

Caribbean Aviation: 'Moving Forward?'

Consolidation is a phenomenon that is happening everywhere across the globe in today's civil aviation industry, and the Caribbean is no exception. Mergers, acquisitions and the joining of alliances are common means of consolidation practiced by airlines. Airlines in the Caribbean region have always seen themselves as the national pride of the islands they represent. Pride and other emotions that are associated with traditional 'flag carriers' can be perceived as barriers against taking full advantage of the more rational arguments behind consolidation. In this article, Airlines' Caribbean correspondent Roger Cannegieter explores contemporary regional market developments.



By Roger Cannegieter

The Caribbean

The Caribbean is quite a large archipelago, which is strategically located between North- and South-America. Given the distances between the islands and the continent, and between the islands themselves, we can assume that aviation has to be the transport mode of choice for most people in the region who can afford to travel.

The Caribbean is a region of the Americas, comprising more than 7,000 islands. The West Indies consist of the Antilles, divided into the larger Greater Antilles, which bound the sea on the north, and the Lesser Antilles on the south and east (including the Leeward Antilles), and the Bahamas. Geopolitically, the West Indies are usually reckoned as a subregion of North America, and are organized into 28 territories includ-

ing sovereign states, overseas departments, and dependencies. At one time, there was a short-lived country called the Federation of the West Indies, which was composed of ten English-speaking Caribbean territories.

The Caribbean islands are an island chain that stretches 2,500 miles long and no more than 160 miles wide at any given point. The islands enclose

Caribbean Star & LIAT

The two largest regional airlines in the Caribbean are Caribbean Star Airlines and LIAT (Leeward Islands Air Transport). These airlines were competing head-to-head with each other and are now in the process of merging their operations in an attempt to create a more solid organization. LIAT recently took over Caribbean Star Airlines. Their route networks are still being combined, and all flights are now marketed as LIAT flights. Because of this move, Caribbean Star Airlines closed its subsidiary Caribbean Sun Airlines. LIAT and Caribbean Star Airlines have agreed to continue operations separately using their own air operating certificates until the merger has been completed. The airline's new slogan will be "The Star of the Caribbean" to reflect both airlines in the same slogan. Their combined fleet consists of 24 Dash-8 turboprop aircraft (Bombardier Aerospace) and rumor has it that the airline might even consider the larger ERJ170 regional jets (Embraer) for future expansion. How their route networks will be combined and which routes might be axed, is not clear yet.





BWIA & Air Jamaica

For those who are familiar with the Caribbean, the major players in the Caribbean are Air Jamaica and Caribbean Airlines. These two airlines have received a lot of attention in the local media in the past six to eight months.

Caribbean Airlines received permission to fly from the local government in September of 2006, after it was decided to close the doors of the former national airline, British West Indies Airways (BWIA). Caribbean Airlines took over most assets and aircraft from BWIA. Part of the strategy was to give up the traditional route to London Heathrow, and to sell the slots to British Airways. Caribbean Airlines now codeshares with British Airways on the London-Heathrow route. The airline's A340-300s have now been returned to the leasing company. The biggest change in the Caribbean Airlines network was the suspension of all flights to and from Barbados, which might be restarted at a later stage. The airline's performance has reportedly been above 80 percent. The airline has mentioned it will start looking at expansion before the end of this year. Routes under study include Curacao, Grenada, Santo Domingo in the Caribbean and Fort Lauderdale in Florida, USA. Caribbean Airlines currently operates a fleet of six Boeing 737-800 aircraft.

Just as BWIA, Air Jamaica has also struggled with becoming a profitable airline. Air Jamaica was privatized with no success, and has recently been put back into the hands of the Jamaican government. Despite this move, the restructuring plans have been put off the table several times, including the advice from the IMF to shut down the airline entirely. The latest restructuring plans call for the replacement of its entire Airbus fleet with a mix of Boeing and Airbus aircraft. Air Jamaica is looking at operating a fleet of 757 and A319 aircraft to replace its current fleet of A320/321 and A340-300. Another restructuring measure is to drop the unprofitable London Heathrow route, similar to Caribbean Airlines. This would then result in the two A340s being returned to the leasing company when the leases expire. After Caribbean Airlines announced that they would cease flights to and from Barbados, Air Jamaica announced its intention to increase their presence in Barbados. The latest news on that is the startup of flights from Barbados to Fort Lauderdale. However, Caribbean Airlines has recently expressed its interest in building its presence in Barbados again. Air Jamaica currently operates a fleet of nine A320s, five A321s and two A340-300s.

the Caribbean Sea. Most islands in the Caribbean archipelago have colonial ties with European countries. The Caribbean islands can be grouped as follows:

- Spanish West Indies, comprising of Cuba, the Dominican Republic, Haiti, Puerto Rico, Jamaica, the Cayman Islands and Trinidad;
- French West Indies, including

Anguilla, Antigua and Barbuda, Grenada, Montserrat, Saint Lucia, Saint Vincent and the Grenadines, and partly: Sint Eustatius, St Kitts and Tobago;

- British West Indies, consisting of Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Bay Islands, the British Virgin Islands, Cayman Islands, Dominica, Guyana

and Jamaica;

- The Virgin Islands belonging to the United States;
- Dutch West Indies, including the Netherlands Antilles and Aruba.

Some of the countries mentioned have been independent states for years. However, grouping the different islands into regions according to historical ties with European countries is important when analyzing the civil aviation sector in the Caribbean. Routes served between the islands and destinations overseas can be clarified from this historical perspective. It needs little further explanation that islands with English, French, Spanish and Dutch colonial ties are served by airlines from those countries, such as British Airways, Air France, KLM and Iberia. Even so, there are several islands that are also served by German charter airlines, while English charter airlines also serve other islands such as Aruba, which receives charter flights from First Choice of the U.K.

Legal Environment

The Caribbean is far from a liberalized air transport region, as the different countries and territories all have different jurisdictions. However, the Special Committee on Transport of the Association of Caribbean States has recently reached a multilateral air transport agreement*. The agreement grants the participating countries the right:

- A.** to fly across its territory without landing;
- B.** to make stops for non-traffic purposes in its territory;
- C.** to operate third and fourth freedom traffic rights separately or in combination, on regular flights of passengers, cargo and mail;
- D.** In respect of the exercise of fifth freedom traffic rights on scheduled flights for passengers, cargo and mail, separately or in combination, within the ACS region, each Party shall select one of the following options:
 - i. The exercise of such rights among the Parties concerned;
 - ii. The exercise of such rights on the reciprocal and liberal exchange of rights among the Parties concerned.

Although the signing of a multilateral agreement is a significant step forward, it is still far away from being accepted by all Caribbean islands. National pride still runs deep among most island nations who all still want to operate their own airline. Almost every island wants its own piece of the cake. It might therefore be obvious that a competitive air transport market is still far from becoming reality.

The 'Average' Caribbean Airline Business Model

Even though each airline is different, the Caribbean airlines have some similarities. All Caribbean airlines serve the same markets, which is mainly North America, and, to a lesser extent, South America. The main reasons are the importance of US tourism to the Caribbean, and the size of the US market. The European mar-

line airlines now operate Caribbean routes under codesharing agreements with Caribbean airlines. Another similarity is that most Caribbean airlines are still government-owned. This, however, is slowly decreasing, due to an increasing awareness to privatize airlines and restructure the organizations to improve profitability.

Low-Cost to the Caribbean

It took years, but the low-cost trend has finally found its way to the Caribbean. Even though several unsuccessful low-cost attempts have been made in the past, it appears to have become more attractive now. Low-cost airlines such as JetBlue and Spirit Airlines have increased their Caribbean presence. JetBlue's Caribbean presence seems to become bigger as the airline now has daily flights to the Bahamas, Bermuda, Aruba and the Dominican Republic.

Airlines is targeting the Caribbean and South America for their next international expansion, and they have announced they will add 10 destinations to their network that are currently still being evaluated. American Airlines, who dominates the Caribbean market in every aspect, is having more competition from these low-cost airlines, just like other U.S. major airlines such as Delta Airlines, Continental Airlines, US Airways and United Airlines, albeit the latter to a lesser extent. The low-cost trend has just started in the Caribbean, and time will tell how Caribbean airlines will react to the entry of low-cost carriers.

Conclusion

Even though the Caribbean islands have a long road ahead, the trend in Caribbean aviation is slowly moving towards mergers and re-organization,

Insel Air & Dutch Antilles Express

After more than two years, Curacao finally has its own airline again now. It is different this time, because it is the first time that Curacao has two airlines.

Insel Air started operations with a single EMB110,

and, now, also has one MD83 for its international network to St. Martin, Santo Domingo, Port-au-Prince, Paramaribo and Caracas. The airline has also started a co-operation with the new state-run Venezuelan airline Conviasa to jointly market the airlines in an alliance called Pan Caribbean Alliance, in which Surinam Airways, TAF Brazil and Winair of St. Martin also take part. TAF will soon start flights from Brazil in a codesharing agreement with Insel Air. Route destinations include Aruba and Curacao.

Dutch Antilles Express (DAE), on the other hand, moved its entire operations from Bonaire to Curacao in January of this year, and has added jet aircraft to its fleet (two Fokker 100 aircraft). Their fleet now consists of three ATR42s and two Fokker 100s. DAE announced big expansion plans when it moved to Curacao including increasing the frequencies to St. Martin and adding Caracas to its network. The airline now also flies to Bogotá, Santo Domingo, and is awaiting approval to fly to Port-au-Prince and Port of Spain. Part of the expansion includes the development of a hub-and-spoke system here in Curacao, and the airline will work more closely with KLM to feed their hub in Curacao.



ket is also important for tourism in the region, but the Caribbean airlines have abandoned those markets as they were not profitable for most of them. There are few islands that rely on the European market. Examples are Curacao, Guadeloupe and Martinique, which are still mainly dependent on the Dutch and French markets respectively. European main-

It started serving Aruba just last year September with one daily flight from New York, and already the airline starts a second daily flight this summer as loads have been very well. The airline will also start flights from Boston to Aruba this year. Spirit Airlines flies to the Dominican Republic, Haiti, St. Martin, Bahamas, Grand Cayman, Jamaica. Spirit

as Caribbean-based airlines and their local governments begin to see that they cannot continue to operate unprofitably as most did during their entire existence. Cutting down costs is given more attention instead of subsidizing the airlines. While some Caribbean airlines may look at a brighter future, other Caribbean airlines still have a lot of work to do to

turn things around. Meanwhile the entrance of low-cost carriers in the Caribbean is becoming more evident as major low-cost airlines from the U.S. are increasing their presence in the traditionally high-fare Caribbean market. How will this affect the Caribbean airlines and the U.S. major airlines in the Caribbean market? Only time will tell.

Reference

*www.acsaec.org/Documents/Transp ort/Final_ATA_En.pdf

Photos

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Cayman Airways

Cayman Airways has gone through rough times as well over the last several years. This has also resulted in the airline restructuring its operations. The airline's new management has begun to work with Lufthansa Consulting to restructure their entire organization. A new livery is under study, and Cayman Airways will have its own dedicated concourse when the new airport terminal is completed. Another 737-300 will join the fleet to replace the last 737-200 the airline still operates.



Rebranding the airline is expected to be completed by June of this year. The airline has said it will not get rid of the Sir Turtle logo. Boston and Fort Lauderdale have been axed as of May 4TH while nonstop flights to New York will start on June 23RD. Expansion to Central America (Costa Rica, Honduras and Panama) is currently under study, but it is still uncertain. Cayman Airways currently operates a fleet of five 737s.

