

Conviasa: “Una realidad o ilusión?”

A reality or an illusion. The leading political party of Venezuela has revealed plans to revive a new Venezuelan national airline under the name of CONVIASA (CONsorcio Venezolano de Industrias Aeronáuticas y Servicios Aéreos S.A.). Many people have their doubts about this new airline as elections are still not worked out. As I liked Venezuela's former national airline (VIASA) I decided to focus on CONVIASA. This article gives you a 'behind the scenes' look at the formation of Venezuela's newest airline and its plans, Venezuelan air transport, aircraft feet & financing, and a personal opinion.

By Roger Cannegieter

History

VIASA which was formed in 1959 by the Venezuelan government to take up all international connections for Venezuela was the country's first international airline. They signed a cooperation agreement with KLM in 1971 to dry lease a Boeing 747-100 from April 1972 becoming the first Latin American airline to operate the type. This aircraft was used on VIASA's routes from Caracas to Madrid, Paris, Amsterdam, Rome, Milan, Maracaibo and Panama. Later on the DC-10 was introduced, in cooperation with KLM. In 1975 VIASA began experiencing financial troubles due to rising fuel costs and Union Militancy. VIASA was then nationalised where according to most local experts was the start of VIASA's demise. The downturn continued when new government policies were adopted in 1989. VIASA became the immediate target for privatisation whereby employees would retain 20 percent of shares; private investors got 60 percent and the State retaining the remaining shares. In 1991 Iberia was favoured over VIASA's long-term partner with KLM, which lasted from 1960 until 1985, to take over VIASA. The unions began protesting as Iberia took over and put employees at working places they disliked, causing services to deteriorate as Iberia

itself almost went bankrupt during that time. All VIASA's aircraft were put under Iberia's ownership and older aircraft were introduced into VIASA's fleet to compete against airlines on the U.S. flights which started using more modern aircraft to Venezuela. Another problem was the centralised purchase of all supplies for VIASA which was moved to Madrid which caused bureaucratic and communication problems. Finally in 1997 VIASA went bankrupt under acrimony and very sour labour relations.



Venezuelan air transport from 1997-2004

After VIASA went bankrupt there hasn't been one airline that completely took over the international role VIASA had during its existence. AVENSA took over some routes to Europe including the routes to Portugal, Spain and Italy. AVENSA already flew to Miami and New York before VIASA went bankrupt but now only flies local routes within Venezuela. Zuliana and Laser, other local airlines, also flew the Miami route for a shorter period. Aeropostal which was the second largest airline at the time went bankrupt but was revived a few years ago but they mainly concentrated on regional operations in the Caribbean and some routes in South America and Miami. In 2001 Aeropostal started a code share flight with Air Europa on the Madrid-Caracas route which is still being flown. Now Aeropostal is also expanding through take-overs in other Latin American countries such as Sol Air, now known as AeroHonduras. Santa Barbara Airlines which was formed in 1996 is one of the newer airlines in Venezuela and has taken over the Madrid route that AVENSA once took over from VIASA using the same aircraft and now started flying to Miami using an ex



*DC-10-30 YV-134C Viasa Venezuela in its 'Iberia style' livery before its demise
Photo by Michael Schmidt*

American Airlines/TWA Boeing 757. Other international destinations include Aruba, Barranquilla, Medellin, Bogotá, Curacao, Madrid, Santiago de Compostela and Tenerife. On the lucrative Miami-route there are now approximately 8-9 flights a day operated by both Venezuelan airlines and U.S. airlines with American Airlines having the most flights out of Venezuela (9-10 flights a day to the U.S.). The European routes are mainly dominated by European airlines, with very little competition from Venezuelan airlines due to lack of finances for these longer routes. Aserca Airlines, which began as a domestic leisure airline slowly started expending but after a failed take-over of Air Aruba shrunk its operations drastically and concentrated on the Venezuelan local market again. Rutaca and Avior are new start-up airlines which are tapping the Venezuelan market and slowly expanding in the region. After the demise of VIASA the international scenario in Venezuelan aviation remained somewhat unclear, with a lot of local airlines starting services locally as well as internationally (to the United States) and competing fiercely with each other, characterized by ups and downs during the last years.

Forming the Venezuelan airline

The current Venezuelan government of Mr. Hugo Chavez is planning to start its new international airline called CONVIASA. CONVIASA is expected to start operations at the end of this year. Initially, CONVIASA is set up by the Ministry of Production and Commerce (Ministerio de Producción y el Comercio (MPC)). As the name already suggests, CONVIASA will eventually be run as a consortium which will benefit both local as well as foreign investors, as soon as these have been found. Logistics would be provided by the Venezuelan Air Force. The formation of CONVIASA will be part of the Strategic Plan for National Tourism 2003-2007 (Plan Estratégico Nacional de Turismo 2003-2007) which will be set up jointly by the local communities so that the local people will benefit from the tourism generated through marketing and CONVIASA. Tourism will be promoted as the second major source of income for Venezuela in the coming years. In 2003 Venezuela was visited by 260.000 European tourists, which is expected to increase to 400.000 in the coming two years. In total Venezuela expects 750.000 foreign visitors and 13 million locals coming from local/domestic tourism.



CONVIASA will start two domestic flights from its base in Isla Margarita (Por la Mar). After this a gradual expansion into the Caribbean, South America and finally Europe and the U.S. are planned. These flights would start before the end of 2004 in three phases. The first phase would see flights started from Isla Margarita to Carúpano, Puerto Ordaz, Maracaibo, San Antonio del Táchira, Trinidad & Tobago. The second phase will include flights from Maiquetía in Caracas to Maracaibo, San Antonio del Táchira, Puerto Ordaz, Porlamar, Mérida, Barquisimeto, Los Roques, Bogotá, Quito and Lima. The final phase will be flights to Europe and possible flights to more Caribbean destinations such as St. Maarten and Grenada but these flights are still subject to traffic rights that still have to be negotiated with these Caribbean islands. The company's vice president will be chosen by the airline's shareholders once they have been selected, while the board members will include (among others) representatives from the Venezuelan state owned oil company PDVSA, Ministry of Tourism and Bancoex. Mr. Castro Soteldo was also a former

president of another Venezuelan airline (AVENSA). The Commission of Finances of the National Assembly has authorized the subscription of the assets on behalf of the Ministry of Production and Commerce (MPC) and the Autonomous Institute for Tourism Participation (Inatur) to form CONVIASA. CONVIASA will be a state-run enterprise which will generate 870 direct jobs and more than 7.000 indirect jobs, according to estimates of the trade plan. CONVIASA will be administrated by the Ministry of Production and Commerce (MPC) as well as the



Conviasa De Havilland Canada DHC-7 at Aeropuerto Caracas Oscar Machado Zuloaga - SVCS
Photo by Carlos Bethencourt

autonomous Institution for Touristic Participation (Instituto Autónomo para la Participación Turística (Inatur)). The MPC will own 80 percent of the shares, while Inatur will own the remaining 20 percent. CONVIASA will contribute approximately 2.5 million dollars to the Ministry of Finance (Fisco Nacional) through airport charges and taxes during its first year of operation with an expected contribution of about 8.6 million dollars in the fourth year of operation. The formation of CONVIASA complies with the interest of the national executive (Ejecutivo Nacional) to put going the new plan for development of Venezuela, scheduled in the Plan of Social and Economic Plan of the nation. The creation of CONVIASA was possible because of the approval of 16 million dollars by the Venezuelan president, Mr. Hugo Chavez and later by the support of the minister Wilmar Castro Soteldo.

Aircraft fleet & Financing

Plans are for CONVIASA to operate 14 aircraft, comprising either Airbus or Boeing aircraft for their long-haul operations to Europe and the U.S., and either ATR or Bombardier aircraft for domestic and regional flights. Plans are for these aircraft to be operated by Venezuelan pilots and cabin crew. The first four-engined turboprop aircraft, a Bombardier Dash 7, has been delivered to CONVIASA from the military, but operations have not commenced yet, due to the political uncertainties and the Venezuelan elections. This aircraft will be a temporary solution until other aircraft will be operated.

CONVIASA is one of seven important major projects for Venezuela. These projects will need a total investment of approximately 364 million U.S. Dollars which

will be financed by the Venezuelan state-owned oil enterprise, Petróleos de Venezuela, S.A. (PDVSA) as well as the bank of Social and Economical Development of Venezuela, or el Banco de desarrollo Económico y Social de Venezuela (BANDES). CONVIASA will need approximately 60 million U.S. Dollars to establish the airline. Funds will have to come from both the Venezuelan government and local/private investors. Social capital/airline's budget (capital social) could exceed the 100 million



U.S. Dollars. The government is awaiting proposals from both Airbus and Boeing, after which the best financial package from either aircraft manufacturers will be selected. In accordance with the Social Development Agenda 2006, the current president of Venezuela has reserved 16 million U.S. Dollars to the Ministry of Production and Commerce (MPC) as starting capital for the creation of CONVIASA which is planned to start operations before the end of 2004.

My opinion

The Venezuelan Government is poised at making CONVIASA the new international airline for Venezuela with the finances set aside by the Government for this project. When looking at the variety of airlines, both local and international, it will become clear that CONVIASA will face a lot of competition from these airlines. There have been several researches of the aviation industry in Venezuela where consolidation of the smaller airlines into larger more powerful airlines could bring a better structure into the aviation sector. However, the new government wants to create a new and better international airline through the creation of CONVIASA. Whether CONVIASA will become a success depends on management of the airline once it starts flying. The first flight of CONVIASA is planned for 28th of November of this year with one aircraft. Meanwhile Aeropostal is the largest Venezuelan airline and is slowly expanding its reach across the region.



*Some current Venezuelan Airlines: Santa Barbara, Aeropostal, Avior, Aserca
Photos by Hubert Croes*

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