Situated on the isthmus that links Central and South America, Panama City has historically served as a crossroads between the Americas. And like the Bridge of the Americas, which spans the Pacific gateway to ‘The Canal’, Panamá’s Copa Airlines is quietly and successfully building bridges of its own between the Americas.

Formally registered as Compañía Panameña de Aviación, Copa Airlines may not yet be a household name to many outside Central America, but for Pedro Heilbron, the airline’s president and CEO, that is not a concern. “Copa could never measure success based on size…we tie together small markets, but we have a world-class product that is just as good as some of the world’s best airlines,” Heilbron tells Airways. “Besides, as long as our customers favor us then we will be successful.” And successful it is. Although he is unable to release any financial data, Heilbron claims that Copa is profitable, and passenger numbers have continued to increase—from 860,000 in 1998 to more than 1.1 million in 2002.

While the airline has recently experienced a transformation, Copa had a humble beginning more than 55 years ago when the Panamanian government and Pan American formed the company in 1944. Operations, initially on domestic routes, began in 1947 using Douglas DC-3s, later supplemented by Curtiss C-46s. Modestly, the route system was expanded north to San José, Costa Rica, Managua, Nicaragua, and San Salvador, El Salvador, and south to Colombia. Copa added its first turbine-powered type, a Hawker Siddeley (Bae) 748, in 1965, but later acquired a Convair 340. In 1971 (the year that Pan Am sold its interest) Lockheed 188 Electras arrived.

Copa’s first 40 years were unremarkable, but that all changed in 1988 when Heilbron was brought aboard. “I was working for a group of Panamanian businessmen who became majority shareholders in the airline. They asked me to move over to Copa,” he says. Heilbron did not have any previous airline experience, but notes that running the company was not difficult. “It might have been different had the airline been bigger, but we were really a one-and-a-half ‘plane operation. We had two aircraft, a Boeing 737-100 and a 737-200 combi, which was flying passengers only half the time. Our revenues were only $25 million, and we flew 160,000 passengers a year.”

Through much of its early history, Copa never really soared,
but instead maintained a level flight path, barely making it onto the industry’s radar screen. “I wouldn’t say the airline was mismanaged, as much as it was managed without a vision. No one paid much attention to it,” muses Heilbron.

When he took control of the airline, shareholders did not have any specific ideas or goals, but believed that if the company were better run it would flourish. The first thing Heilbron wanted to do was coordinate flights with rival Air Panamá Internacional (API), the government-owned flag carrier which, at the time, enjoyed a better reputation than Copa. “Our route network consisted mostly of Central America, while Air Panamá primarily served South America, but there were few flights between Central and South America,” remembers Heilbron. “So, I proposed that we coordinate flights and services, which would benefit both airlines.” But this idea never came to fruition. The government, a military dictatorship, felt that Copa was not supportive of its policies, so it ordered API not to cooperate. But a dark chapter in Panamá’s history was about to change the fortunes of both Copa and API.

On December 20, 1989, the USA, under the auspices of Operation Just Cause, attacked Panama City with airborne and ground forces. The goal was to protect American lives, maintain the security of the Panama Canal, restore democracy to Panamá, and to capture General Manuel Noriega, the Panamanian leader, and bring him to justice. After taking refuge in the embassy of the Vatican for more than two weeks, Noriega finally gave himself up. He was flown to the US where he was convicted on eight counts of racketeering, drug trafficking, and money laundering, and sentenced to 40 years in prison.

The new government, which had defeated Noriega in a previous election, quickly began selling all unproductive state-owned operations. As a result, API closed its doors after attempts to privatize the airline failed. “That decision obviously helped us,” admits Heilbron, “but there wasn’t room for two airlines in Panamá anyway.” Heilbron further states that governments are not efficient managers of airlines, and argues that it was not only good for Copa, but also good for Panamá. Thus, in the early Nineties, Copa busied itself on creating a successful hub and an airline that Panamanians could be proud of. Today, Copa’s ‘Hub of the Americas’ at Aeropuerto General Omar Torrijos Herrera, commonly known as Aeropuerto Internacional de Tocumén—Panamá’s international airport—is a large part of its success. “Central American airlines were busy competing with US airlines on routes to the USA,” notes Heilbron. “Copa had the luxury of not being in the American market, so we focused instead on an intra-Latin American network.”

During the mid-Nineties, expansion at Copa accelerated as the airline received some destinations and routes that had previously belonged to API. These included Quito, Guayaquil, Bogotá, Lima, and Caracas. Between 1992 and 1998, Copa had a commercial agreement with the Central American Grupo TACA (Transportes Aéreos Centro Americanos) conglomerate, but the most significant development in the airline’s history came in 1998 when the airline signed a comprehensive accord with Continental Airlines. Implemented in May 1999, the deal saw Continental acquire a
49% stake in the Panamanian airline, and Copa’s image was changed to better reflect its new partner. New aircraft were purchased, and as these were options that Continental held, the configurations were the same. Continental personnel came to Panamá, and Copa adopted the larger airline’s maintenance procedures, passenger handling procedures, and Computer Reservations System (CRS). Copa’s board of directors now consists of four Panamanians and three from Continental Airlines.

Heilbron bristles at the notion that this agreement may be seen as limiting Copa’s independence. “Countries worry more about independence...we are in the business of being successful,” he stresses. Heilbron does admit that in some cases the deal with Continental might restrict Copa, although he believes that in the end it will make it better. “The airline business is all about networks, and with the agreement, Copa has a much larger market,” explains Heilbron. “We can offer more than any other Latin American carrier, and let’s not forget, Continental’s network to Central and South America has increased.” Panamá is geographically in the best location, Heilbron points out. “That is definitely one of our strengths. We also have brand-new aircraft, which along with our efficient hub at Tocumén, has led to an enviable on-time performance record of more than 90 percent.” When told that our flight from Havana, the previous day, was 40 minutes late, Heilbron smiles. “I didn’t say we were 100 percent. “Yesterday was a terrible day for on-time performance, yet we still finished the day at 75 percent.” Indeed, Copa’s on-time performance is a source of great pride for the airline’s 2,300 employees. In 2002, Copa had some 15 days of perfect on-time performance. (On our return flight, we arrived at the gate 30 minutes before departure and found most of the passengers already on board. We pushed back five minutes before schedule.)

Heilbron does not credit one thing or individual with Copa’s achievements. “We have the right people, with the right focus...everyone is clear on what we need to do be a successful airline.” He also quickly notes that many of the airline’s weaknesses were solved with the Continental alliance economies of scale, networks, and shared technical expertise and knowledge.

While the airline is pleased with its performance, there are two immediate concerns that it must address: Tocumén and route rights. According to Heilbron, the airport needs to modernize and expand to keep pace with Copa’s future plans. “In terms of gates and aircraft access to the terminal, we are already at capacity.” The need for an open skies agreement within Latin America is another challenge. “Panamá has been successful at negotiating some open skies agreements,” says Heilbron, “But the lack of a region-wide agreement really holds back growth; not just for Copa, but for other airlines, as well.” Heilbron thinks a Latin American open skies agreement would be good for airlines and good for customers, but comments that often governments forget about the customers.

The immediate priority for Copa is to increase frequencies in currently served markets. To do this, the airline is busy taking

[Image of COPA Captain Toti Rios with two flight attendants at the old Tocumén Airport.]

[Image of COPA received its first Boeing 737 (a -100) in 1980. This is one of its Dash 200s.]
delivery of new aircraft. At the end of 2002, the airline had 20 aircraft in its fleet, comprising 12 Boeing 737-700s and eight 737-200s. Copa also has six firm orders and six options for 737NGs, with the first two deliveries of 2003 scheduled to be 737-800s. The Dash 200s will be phased out by 2005.

Like spokes radiating from the center of a bicycle wheel, Copa currently serves 27 destinations in 19 countries. From Los Angeles to Buenos Aires, the airline flies throughout the Americas and the Caribbean. Copa’s route network is as varied as the cities it serves. From short hops to Costa Rica and Colombia, to some of the longest scheduled 737 services in the world (Panamá to Buenos Aires (a sector time of just over seven hours), São Paulo, Santiago, and Los Angeles.

Because of its long routes, coupled with ‘hot-and-high’ airports, Copa was the second airline in the world, after Kenya Airways, to install Aviation Partners Boeing blended winglets on its 737-700s. The winglet-equipped aircraft are more fuel-efficient, carry a bigger payload, and have reduced engine maintenance costs (Airways, April 2001). “We have been very satisfied with the winglets,” says Heilbron. “It makes sense for the routes we serve. We’ve seen a four percent improvement on fuel burn, and we are in the process of retrofitting previous deliveries of the 700 with the winglets.” While winglets are factory options for the 737-800, Boeing will not install them on the -700s, so Copa sends its aircraft to Cascade Aerospace in Abbotsford, British Columbia, for the modification.

Copa Airlines has a diverse workforce. Ten percent of the company’s pilots are Latin American expatriates and, ironically under a protectionist piece of Panamanian legislation, they must all be captains. The airline also has some expat executives. “It’s difficult for small countries to have local talent,” remarks Heilbron. “Besides, aviation is a global business…we compete against the best airlines in the world, so we must recruit the best people to work for us.”

Captain Larry Ganse, Copa’s vice president of operations, is a good example. Ganse, who spent 27 years with TWA, and subsequently time with Northwest Airlines and Grupo TACA before Copa, is currently qualified on the 737-700, and usually flies a scheduled route three times a month. He says that leaving the office for the flightdeck is his reality check. Generally, expats are graciously accepted at Copa. “Panamá is a very cosmopolitan place, and is amazingly tolerant,” he enthuses.

The slump in the global airline industry, following the events of September 11, 2001, did not affect Copa as much as it did others. “We have done well despite the downturn,” asserts Heilbron, as he knocks on a wooden table. “It really only affected us for a few months. The US routes are still slow, but they account for only 25 percent of our market share. Other routes have returned to normal.” Heilbron adds that Latin America is very diverse, pointing out that last year South America was strong and Central America was weak. This year, it is the opposite. “The countries of Latin America are never doing well at the same time,” he observes, “but that also means that they are never doing poorly at the same time.” And while many airlines were scrambling to implement tougher security measures, Copa, as with most Latin American airlines, was already spending more on security, because of its proximity to the drug trade. The airline was also quick to install steel reinforced cockpit doors on all its aircraft in the latter part of 2001.

Nevertheless, it has not been all smooth flying for Copa Airlines. In March 2001, the FAA downgraded Panamá’s rating in its International Aviation Safety Assessment program to Category 2, or failure to comply with ICAO (International Civil Aviation Organization) standards. The ruling limits US carriers from code-sharing with a Panamanian airline. Hence, Continental’s codes have been removed from Copa’s flights. “This has definitely affected us,” concedes Heilbron. “Revenues are being lost.” Heilbron says that the Panamanian government is working hard and making progress to restore the country to Category 1 status. “I support the FAA’s decision. The assessment was correct, but it is unfair to penalize airlines for what really should be a government issue.”

Copa has witnessed many changes over the past three years, but its operational performance is especially noteworthy. In 2000, the airline’s on-time performance was 65%, and schedule completion was around 96%. Today, those figures are above 90% and 99%, respectively. “I was hired to try and fix this,” admits Capt Larry Ganse, with a sense of pride. “The biggest problem was the
lack of a proper schedule. There was no systematic tracking and validation of block times.” Ganse also notes that the schedules were adjusted to realistically accommodate air traffic control in Panamá. “There is no doubt that the Continental connection has helped,” Ganse says, “Tom Chappelle, who is on loan from Continental, has done miracles with the airline’s logistics and spare parts provisioning, which contributes to a much higher dispatch reliability on the maintenance side.”

Ganse observes that Copa is developing a new attitude. “There is something called la hora Panamania [Panamanian time]. “People thought that it was okay to show up for a 12 o’clock meeting at 1215 or 1230...we’ve had to work to change that, but it’s been easier to do than I thought.” Copa now has an employee who is responsible for internal communications, and Ganse points out the bulletin boards that have been placed liberally through work areas that reinforce the airline’s positive results.

As most in the airline industry will attest, no two days are alike. While Ganse shows us Copa’s operations center, he is briefed on the effects of El Reventador, the volcano that is erupting near Quito, Ecuador. Ash has caused minor damage to a 737 en route to Buenos Aires. Like a father concerned for an ill child, Ganse asks when the maintenance team will arrive in the Argentine capital. In the pilot’s briefing room, someone analyzes a large map that is hanging on the wall. One coloured line shows the usual flight path for aircraft flying between Panamá and Lima, Perú. Another shows the flight deviation to avoid the volcano. Ganse explains that the deviation will add about 20 minutes to the flight time, but he expresses confidence that the Lima station will be able to turn the aircraft around on schedule.

Fundamentally, Copa is committed and focused on passenger traffic, but its revenues are supplemented by a modest operation at Tocumén Cargo Terminal, a wholly owned subsidiary, which Copa established to manage its freight business. The aim is to take advantage of other airlines’ traffic, and the high-security installation handles cargo for FedEx, Iberia, and Continental. Copa also has an agreement with Aerosucre Colombia to wet-lease, for 150 hours a month, one of its former 737-200Cs.

Copa’s maintenance hangar can accommodate two Boeing 737s—well, sort of. The airline is working with the airport to extend the building, which would ensure that if two aircraft were in the hangar, both would be covered. At present, the tail of one aircraft juts out. The airline performs A checks at Panamá, while C checks on the -200s are conducted by Varig, at Pôrto Alegre in Brazil. Copa still has to decide where the C checks on its -700s will be performed, when they become due in 2004.

Meanwhile, Copa is committed to increasing the skills of its employees, and Panamanians in general. To this end, the airline is working with the Universidad Tecnológica de Panamá to develop degree programs in engineering and transport studies. “Our continued success depends on training local talent,” explains Ganse. Technical English courses have been offered to the airline’s maintenance staff.

Part of Copa’s success lies in its ability to be resourceful. Whether it is trying to secure unused buildings from the airport, or constructing its own simulators, the airline finds creative approaches to its operations. “We got our cockpit procedures training simulator from Continental, and then built the passenger cabin ourselves,” says Ganse. “We could have easily spent more than a million dollars on a brand new one, but this one only cost us about $20,000. It might not have all the bells and smoke, but it gives the pilots, and cabin crew, a fairly realistic environment to work in.”

On the hangar floor, as we walk under one of the airline’s 737s, Ganse points to the red tape that covers every possible opening which might be a place to hide contraband. “So far we haven’t had a problem with drugs being found on our aircraft,” he reveals, “but it is something we take very seriously.” As the first of the two 737s is pushed out of the hangar, Ganse is assured by the maintenance supervisor that both aircraft will be flying that evening.

Tocumén has two satellites, one equipped with seven airbridges and the other with six. The main terminal, which
connects the two satellites, has space for four aircraft, two of them on remote stands. The hub is a source of great pride for Copa. “We have created such an efficient operation, which is a big part of our success,” comments Ganse. “Most of our traffic is connecting, so we have a maximum connect time of an hour, and a minimum connect time of 30 minutes. Copa contracts its catering to LSG Sky Chefs (Airways, June 1998). But it operates its own catering trucks, which Ganse says is more efficient and saves money. Tocumen has some advantages, being one of the few airports in Latin America that has two parallel runways, which can easily handle increased traffic. And it enjoys great weather—it is closed for less than an hour each year.

During the airline’s two peak periods—December/January and July/August—college students are hired to help direct and move connecting passengers. The students wear bright red T-shirts, and are paid a small wage and given a free ticket on Copa’s system. This program has been a big success and, unlike in some parts of the world, the airline’s unions so far have not objected.

Ganse often comes to the airport’s President’s Club Lounge,
where he proudly oversees the airport’s operations. Staff affectionately refer to one area as ‘Larry’s Office’, but on this night someone is sitting in his favorite spot. As the dark of evening settles over Panamá, the lights of incoming aircraft can be seen in the distance, lining up for final approach. As a Copa Airlines 737 touches down, Ganse says with pride, “Copa is a good airline, but we have all the pieces to be a great airline.”