

## More airlines and cruises serving Puerto Rico, top priority of Economic Development Team



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By Frances Ryan pages 16-20

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# Clear for takeoff

**A flurry of air-access and cruiseship deals positions Puerto Rico for regional leadership**

BY FRANCES RYAN  
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**P**uerto Rico will turn Blue this summer.

JetBlue, that is.

The airline has confirmed, during an exclusive interview with CARIBBEAN BUSINESS, that it will surpass American Airlines as Puerto Rico's No. 1 passenger carrier before the end of this summer season, following what it expects will be a 28% spike in business from January to July 2011.

When it completes its local expansion, the airline will provide more than 30 flights per day to some 11 stateside and international markets from the island.

While the JetBlue revelation is the biggest, it is but one of many.

A string of deals with new and existing airlines and cruiselines that service the island is expected to increase visitor traffic to Puerto Rico

by an estimated 25% in the coming years.

Joining JetBlue from the States is AirTran, which also has confirmed a notable increase in local flights.

Puerto Rico Department of Economic Development & Commerce (DDEC by its Spanish initials) Secretary José R. Pérez-Riera, still celebrating the recent news of US Airways' increase in flights to and from Puerto Rico, told CARIBBEAN BUSINESS that Delta is expected to do the same in the coming months.

Southwest Airlines, for its part, also has announced plans to fly to Puerto Rico from key cities in the States. And Pérez-Riera is moving in on direct flights to Canada, namely Toronto and Montreal.

From the Old Continent, England's British Airways plans a return to the island later this year, while Germany's Condor airline will enter for the first time, and new Spanish charter-airline Economic Development Impulse of

the West (IDEO by its Spanish acronym) will begin direct flights from Madrid and Barcelona in 2011 as well, expanding Puerto Rico's connections to the European market.

Not to be outdone, two Latin American airlines are expected to get in on the Puerto Rico act, namely Aeroméxico and Colombia's Avianca. DDEC officials are also in talks to open direct access to such Southern Cone destinations as Chile, Perú and Argentina.

"This increase in airlines and flights will further establish and promote Puerto Rico as the principal destination and hub in the Caribbean," Pérez-Riera said.

## GROWTH FROM THE HIGH SEAS

Meanwhile, on the cruise front, CARIBBEAN BUSINESS has confirmed that Royal Caribbean's Oasis of the Seas mega-cruiseline will dock regularly at the Port of Ponce and the Port of Mayagüez starting next year, giving those regions a much-needed

tourism boost. (See related story on page 4)

Separately, Azamara Cruises, a high-end cruiseline, will call San Juan home with arrivals scheduled later this year.

In addition, as previously reported, the long-anticipated arrival in San Juan of the Disney Fantasy cruise-line will take place in 2012, catering to the region's growing family segment.

Disney's 4,000-passenger ship will offer weekly dockings, each pumping some \$500,000 into the island's economy and providing a solid boost to Puerto Rico's \$240 million cruise-ship industry.

The new arrivals couldn't have come at a better time, as CARIBBEAN BUSINESS has confirmed the departure of one smaller ship that had long homeported in San Juan, Princess Caribbean, and a cutback by Royal



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Caribbean's Serenade of the Seas, which will now homeport only during the busy winter season.

In addition to welcoming a new home-port ship and two new-generation mega-cruiselines, CARIBBEAN BUSINESS learned that as many as four cruiseships will be making regular in-transit stops in Puerto Rico starting this year.

New arrivals include the Celebrity Eclipse (2,850 passengers), MS Nieuw Amsterdam (2,106 passengers), MSC Magnifica (2,518 passengers) and Silversea Spirit (540 passengers).

The new cruise activity is greater than the estimated \$50 million lost from the Princess and Serenade pull-back, when calculating the average per-passenger spending on the island during in-transit visits (\$69.74) and home-port stays (\$159.33).

The new cruise activity should contribute \$88.7 million to \$100 million to the local economy.

That is just passenger expenditures. Home-port ships have an additional economic impact on the local economy through locally sourced provisioning.

"For the first time in four years, thanks to the combination of better relationships with the cruiseship industry, improvements to the ports area and negotiations with cruise-lines, we have seen a 34% increase in home-port passengers," said Jaime López Díaz, DDEC's chief development officer.

The goal for 2011 is to increase

transit visits by 13% for the first time in five years.

This means that through 2011, total visits are expected to grow by 8%, which is the first overall industry increase in five years. Puerto Rico currently occupies the eighth position among the top-15 Caribbean itineraries for visiting cruiseships and is fifth among regional ports.

#### INCENTIVES FEAST

DDEC's Pérez-Riera expects a net gain as well from the new air routes, which have been achieved in large measure from an incentives boost promoted by his agency.

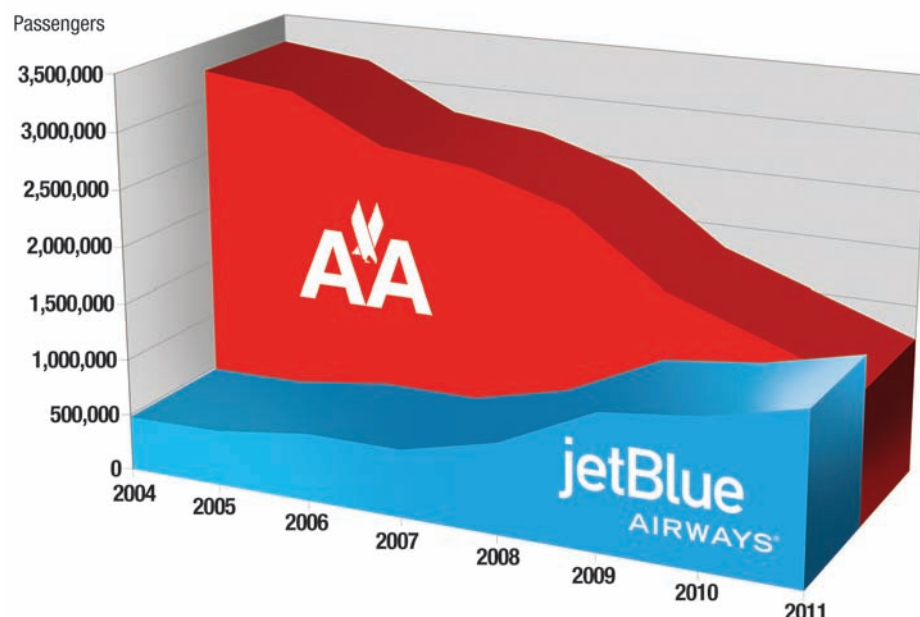
"Within the next three months, Puerto Rico will welcome three inaugural flights from top mainland-U.S. markets. This has been possible in great part to the Puerto Rico Tourism Co.'s [PRTC] co-op marketing program for existing airlines to promote services to Puerto Rico," confirmed PRTC Executive Director Mario González Lafuente.

In addition to funding for co-op marketing for airlines already serving the local market, the PRTC also has been fundamental in creating an incentive fund to promote regional services to and from Puerto Rico's main island as well as Vieques and Culebra, he added.

Year-to-date, PRTC has invested \$15 million in these incentives, \$10 million for our connections and \$5 million to attract new cruiseships.

"The incentive's objective is to increase the load factors and yields of the services, and is limited to airlines

#### JetBlue to surpass American this summer



with aircrafts that have fewer than 50 seats. The total qualifying incentive amount will be distributed as follows: 80% outside Puerto Rico (mainland U.S., Canada, Europe, Latin America and the Caribbean) and 20% inside Puerto Rico, stimulating outbound local demand," González Lafuente explained.

Each airline must match 20% of this investment, either in barter (tickets, onboard efforts or ticket discounts for event co-sponsorship) or matching-dollar funding, depending on the terms of the agreed collaboration, the PRTC executive explained.

He noted such efforts as featuring Puerto Rico in top-destination packages sold by JetBlue through its Getaways program have further enhanced promotional efforts.

Nine airlines currently help maintain Puerto Rico's 63 daily round-trip flights and 20 nonstop destinations to top U.S.-mainland markets. Of the nine airlines actively working the Puerto Rico market, five are network/legacy carriers while four are low-cost carriers. Over one-third of visitors who come to Puerto Rico travel on low-cost carriers.

One stateside airline, AirTran, has pledged its commitment to the local market with the addition of two new routes to Tampa and Baltimore with two daily flights each. The airline is awaiting federal approval for its merger with Southwest Airlines, which the local government has been courting for years.

"We are currently in contract negotiations with Delta for this year as well," López Díaz expressed.

#### TO EUROPE

"We have gone from one flight to Europe [Spain] to five airlines scheduled with weekly flights in a matter of six months," López Díaz added.

It has been neither easy nor cheap. New European routes will cost Puerto Rico upward of \$5 million in incentives, co-op marketing efforts and other initiatives.

Perhaps just in time to attend the royal wedding of Prince William and Kate Middleton, British Airways will launch its inaugural flight to Puerto Rico March 28, with plans to add two weekly flights on a year-round operation.

"This is such an important addition to Puerto Rico's airline roster," Pérez-Riera said. "Based on market projections, the new service potentially will bring Puerto Rico more than 10,000 passengers a year. The new flight will have full connectivity with Iberia and American Airlines through the OneWorld Alliance and definitely will help induce higher demand on Virgin Atlantic Airlines' flights already serving the local market."

Then there is Germany's Condor Flugdienst airline (Condor), which begins serving the Puerto Rico market by year's end, with direct flights from its base at Frankfurt Airport.

#### New flights to the States are up and rising





# JetBlue flying high in Puerto Rico



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The local government isn't the only one celebrating the expansion of JetBlue on the island. So is JetBlue itself.

"We are very excited with the growth and support we see in the Puerto Rico market," Dave Clark, director of route planning at JetBlue Airways said during an exclusive interview with CARIBBEAN BUSINESS.

"We have received a tremendous response from the island and, as we become Puerto Rico's largest carrier this summer, we are thrilled to continue providing more flights with the great fares and award-winning service our customers have come to expect from us," Clark added, noting JetBlue will be No. 1 in ASMs (available seat miles) by June 2011 and the leader in total number of seats by July.

JetBlue has put Puerto Rico front and center on its expansion plans within the mainland U.S. as well as Latin America and the Caribbean, added Mateo Lleras, manager of communications for JetBlue's Latin America and the Caribbean.

"Over the past year, we have

announced new service to Tampa and Jacksonville [both in Florida] from San Juan and increased frequency from Boston to San Juan just in time for the 2011 summer season. Likewise, the Dominican Republic route will be increased in frequency," Lleras said.

The most significant expansion thus far from JetBlue comes from the San Juan-New York (JFK) route, which will double to eight daily flights before the summer.

As the airline grows, JetBlue executives are evaluating options to expand its presence at Luis Muñoz Marín International Airport, either at its existing location or with new counter space at the new airport terminal.

"We expect to announce such plans this summer," Lleras said. "Our Puerto Rico expansion is tied closely to our expansion into Europe and Latin America. We are leveraging our leadership position in the New York-JFK airport with strategic alliances with other airlines."

Such is the case with LAN Chile, South African Airways, Emirates, American Airlines, Air Lingus (Ireland) and Lufthansa. ■

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"Condor's plans are for two weekly flights of 270 seats each. That represents approximately 14,000 visitors a year and an economic impact of more than \$9 million for the island," Pérez-Riera said.

Condor operates scheduled leisure flights to the Mediterranean, Asia, Africa, North America and the Caribbean. In addition to its main base at Frankfurt Airport (where all long-haul flights depart), its secondary bases for Mediterranean flights are Munich, Hamburg, Düsseldorf International, Stuttgart and Berlin's Schönefeld airports.

Spain also features high on the local agenda. In addition to Iberia's existing service and connecting flights from other legacy carriers, Puerto Rico will expand its service from that main European gateway through

Internationally, five foreign airlines service eight international destinations from Puerto Rico, including Air Canada, Iberia, Virgin Atlantic, Copa Airlines (Compañía Panameña de Aviación SA) and InselAir International B.V.

Two U.S. airlines, American and JetBlue, provide international connectivity through their mainland hubs. In addition, there are 51 jet flights taking off from Puerto Rico every week.

## TO LATIN AMERICA

Also in the development pipeline are Latin America, México and Colombia, markets with extensive tourism and trade relationships with Puerto Rico.

Although DDEC officials are keeping a tight lid on ongoing negotiations with Latin American carriers, CARIBBEAN BUSINESS learned

**"This increase in airlines and flights will further establish and promote Puerto Rico as the principal destination and hub in the Caribbean."**

—José R. Pérez-Riera,

Puerto Rico Economic Development & Commerce Department secretary

the addition of the nonprofit IDEO, a charter service with direct flights to and from Barcelona and Madrid.

"IDEO charter flights are scheduled to begin April 2 with weekly flights into Aguadilla's regional airport, which will represent a major boost to the economy of the island's western region," said airline-industry veteran Kike Cruz, who championed the negotiations for the new Puerto Rico charter.

This charter, which was promoted to the tune of \$2 million in PRTC incentives, already has posted its travel offers online.

"Germany is one of the top-three gateway markets in Europe, while British Airways and the IDEO charter flights out of Spain will expand our offer to those two countries by helping induce additional traffic for Virgin Atlantic and Iberia, which already travel to Puerto Rico," González Lafuente added.

"From a competitive standpoint, instead of trying to reach many European cities, we are focusing on three main markets: Spain, England and Germany."

Aeroméxico and Avianca have expressed interest in serving nonstop routes to San Juan from México and Colombia, respectively.

"We are also in preliminary conversations with other airlines serving these South American countries to establish direct connections with the most-frequented cities," Pérez-Riera said.

Beyond the tourism value that both Latin American destinations would add to Puerto Rico's airline portfolio, both markets represent additional trade- and commerce-development opportunities for the island.

Trade between Puerto Rico and Colombia currently approaches \$300 million, while México represents \$518 million in trade relations with Puerto Rico.

## TO THE CARIBBEAN

Regional connections throughout the Caribbean also are being strengthened. Last December, Seaborne Airlines announced its daily service from the Luis Muñoz Marín International Airport to Vieques and

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St. Croix and St. Thomas.

"This is beneficial, especially for visitors traveling to Vieques, since it provides them better connectivity when they arrive on major U.S. airlines to our international airport," López Díaz noted.

Puerto Rico is still by far the best connection to the Caribbean, with 104 daily nonstop flights to 26 Caribbean destinations. Six regional airlines, including American Eagle (34 daily flights, 64-seat ATR72 aircraft) and Cape Air (45 daily flights, 9-seat Cessna 402 aircraft), service the regional market.

Other regional airlines include Air Sunshine, LIAT (Leeward Islands Air Transport), Tradewind and Vensecar.

### FLYING IN STYLE

Pérez-Riera, a pilot himself, has his sights set on the growing private-aviation segment in Puerto Rico and its high-net-worth customers.

Puerto Rico will participate in major tradeshows, advertise in specialized media and work with top industry representatives, many of whom are renowned celebrities, including John Travolta, Tom Cruise and others.

There are more than 220,000 private aircraft in the U.S. According to industry estimates, the average weekly spending per private aircraft when visiting a destination is more than \$8,000 just to maintain the equipment, not including personal expenditures by pilots and their guests.

"These folks travel with a very different mentality, making their own schedules and visiting those hotels and destinations that fit their lifestyle. Puerto Rico has a lot to offer to this very powerful group of people: the destination's great diversity, beautiful beaches, world-class gastronomy, rich cultural heritage and the security of being under the U.S. flag," Pérez-Riera expressed. "It is a natural and very profitable market segment for Puerto Rico."

### AIRLIFT, AIRLIFT AND MORE AIRLIFT

As the premier airline hub in the region, Puerto Rico is served by six commercial airports and receives 8.3 million annual visitors.

Internationally, the island offers

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## Puerto Rico faces homeporting competition for cruiseships

Industry experts highlight need for better synchronicity between air routes and cruise schedules; travel agents concerned about departure of two cruiseships

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The departure of *Serenade of the Seas* and *Princess Caribbean* cruiseships next year may have been replaced and surpassed by new lines, but not everyone is celebrating, as the exit may mean troubled waters for some local travel agents.

"For local travel agents, who depend almost entirely on selling cruise packages and other travel services to local customers, the departure of these ships will be damaging because they represent two of the three most popular cruiseships for Puerto Ricans," explained Daphne Barbeito, president of the Puerto Rico Chapter of the American Society of Travel Agents (ASTA).

From a business perspective, Raúl Candelario, longtime executive director of the House Treasury Committee and a veteran of the cruise industry, agrees the departure of any cruiseship is "never a good thing, but efforts underway will guarantee Puerto Rico a net gain between new cruise activity and the two ships that are departing."

Barbeito, though, is quick to point out that the departure does represent a reduction in the number of ships homeporting in San Juan, which has an even deeper adverse economic impact on the local economy.

Homeporting, the ASTA executive noted, "is essential to maintain the local travel industry, which has become the fastest-growing group of cruise customers in the region. Homeporting also generates greater economic activity through their longer stays and provisioning from local suppliers."

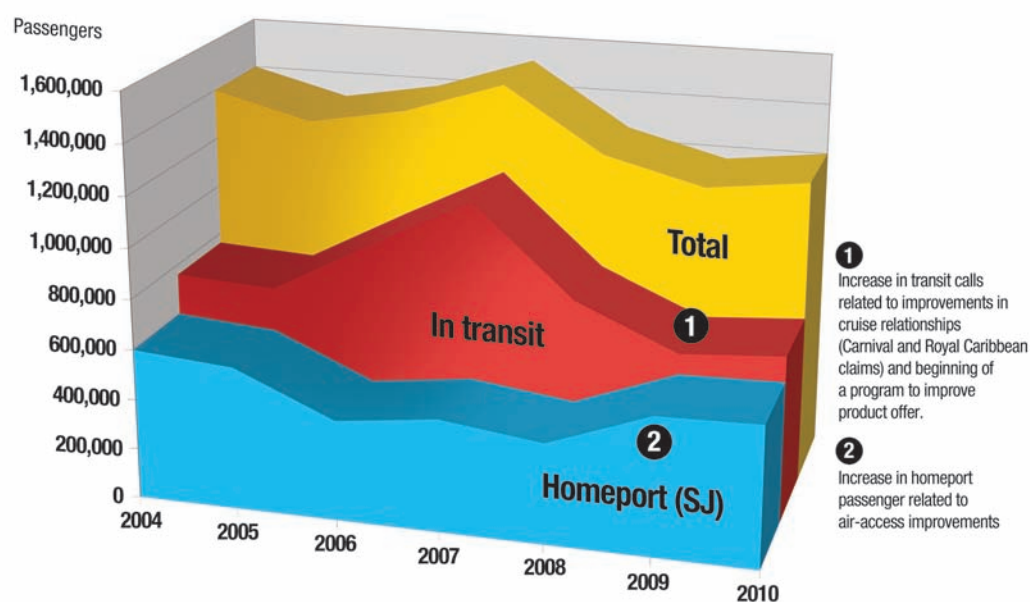
On the plus side, she added, "contrary to previous pullbacks by companies, like American Airlines' sudden departure, the local industry will have about a year to prepare for the exit of these two cruiseships, the arrival of new products and the opportunity to

diversify the local business by offering new cruises and destinations."

Candelario said homeporting activity in the region declined following 9/11, while other ports have entered the picture to compete with Puerto Rico.

"Several home-port facilities have sprung up since, like New Orleans, the expansion of Jacksonville, [Fla.,] and to the south, Brazil and Colombia are new to the game with their own home ports. Certain Caribbean destinations have continued to grow as well, like the Dominican Republic and St. Martin. This has an

2004-2010 cruise passenger arrivals



impact on the overall number of people who travel to Puerto Rico to depart on a cruiseship, since they have more options closer to home," he said.

"We need to recognize all the destinations in exciting places, such as Eastern Europe, South America and Africa, that are offering cruiseships nowadays. The playing field is more crowded than ever before."

At the same time, Barbeito continued, there is a need to create greater synergies between airlift and local cruiseship offers.

"Right now, there is an increase in airlift to Puerto Rico, which is excellent for the local tourism industry, but not all the airlift is in sync with the departures of cruiseships from San Juan, which is essential to keep the industry—specifically home-port activity—growing." ■



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the most nonstop flights to leading Caribbean destinations.

Still, López Díaz is first to admit that efforts to expand airlift must continue vigorously, particularly focused on mainland-U.S. markets that deliver 80% of the total visitors who come to Puerto Rico.

“In addition to new routes, increased frequency of existing routes, as we have achieved with US Airways, is just as important,” Pérez-Riera expressed. “Since January, every single airline in the market has increased its frequency to their top cities.”

American, soon to be the island’s second-largest passenger airline, is committed for now to maintain a respectable presence in the market,

with an average 63 daily flights from 20 major U.S. cities.

### INTEGRATION

Pérez-Riera credits these results to “managing air and maritime access with an integrated approach while giving it top-priority status in Puerto Rico’s economic-development efforts.”

The integrated approach “enables us to implement strategies that leverage our limited resources by integrating tourism, commerce, our Rums of Puerto Rico platform and other activities like filmmaking and entertainment,” the DDEC secretary added during an exclusive CARIBBEAN BUSINESS interview.

This bevy of new air-maritime

activity has further strengthened Puerto Rico’s leadership as the transportation hub of the Caribbean, the latter being one of the top-three most-popular destinations in the world with 35 million travelers and 15 million cruise passengers every year.

The cruise industry, despite ups and downs in recent years, continues to yield top benefits for the island economy, to the tune of \$240 million, while helping support 5,000 jobs. Puerto Rico has a year-round cruiseship market, with high season beginning in November and ending in April.

“In addition to the cruiseship passengers who energize our local tourism industry, their extended stay has tremendous economic impact on other

sectors, such as commerce. Last year, cruiseship provisioning amounted to \$16 million while cruiseship-passenger expenditures in San Juan alone had an economic impact of more than \$180 million,” López Díaz said.

For González Lafuente, the cruiseship industry is vital to the local economy and a main economic driver within the Caribbean region.

Puerto Rico, he said, receives more than 1.2 million cruise passengers yearly at its ports in San Juan, Ponce and Mayagüez.

In addition to welcoming a new home-port ship and two new-generation mega-cruiselines, as many as four cruiseships will be making regular in-transit stops in Puerto Rico starting this year. ■

## ‘Spectacular comeback’ hailed by cruise-industry leader



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Michelle Paige, president of the Florida Caribbean Cruise Association (FCCA), highlighted the speed with which Puerto Rico has come back from the recent downturn in its cruise business.

“I haven’t seen such a spectacular comeback from any destination in years,” referring to Puerto Rico’s relationship with Royal Caribbean and Carnival, which had gone sour over two major lawsuits.

“The government of Puerto Rico has done a phenomenal job addressing past situations that were keeping the island off many of the new

Caribbean routes and from participating in new industry products. I think it is extremely important for all members of the industry, and the people of Puerto Rico, to understand how important this effort is, and take advantage of it to get Puerto Rico back in the game,” Paige stressed.

The first was a \$17 million lawsuit filed by Royal Caribbean for money it was owed related to the construction of San Juan’s Pier 3. A second claim was lodged against the government by Carnival. Both cases were settled out of court last year.

Another indicator of smoother sailing ahead for the island’s cruise industry is that key players—namely the Tourism Co., the Ports Authority, Royal Caribbean and the Puerto Rico Economic

Development & Commerce Department—are finally onboard regarding upgrades to Pier 3, which are needed to allow the next generation of 6,000-passenger cruiseships to dock in the Port of San Juan.

Chief among those changes, the Ports Authority facilitated the removal of the public art sculpture on Pier 3 that impeded the new mega-cruiseliners from docking in Puerto Rico.

Meanwhile, Raúl Candelario, longtime executive director of the House Treasury Committee and a veteran of the cruise industry who has championed the revision and renewal of the local cruise incentives law, said that has been vital in attracting new cruiseship activity to the island.

“Puerto Rico has the best cruiseship incentives in the region. In fact, FCCA has modeled its efforts in other countries after our incentives law. In addition to the changing nature of the cruise industry around the world, we also need to exert an even more proactive role as the main port of the Caribbean, which is considered a destination onto itself,” he said.

The FCCA will celebrate its annual conference in Puerto Rico in October. It will build on momentum from the International Destination Expo, the premier annual event of ASTA’s destination expo, also taking place in Puerto Rico during mid-April.

The FCCA conference will gather more than 1,500 participants, including decisionmakers from 15 of the world’s top cruiseline companies, which also are members of the FCCA. The combined economic impact of both industry conferences is estimated at \$6 million with 6,100 room-nights. ■