

## **IN SEARCH OF SOLUTIONS TO THE CHALLENGES OF REGIONAL AIR TRANSPORTATION IN THE CARIBBEAN**

**Mr. Master of Ceremonies**

**Distinguished Ladies and Gentlemen**

I am honoured to have been invited to address the Annual Conference of the Institute of Chartered Accountants of the Caribbean, which is taking place from 27<sup>th</sup> to 29<sup>th</sup> June 2013 in Barbados. My topic strikes the optimistic note of; “In Search of solutions to the challenges of regional Air Transportation in the Caribbean”, which must be of more than theoretical interest to persons in your profession and with your geographical responsibility. Your conference coordinator felt that the air transportation challenges of the region are so well known that it was not necessary to provide me with any guidelines about what they are. I totally agree. Everyone knows the challenges. Many have experienced them at first hand, and several are confident that they themselves already know what the solutions are. Among the criticisms drawn to my attention as the chairman of one of the airlines are:

- Poor on-time performance and unreliable service
- Loss or delay of baggage
- Unsatisfactory customer service, which includes poor communication with passengers when things go wrong
- High air fares for short distances, exacerbated by high taxes added to the fares
- Lack of competition, seen as responsible for the high fares
- Frequent losses by the companies and the need for government subsidies
- Lack of communication between the individual carriers.
- Presumed inefficient management, often blamed on the fact that the airlines are owned by governments and not the private sector.

I hope that I have covered all, or at least the major issues that you would like to see addressed and resolved.

My policy is not to be defensive in the face of criticism. However, it is necessary to make sure that my audience has a clear understanding of why things are as they are, so that together we might explore realistic solutions to problems defined, and avoid confusing what is desirable with what is possible. Throughout this presentation I will be asking and answering a number of key questions, hopefully to your satisfaction.

I believe that there are a number of things on which we can all agree.

The first is, that air transportation which serves as a bridge between the territories in the Caribbean sea, is an essential service, and that If it does not work efficiently, or worse, ceased to exist, the business and social life of the region as a community, would grind to a complete halt.

The second is, that solving the problems of regional air transportation is far from easy. Its history demonstrates this with considerable clarity. Over an extended period of time many solutions have been suggested and some tried, by both the public and the private sector, and many institutions and individuals, including some of the region's most eminent and successful business men, have failed in this area. Let me share some of that history with you.

### **1.The history.**

The air transportation item first occurred on the agenda of the Fourth Heads of CARIFTA Governments meeting in 1967.

In 1969, the Hon. Kamaludin Mohamed, Minister of West Indian Affairs of Trinidad and Tobago, writing in the publication, "Caribbean Integration", called for BWIA and its then subsidiary, LIAT, to be recognized and supported as the regional carrier. That idea was not accepted. Instead, in that same year the government of Jamaica created and launched Air Jamaica.

In 1972, the CARIFTA Secretariat in its report, called for "the operation of a single regional carrier, owned and controlled by the Governments and/or people of the region, operating internationally, which could do much to stimulate the

development of tourism in the region as a whole". The call, made 41 years ago, was not heeded.

In 1974, the Governments of CARICOM, the successor to CARIFTA in 1973, had to rescue LIAT, after the British Company, Court Line, to which it had been sold by BWIA in 1971, went bankrupt.

In 1993, with regional airlines across the length and breadth of the region in financial difficulty, the Caribbean Tourism Organization, of which I was then Secretary General, had an air transportation study done. It was funded by the European Union and demonstrated the efficiencies and savings to be achieved by a system of functional cooperation between nine Caribbean carriers. Its findings were praised, but not implemented.

Instead, in 1994, the government owners of Air Jamaica, BWIA and LIAT, were persuaded that the privatization of the airlines would be the solution to all their air transportation problems, especially to that of the hemorrhaging of cash from their treasuries. It was not. The losses continued and, in spite of the fact that the governments no longer owned the airlines, they were still forced to subsidize them to keep them operating.

In 2003, the governments of Antigua and Barbuda, Barbados, Trinidad and Tobago and St. Vincent and the Grenadines, had another idea. This time they proposed the establishment of the Caribbean International Airways Holding Company out of BWIA and LIAT. Under such an arrangement, the two companies would keep their separate identities, but there would be major integration of many of their individual services and rationalization of their routes.

The idea collapsed as suddenly as it had begun, when the Government of Trinidad and Tobago decided not to proceed with it.

In 2003, discussions about BWIA and LIAT operating a Marketing Joint Venture between their two marketing departments to be based in Barbados also fell apart.

By 2004, the private sector operators had virtually given up and Air Jamaica, BWIA and LIAT reverted to Government ownership. Bahamasair and Cayman Airways

had never left government ownership and so all the major CARICOM carriers were once again owned by governments.

By the beginning of 2007, BWIA was closed down by the government of Trinidad and Tobago and recapitalized as Caribbean Airlines.

In 2008, LIAT, heavily in debt, had, after a major capital investment by its shareholders, emerged from merger talks with Alan Stanford, owning the assets of Caribbean Star.

By 2010, the Governments of Jamaica found that carrying the burden of losses of Air Jamaica had become too great a burden and agreed with the government of Trinidad and Tobago that CAL would buy Air Jamaica, on the understanding that Jamaica would own 16 % of CAL, have one director on CAL's Board and that CAL would take over the profitable routes of Air Jamaica and promote two distinct brands, that of CAL and Air Jamaica.

This brings us to June 2013. At this juncture the Air Jamaica and CAL Alliance continues, even if somewhat uneasily. Bahamasair, CAL, Cayman Airways, Suriname Airways and LIAT pursue their separate destinies. They struggle, but still survive. What they have in common is that they are all government owned.

In the period during which they have struggled on, some thirty airlines have come and gone in the Caribbean, many of them private sector operations. They have been big and small, local and foreign, the latest victim being American Eagle.

**A reasonable question therefore would be, what are the factors that make it so difficult to run a successful air transportation operation in the Caribbean?**

I will begin with two factors which I seldom hear factored into the analysis; these are geography and population size.

### **Geography**

The Caribbean area comprises an archipelago of many small islands and include several island states which are themselves archipelagos within the larger archipelago, for example, states like the Cayman Islands, the Bahamas, St. Vincent

and the Grenadines, the British, and the US Virgin Islands. The CARICOM Community, though not a nation state, is an association between 15 states, nearly all of which are separated by water and require to be effectively connected by air and /or sea, if the trade, economic and social needs of the community are to be met effectively. From the perspective therefore of providing communications between the parts of the nation states or the parts of the community, whether by land or by sea, the infrastructural and operational costs are far in excess of those involved in providing communications between parts of a community that comprises a connected landmass.

### **Population Size**

A second matter, related to the first, is the small population size of the Caribbean unit territories, in contrast to larger island states which operate air services. For example, island states like Japan have a population of 126 million, the Phillipines 103 million, and Indonesia 132 million. In the Eastern Caribbean where LIAT operates, the largest states like Guyana and Trinidad and Tobago have populations of 741,908 and 1,222, 505, respectively,( Jamaica 2, 868,380). But hardly any other island state achieves what could be described as a critical mass for a sustainable airline business. Montserrat has a population of 5,140 persons, Anguilla, 10,300, Antigua and Barbuda, 87,884, Barbados, 286, 705, Dominica 72, 969, Grenada, 104,890, St. Vincent and the Grenadines 103,869. In fact, in the entire Caribbean Sea, 14 islands have populations of under 110,000 persons.

If one assumes, as is in fact the case, that the majority of persons travelling between these islands are resident in them, this has implications for the level of demand for air services and for disposable income to travel. It is difficult for these small populations to support air services on a commercial basis, but their need for them is critical. It is also difficult for such small populations to produce a large enough number of passengers passing through airports for the governments to be able to keep the per capita taxes which support the airport infrastructure and security systems, at a low rate. The standards for safety and security at airports are set internationally, not locally, and one does not have the option to have a cheap, but inferior version, because one is poor.

## **Economics of air transportation**

I now wish to turn to a factor that affects all air transportation operators, wherever they are, and that is, the economics of air transportation.

The termed “Cash Strapped” has become an adjective that is attached to regional carriers by the Caribbean press, whatever the subject being reported, perhaps justifiably so, and their losses are well known, at least within the region.

Very infrequently, however, do the losses of airlines like British Airways/Iberia, Virgin Atlantic, American Airlines and several others make the headlines of Caribbean newspapers. It may come as a surprise therefore that in 2009, British Airways lost £ 401 million, in 2010, £531 million, and that IAG, the parent Company of BA/Iberia lost £ 566 million before tax, during the first 3 months of 2013; that Virgin Atlantic lost £80 million in the year ending February 2012 and £ 93 million for the same period in 2013, citing tough economic conditions in a double dip recession and lower demand for Business travel resulting from the Olympic Games. In November 2011, AMR, the parent Company of American Airlines filed for bankruptcy, with accumulated losses since 2001, being US \$ 11 billion. In February 2013 American Airlines emerged from bankruptcy, announcing plans to merge with U.S Airways.

This is a very tough business. Our CEO, Captain Brunton, is in the habit of saying that airlines are at the end of the food chain in the business of making money, taking their place behind all the suppliers to the industry. Margins are thin and it is difficult to make profits. According to the IATA Industry Financial forecast of March 2012, since 2002 the average net profit margin for the global aviation industry has been negative 2.2 per cent and the forecast for 2012 was a 0.5 per cent net margin. Where there are exceptions in financial performance, as in the case of certain low Cost carriers, it is important to know why and how they make profits and why it is a mistake to think that their operating circumstances can be easily substituted for those in the Caribbean. Their model involves several factors, for example, direct sale of tickets, especially via the internet; avoiding fees and commissions paid to travel agents; point to point travel between densely populated areas, rather than hub and spoke networks, the complexity and costs

of which impose huge burdens on legacy carriers; operating from secondary airports where the taxes and other costs are significantly less than at major airports; converting to air passengers those who travel long overland distances by road or rail; making passengers pay significant penalties for excess baggage and a la carte pricing for a range of other services which increase the costs to the customer; a low level of unionization. It is clear that few, if any of these options exist in the Caribbean archipelago.

### **African Low Cost Carriers**

Tony Tyler, IATA's new chief, speaking in South Africa this month about African Low Cost Carriers had this to say "Africa's low cost carriers face strong headwinds. The main problem is that compared with other parts of the world, costs are not low. Governments impose onerous taxes on fuel and tickets, and airlines are charged higher insurance premiums than established airlines in other countries. Poor safety records and the sluggishness of local courts in dealing with bankruptcies raise leasing costs; leasing a five-year-old Boeing 737 might cost a European carrier \$ U.S 180,000 a month, but a Nigerian carrier has to pay US \$ 400,000". In the Caribbean where nothing is low cost, it would be surprising if there were such a thing as a low cost carrier.

### **The Global Perspective**

Globally, therefore, the picture for air transportation operations has been bleak. Between 2001 and 2005 global airline losses reached US \$ 43 billion and that was before the great recession began in 2008 which continues to the present. There is now no major U.S Legacy carrier which, during the last decade, has not been in bankruptcy, ending with American Airlines in 2013.

In the Caribbean there is an airline grave yard full of failed companies, both public and private sector operated. But the public views different airlines differently. If they are owned by Caribbean governments, their failure is attributed to the inefficiency of the local management. If they are privately owned, their failure is attributed either to the difficult global economic circumstances or to the fact that

government regulatory systems have discriminated against them in favour of the government owned competition.

### **The LIAT Case Study**

This would probably be a good time to look specifically at the cost structure of one of the government owned Caribbean carriers, LIAT Airline.

#### **Costs structure**

LIAT is a legacy carrier serving a complicated regional network of 21 states, 19 of which are small island states with tiny populations.

#### **Staff costs**

In 2013 LIAT has a headcount of 829 staff and a payroll costs of U.S 36.5 million or 29 per cent of total costs. This number of staff seems high, but it must be appreciated that LIAT must have some staff in each of the 21 countries it serves. In fact the staff complement has been reduced to this level from over 1000, after years of major negotiations with its ten unions. By the very nature of its business, a high percentage of its staff is technical and high costs-I refer to pilots, engineers and corporate executives.

#### **Fuel costs**

In 2011 LIAT spent US \$ 22 million on fuel, or 18 % of total costs.

#### **Maintenance costs**

It also spent US \$ 19.7 million on direct maintenance, or 16 % of total costs.

These exceptionally high costs for fuel and maintenance are directly related to the advanced age of its current fleet, a problem which can only be solved by a massive investment in new aircraft. The actual cost of the re-fleeting project now in progress is US \$ 100 million.

#### **Lease costs**

The costs of leasing planes in 2011 was some US \$ 10 million, although those costs were reduced to US \$ 7.4 million or 6 % of total costs in 2012, due to a number of strategic decisions.

### **Routing system**

LIAT for many years has been operating, on average, some 120 flights per day, across a complicated network. 30 of these have been shown to be social flights, that is, flights that are not covering their costs, but provide an essential service to a number of CARICOM countries. Many of these are not supporting LIAT financially in any way, while supporting a number of competing foreign carriers. The argument of the non-contributors, up until now, is, that when “Cash Strapped” LIAT, and its “Cash Strapped” shareholders, have put up even more money from their “Cash Strapped” tax payers, to put LIAT’s house in order, then they will gladly put up their share. There are no lack of solutions proposed for solving the ills of LIAT, but, unfortunately, the history of air transportation in the Caribbean has proven that solutions that seem too good to be true, are in fact, too good to be true.

### **Fares**

This brings me to the subject of high air fares. Air fares in the Caribbean, including those of LIAT are far too high and constitute a disincentive for people in this region to travel by air. At the point of purchase, because of various taxes and add-ons, the base fare, that is, the part that actually goes to the airline, which is already high, is almost doubled. There is a wide spread perception that LIAT and other Caribbean airlines are price gouging, that is, charging customers excessively high fares simply because there is a lack of competition.

**What is the truth? The truth is that there are still 11 regional airlines competing in the Eastern Caribbean as well as long haul carriers that move traffic within the region and that almost everyone of them is losing money. American Eagle, like many before it, has just ceased to fly.**

First, let me begin by dispelling a wide spread misunderstanding, which is that the real costs of a flight is simply a function of the distance travelled. The fact is, that

the operator of a large plane, carrying a significant number of passengers, even though travelling a longer distance, can operate at lower unit costs than a smaller plane carrying fewer passengers. Whereas, multiple “take offs” and landings by aircraft over short distances, are costly in terms of fuel burn, maintenance and even landing fees. In fact, LIAT engines set world records for use. The cost for repairing or replacing these engines is phenomenal. A new Dash 8 engine will cost you U.S \$ 2.5 million.

A study done by IATA in 2008, demonstrated that commuter carriers operating services in Europe and the USA that resemble those of LIAT, charge a great deal more than LIAT does for travelling similar distances.

You have seen the LIAT costs of operations detailed above, and heard why they are high. The price of a LIAT ticket is related to the company’s high operating costs. If the airline is to be kept operating, the revenue earned must be greater than the costs of operations.

### **How can we achieve this?**

The simplistic solutions, often given by persons who do not understand this industry or/and do not intend to support LIAT financially, include cutting costs, especially in the area of staff, increasing revenues by expanding demand, and generally, increasing efficiencies in the airline.

In the real world however, all these things have to be done in the context of the regional and global industrial and economic environment. There seems to be some perception that the global economic trauma which has reduced the demand for goods and services in many of our traditional source markets has not impacted the Caribbean market, where so many countries are currently in the hands of the IMF.

Unfortunately, in the Caribbean, the high costs of doing business in the field of travel and tourism are often passed on to the user, as in the case of LIAT, or absorbed by the general taxpayer through government transfers and subsidies paid both to their own or/and to other carriers, as happens in the case of Bahamasair, Cayman Airways and CAL. Contrary to common belief, LIAT’s daily

operations are not subsidized by any government, although they have made very necessary capital investments in the airline. The third option of offering low fares in a high cost area is certain bankruptcy.

### **Are government subsidies justified?**

#### **4. Subsidies**

Public transport is a societal good and state owned transport, whether by road, rail, or air, is often subsidized in countries across the globe to ensure that the citizens can get to work or to other business and leisure activities as a matter of entitlement. This includes not only support for the operation of vehicles and other rolling-stock but the cost of the infrastructure, whether roads, rail or airports. In the USA, both Republicans and Democrats support paying of subsidies to enable essential commuter air services to operate at affordable costs.

In the Caribbean many foreign privately owned carriers which do not find flying certain long haul routes into the Caribbean commercially viable, receive subsidies in some form from Caribbean governments, whether as flight guarantees or marketing support.

There is nothing therefore offensive or unusual in government subsidizing an essential public transport operation owned by itself or even others, in order to keep it in existence or to a prescribed standard in the public interest. LIAT's objection, for example, to the CAL fuel subsidy, is simply that CAL cannot legitimately receive this subsidy in circumstances where it is palpably unfair to a competitor and is in defiance of a mutually agreed and signed convention.

#### **5. The Tourism Impact**

Before bringing the analysis of the air transportation issues to a close, I need to touch on the critical importance of air transportation to our tourism industry. Tourism is the economic lifeline of the Caribbean, especially the CARICOM sub-region, and air transportation is the glue that cements the market to the destination. Our current major source markets, in order of importance to the region as a whole, are; the USA, Europe, the Caribbean, Canada and the rest of

the world. The UK is, however, the most important source market for some countries in the Eastern Caribbean and the Caribbean market is of major importance to some others.

For reasons, too many to mention here, it is now generally accepted that we need to diversify our traditional source markets and that the countries of Brazil, Russia, India and China, known as the BRIC countries, are potentially good tourism markets for the region. It is interesting that during the first quarter of 2013, Russia produced the second largest number of tourists from the European continent to the Dominican Republic, one of LIAT's destinations, surpassing Germany's 57,840 with some 63,948 visitors. This opens possibilities for LIAT to provide connections for Russian visitors to other parts of the CARICOM region. Exploring these potential source markets and others in Latin America, the Middle East and Africa represents possibilities for joint CARICOM and Caribbean initiatives yet to be launched.

## **6. Performance of the intra-Caribbean Market**

I recognize, however, that at this meeting I am invited to speak with particular reference to regional air transportation issues. The statistics for the years 2008, 2009, 2010, 2011 and 2012 (incomplete) which I received from the Caribbean Tourism Organization (CTO), tell a story about the performance of the intra-Caribbean tourism market. Two things are very clear; one is, that in general, both the market as a whole, and the sub-regions, are in retreat since 2008, and are yet to recover to the numbers reached in that year; the second is, that LIAT carries the vast majority of the intra-regional passengers, and that its own percentages have been declining.

### **What are the causes of this deteriorating performance?**

**8.** Clearly we cannot rule out the global recession starting in 2008 which has negatively impacted levels of employment and discretionary incomes, especially in the U.K market on which the Eastern Caribbean states are heavily dependent; heavy taxation on travel from the UK, Europe, the USA and the Caribbean which has dampened demand for travel; high base fares and certain inefficiencies

within the carriers themselves. There is however, in my opinion, one major cause of poor performance in the Caribbean market which is seldom addressed and that is, the fact that the Caribbean Market is not really treated as a market by the public and private sector tourism players who should partner with the airlines as they do in the other source markets in North America, Europe and elsewhere. There, tour operators, governments, travel agents, hoteliers and attraction owners, inter alia, work assiduously with airlines to fill their seats, spending money together on promotions, advertising and packaging. In the Caribbean these same entities think it is the business of Caribbean carriers alone to generate passengers and even some governments believe that a request for assistance in bringing passengers to their countries is an imposition.

## **9. Conclusions and recommendations**

**The time has now come for some conclusions and recommendations towards solutions.**

1. My first conclusion that derives from the information and analysis that was presented above is, that if the Caribbean carriers, Bahamasair, Cayman Airways and LIAT had been seeking to service the route networks that they actually do and had remained in private ownership, they would have gone into bankruptcy and closed some time ago. The same fate would have attended CAL and Surinam Airways, although the net work would not have been the major cause of the closure. As you are aware, Air Jamaica, having tried both public and private ownership, finally proved too costly even for the Jamaican treasury and was rescued by the government of Trinidad and Tobago. No commercial operator could have persisted so long. We can put paid therefore to the idea that the core air transportation service that effectively connects up this fragmented archipelago comprising tiny islands with small populations, will ever be provided by a privately owned air transportation service.
2. Government ownership of our airlines means that this is one of the few critical areas of Caribbean development where Heads meet to make decisions, rather than to decide whom to approach for help.

3. Each Caribbean airline has to take effective remedial action to deal with those aspects of the service that result in unsatisfactory customer experience. At LIAT, for example, several of the existing problems will be fixed largely, though not entirely, by replacing a fleet of an average age in excess of 20 years. The age of the fleet has led to frequent break downs, poor on-time performance, baggage problems and a less than satisfactory cabin experience.
4. New planes will burn a great deal less fuel, currently costing US \$ 22 million annually and reduce LIAT's maintenance costs, currently US \$ 19.7 million annually. The bottom line should therefore be positively impacted, resulting in savings, some of which can be passed on to the customer in the form of reduced airfares. These changes will however take place over a 3 year period and the results will not be seen over-night.
5. The US \$ 100 million solution planned at LIAT for the re-fleeting exercise, demands and deserves that all who will benefit from the improved services, come to the table and help the existing major shareholders to carry the financial burden involved.
6. The acquisition of new aircraft will not, however, by itself, remedy all of the customer service issues about which many complaints are made. The chief of these is probably the much mentioned issue of poor communication between LIAT and its passengers when problems do arise. The company is fully seized of the need to get this right and, as we speak, a programme is being rolled out by our commercial and customer relations department to address the issues and to change a culture which in the Caribbean extends far beyond LIAT.
7. But, ultimately, solving the regional transportation problems of the Caribbean is too important to the CARICOM Community, to be left to each individual struggling carrier to find its own way. There needs to be a collective vision emanating from or at least embraced by our leaders, about what regional and long haul air transportation services are required to maximize the socio-economic needs of the Community; this involves the strengthening of our connecting services, the revitalization of our long haul services to traditional markets in Europe and North America and the

exploration of new markets in South and Central America and other members of the BRIC countries. Since five or six, if Air Jamaica is separately listed, of the Caribbean carriers are currently owned by CARICOM governments, it is entirely possible for them to give serious consideration to the implementation of any plan aimed at achieving the goals identified above. It could not however be a plan in which ten of the 15 members of CARICOM make no financial contribution.

Such a plan would involve some form of consolidation which leads to a larger and more robust unit, capable of exploiting all the synergies and economies of scale, such as; enhanced purchasing power for fuel, maintenance, aircraft, insurance, parts, passenger handling, sales, marketing, advertising, etc, and could more easily withstand the vagaries of this volatile industry whether they be fuel prices, security costs, weather, other Acts of God or economic downturns. Importantly, we would need the buy-in of our unions to make it work.

Further, I would advise that CARICOM governments do the following:

Give consideration to a body of measures to be tabled, which will reduce operational costs, thereby assisting the carriers themselves to cut costs and be able to pass on savings to passengers in the form of reduced fares.

Study the impact of airport taxes and duties on airline operations and government revenues and investigate ways and means of reducing them in the interest of increasing demand for travel.

Include air transport services among their group of essential services and pass the necessary legislation to give effect to this reality.

I thank you for your patient listening and am willing to address any questions you may have.

**Jean Holder**

**29<sup>th</sup> June 2013**

## Appendix 1

### Carriers serving the intra-regional market

- **Air Caraibes:** serves Dominican Republic, French Guiana, Haiti, Guadeloupe, Martinique, St. Martin, St. Maarten, St. Lucia and France.
- **American Eagle:** discontinued service in the Caribbean after April 2013.
- **Bahamasair:** serves several islands of the Bahamas archipelago, Cuba, Dominican Republic, Jamaica, Turks and Caicos, and the USA (Miami, Fort Lauderdale, West Palm Beach and Orlando).
- **Cayman Airways:** serves the Cayman Islands archipelago, Jamaica, Cuba, Honduras and five US Destinations.
- **Caribbean Airlines:** serves Barbados, Venezuela, Guyana, St. Lucia, Jamaica (Kingston), Suriname, Trinidad, Tobago, Grenada, Antigua, St. Maarten, U.K (Heathrow, Gatwick), the USA (Fort Lauderdale, Miami International, JFK, Orlando,) and Canada (Toronto).
- **CJRP Travel, in partnership with BVI Airways** will fly between Tortola and Antigua via Anguilla and St. Kitts from 24<sup>th</sup> May 2013 and promises new routes in the near future.
- **LIAT (1974) Ltd:** serves Anguilla, Antigua, Barbados, British Virgin Islands (Tortola), Canouan, Curacao, Dominica, The Dominican Republic, Grenada, Guadeloupe, Guyana, Martinique, Puerto Rico, St. Kitts, Nevis, St. Lucia, St. Maarten, St. Vincent, Trinidad, US Virgin Islands (St. Croix, St Thomas). It should be noted that the 21 destinations served by LIAT also include French, Spanish, Dutch and American language groups which are not CARICOM states but important markets for CARICOM states.
- **Suriname Airways:** serves Aruba, Brazil (Belem), Curacao, French Guiana (Cayenne), Guyana, Suriname, Trinidad and Tobago and the Netherlands (Amsterdam).
- **SVG AIR:** Operates private air charters and scheduled air services to Barbados, Bequia, Canouan, Cariacou, Grenada, Martinique, Mustique, St. Lucia, St. Vincent, Union Island and Dominica.

- **Winair:** serves Anguilla, Antigua, Curacao, Nevis, Saba, Saint-Barthelemy, St. Kitts, St. Eustatius, St. Maarten.
- **Seaborne Airlines:** serves British Virgin islands(Tortola), Puerto Rico(San Juan, Vieques,Mayaguez) US Virgin Islands(St. Thomas, St. Croix)
- **Capeair:** serves Anguilla, British Virgin islands(Tortola), Nevis, Puerto Rico(San Juan, Vieques, Mayaguez) US Virgin Islands(St. Thomas, St. Croix)

In addition to the services mentioned above, a number of foreign owned long distance carriers, for example, British Airways, Virgin Atlantic and JetBlue, fly directly to some of the destinations mentioned above, and serve others over Hubs like San Juan, Puerto Rico. JetBlue is already ramping up services to fill any gaps left by the departure of American Eagle and Seaborne Airlines, currently flying between San Juan and the U.S. Virgin Islands, is expected to increase its intra-regional services for the same purpose.

## Appendix 11

	2008	2009	2010	2011	2012
<b>LIAT Passengers</b>	<b>1,036,308</b>	<b>950,372</b>	<b>896,167</b>	<b>852,959</b>	<b>781,000</b>
<b>LIAT % of Total Arrivals</b>	<b>67%</b>	<b>69%</b>	<b>64%</b>	<b>59%</b>	
OECS	335,000	319,000	285,200	260,200	
OTHER CARICOM	373,200	338,200	329,100	365,300	
DUTCH WI	114,400	105,100	110,300	112,900	
FRENCH	145,400	127,600	127,600	131,300	
US Territories	119,400	114,100	111,100	120,000	
OTHER Counties	462,800	365,000	435,300	454,200	
<b>*Total Arrivals</b>	<b>1,550,200</b>	<b>1,369,000</b>	<b>1,398,600</b>	<b>1,444,000</b>	

\*Source-CTO