already lost this season, travel industry pros are glad it's coming.

"The Baja peninsula in particular has always been lacking in air transportation, so this would be a very welcome addition," said Gina Cord, owner of IMPA/Mexico Info in San Diego, which provides travel information and other services.

Interest in bidding on new routes between Mexico and the United States took off after the two nations signed an air travel agreement last fall. The pact increased the number of airlines from each nation that could fly between the U.S. and 14 Mexican cities ?including major resort spots such as Cancun, Acapulco and San Jose del Cabo.

Although several U.S. carriers are eyeing new routes to Mexico, Delta has been particularly aggressive.

Like many of its rivals, the Atlanta-based airline, which filed for Chapter 11 bankruptcy protection last year, is counting on international expansion to boost its bottom line. The carrier plans to cut its domestic flight schedule by 20% as it reorganizes in bankruptcy, while expanding international flights by 25%.

Foreign routes, with their dearth of low-fare competition, can be lucrative alternatives for carriers challenged on U.S. routes by Southwest Airlines and other discounters.

"Wherever you go domestically, you have low-cost carriers nipping at your heels," said Velocity's Abbey. "That's not so much the case on international routes."

Although service to Mexico may not be as lucrative as flying to Paris or Tokyo ?where average ticket revenue can run 25% higher than on domestic routes ?it still can be more profitable than flying between U.S. cities, said Stuart Klaskin of KKC Aviation Consulting. That's partly because Mexico is closer, so it's cheaper to serve than Europe and Asia, especially in an era of sky-high jet fuel prices.

"Mexico is unique in that you can get close to international revenue without having to fly great distances," Klaskin said.

That's part of the reason Delta is placing so much emphasis on adding flights to Latin America and the Caribbean as it retools its route system.

Delta had already secured preliminary or final approval to start service on several new routes to Mexico this year. Much of that service is from its Atlanta hub, but the carrier has added flights from Boston, New York, Salt Lake City and Washington, as well as flights from LAX to Ixtapa and Cancun.

On June 21, it received preliminary approval to launch service from LAX to Puerto Vallarta, and it is seeking U.S. Department of Transportation approval to fly from LAX to eight other Mexican destinations, including La Paz, Loreto and Los Mochis, a jumping-off point for tours of the Copper Canyon area.

Delta planners say the development of top-notch resorts in Baja such as Cabo San Lucas and the increasing popularity of diving and sportfishing sites such as La Paz and Loreto are kicking up demand for air service to the region.

"People want to try these new places," said Bob Cortelyou, Delta's vice president of network planning. "Twenty years ago, Cabo was off the radar."

Other U.S. carriers also see the potential, as do Mexican carriers. Alaska recently won approval to launch Mexico service from Seattle and Portland, Ore., and is seeking permission to fly from LAX to La Paz and from San Francisco to Cancun.

Alaska has seen its traffic between the West Coast and Mexico grow 62% since 1998 as travel by tourists, businesspeople and U.S. residents visiting friends and family in Mexico have grown, said John MacLeod, the airline's managing director of planning and alliances.

UAL Corp.'s United Airlines also was awarded new routes to Mexico recently ?including a daily nonstop to Cancun. Frontier, a unit of Frontier Airlines Holdings Inc., and JetBlue Airways Corp.'s airline each snagged a route coveted by Delta, and Frontier is also seeking authority to fly nonstop between San Diego and Cancun.

Meanwhile, Mexicana de Aviacion and Aeromexico, which rank first and third respectively in terms of LAX-Mexico traffic, also have been adding service between the U.S. and Mexico, with Aeromexico adding flights from both LAX and Ontario International Airport and Mexicana launching service to Fresno.

Add to the mix the discount carriers just starting up in Mexico ?which may add U.S. routes eventually ?and the market could get very crowded, very quickly. Travelers should see some cheaper fares, especially with low-fare specialists such as Frontier and JetBlue getting in the game, but rising demand is likely to keep fare wars to a minimum, consultant Klaskin said.

"I think there's enough money on the table for everyone in these Mexican markets," he said.