

# *The Cuba Air Travel Opportunity*



***Bonanza – Or Media Myth?  
Actually, It's Both***

# Welcome!

## *Main Issues:*

*What is the real opportunity for US-Cuba travel?*

*What is the current state of US-Cuba travel?*

*What can we expect in the future?*

*What does it mean to airports & communities in the USA?*

### Aviation Research Report



## Cuba:

**Normalization of Relations  
Mirage, Myth, Or Opportunity**

**An Independent Analysis of  
US-Cuba Air Service Potential**

A Research Report from



# The Opportunity...

*In regard to Cuba being a huge tourist potential... It is probably the biggest opportunity for US carriers since deregulation...*



*US travel organizations estimate the total US-Cuba potential to be over 850,000 annual visitors... that is likely very conservative... but the operative term is “potential.”*

# *More Than Just Another Caribbean Destination*



*A Huge Bonanza For US Airlines...  
... Sometime in the future*



*Diverse Destination: Beaches... Mountains...  
History*

*A destination not possible to completely  
experience in a single trip... huge return  
potential*



*Close to US – access time better than any other  
Caribbean destination*

***But the problem is clearly shown in the  
bottom picture***

# *Let's Explore – Some Background On Cuba*

*How many cities in Cuba have populations over 2 Million?*

**A. 4**

**B. 2**

**C. 1**

**D. None**

**Answer:**

**C. 1**

**Havana has 2.15 million...**

**Next largest is Santiago –  
425K**

*Cuba does not have huge  
population centroids – which  
means it needs to have  
infrastructure to support in-bound  
traffic. It's not there, yet.*

# *Let's Explore – Some Background On Cuba*

*The Average Annual Income For Cuban Citizens Is:*

**A. \$ 4,250**

**B. \$12,221**

**C. \$375**

**D. \$15,300**

**Answer:**

**C. \$375**

**On a monthly basis,  
that's enough to cover  
the charge for the first  
bag on a US carrier.**

**National Pesos**

# *Let's Explore – Some Background On Cuba*

*How many hotel rooms are there in Cuba?*

**A. 62,000**

**B. 125,000**

**C. 30,000**

**D. None**

**Answer:**

**A. @62,000**



**The Las Vegas Strip has more than all of Cuba...**

**And the “star system” of classification is reported to be pretty loose.**

# Cuba True or False

## **The airports in Cuba are operationally-limited**

*Nope... the main airports have substantial runway capacity & some new terminals.*

## **Travel to Cuba is severely restricted**

*Only from the US, and even that is flimsy*

## **Cuban airports have comparatively poor security**

*Really, did they have a 96% failure rate like the TSA?*

## **The US embargo is why there are shortages & lots of '56 Fords**

*Wrong. They can buy anything from anywhere else in the world – like the US does. Their political system has trashed the place and impoverished the population*

## **Canadians Flock To Cuban Resorts, So They Must Be First-Class**

*No, they are cheap to go to,. Some are first class. Some are Third-World*

## **A great place to explore, right?**

*Incredible... but intra-island transportation is, well, adventurous*



# *Starting Out – What We Know*

- *There is no historic data*
- *Immediate value to airlines is limited*
- *Cuba is unique as a destination*
- *Hotel infrastructure is very limited*
- *Travel will be entirely directional from US*
- *VFR traffic is the one strongest sector*
- *Most of the VFR traffic is in Florida*



After the cliché pictures of old Chevys, there isn't a lot of infrastructure in Cuba for mainline US tourist traffic.

# *Let's Get Real... This Is Strictly Business*



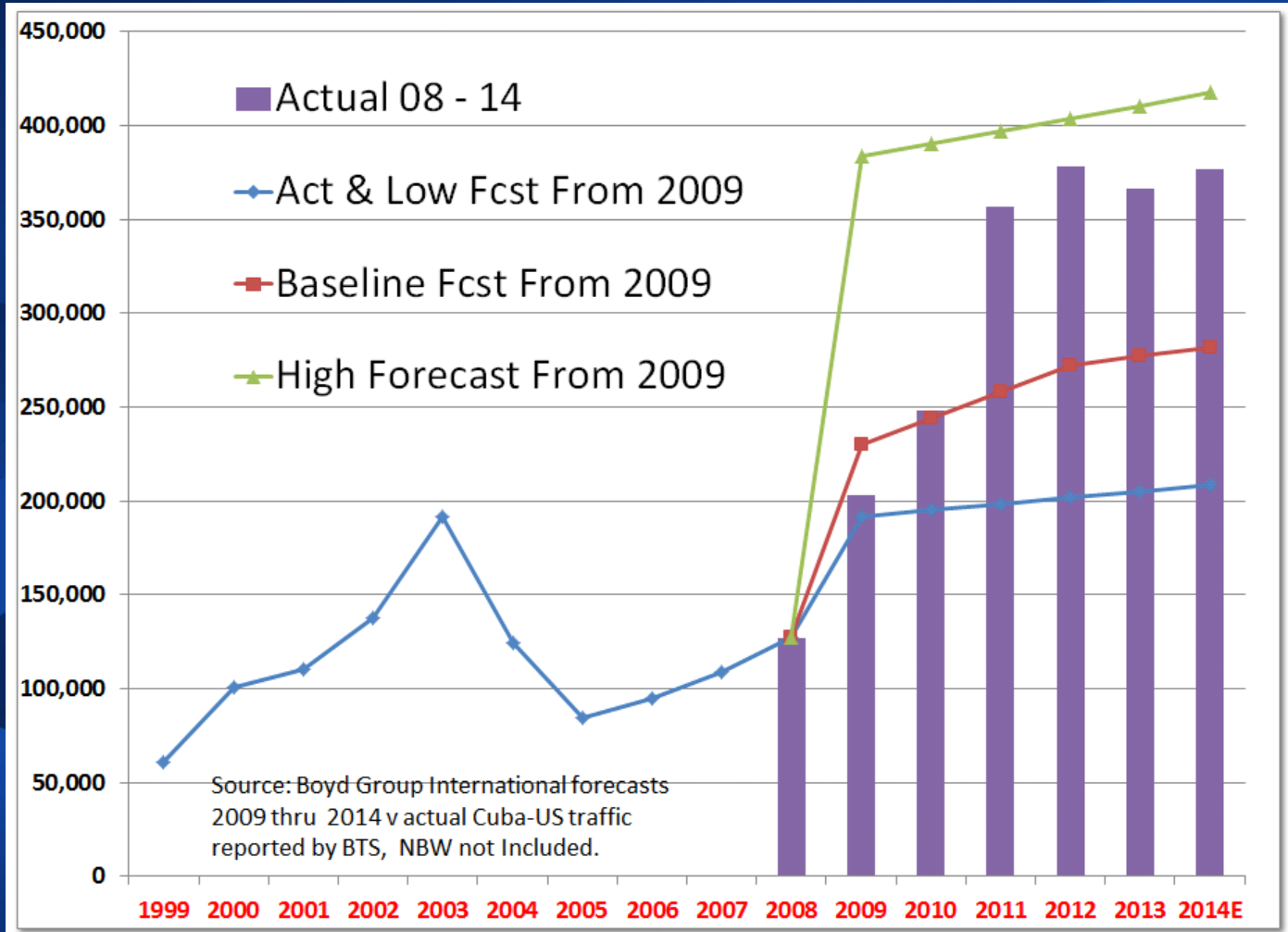
Cuba has a long way to go before it will be ready for traditional mainline tourism.

And,

Hyman Roth would be the first to point out that this is *not* a government that “understands business.”

- *Forget the hogwash about new service opening lines of communication “between our two peoples...”*
- *There’s no communication when one side can’t talk freely*
- *There’s no communication when Cubans have no voice or input in policy*
- *Cuba has made it clear - with or without Fidel - that it’s system will not change. Cuba’s economy has trashed to the point of having “caloric limits” and shortages*
- *A bunch of flights from points in the USA will have no effect on any of this.*

# Open The Flights, They Will Come... But Who Are "They"



Latest 2015 data tracks above forecast trend - @ 470,000

# What Just Happened...

## Points With New US Major Airline Route Authority



Weekly US-Cuba Scheduled Seats: Zero to 30,000 In One Swipe of The Pen

# Key Market Realities

## There Is No Business Travel

*That's because there is no business in Cuba, and opening flights won't change that...*



*The Cuban government has no sign of changing their economic system – a few free-market fruit vendors notwithstanding*

*There are huge legal issues regarding expropriation of US property*

*Point: Cuba is not interested in opening to business investment – media stories notwithstanding*

# Key Market Realities

## Entirely Inbound

*There is NO measurable Cuban-generated traffic...*



*Cubans need not bother  
with this sign*

*... Income is now just under \$30 A MONTH*

*... Cubans are not allowed to travel outside,  
anyway*

*... Historical outbound Cuba traffic has been  
escaping, not visiting*

*... Hotel & Leisure infrastructure is limited*

# *Key Market Realities*

## *Single-Destination Traffic*

*Transportation infrastructure in Cuba is for the adventure-traveler only...*



*Trains are old, operate on days of week basis. New locomotives from China help, but the travel experience is not for the average US traveler.*

*Rental car? --- Find a gas station, and be sure to lock it*

*One comment from a travel-advisory site:*

***“...Make sure you bring your own toilet paper! Expect delays, it's all part of the fun!”***

## *Key Market Realities*

# *Hotels Are Short*

*There are more hotel rooms on the 'Vegas Strip than in all of Cuba...*

*B&Bs & private homes are available – but not attractive to mainline tourist traffic*

*Cuban government claims it's building another 100,000 rooms... over the next 15 years*

*Not a lot of these, yet.*





## *Key Market Realities*

# *Majority of Demand Is VFR*

*For the immediate future, the “demand” will focus on two basic categories...*

*Adventure travelers... “safari types”*

*Cuban-Americans – which are the core of the current US-Cuba travel base*

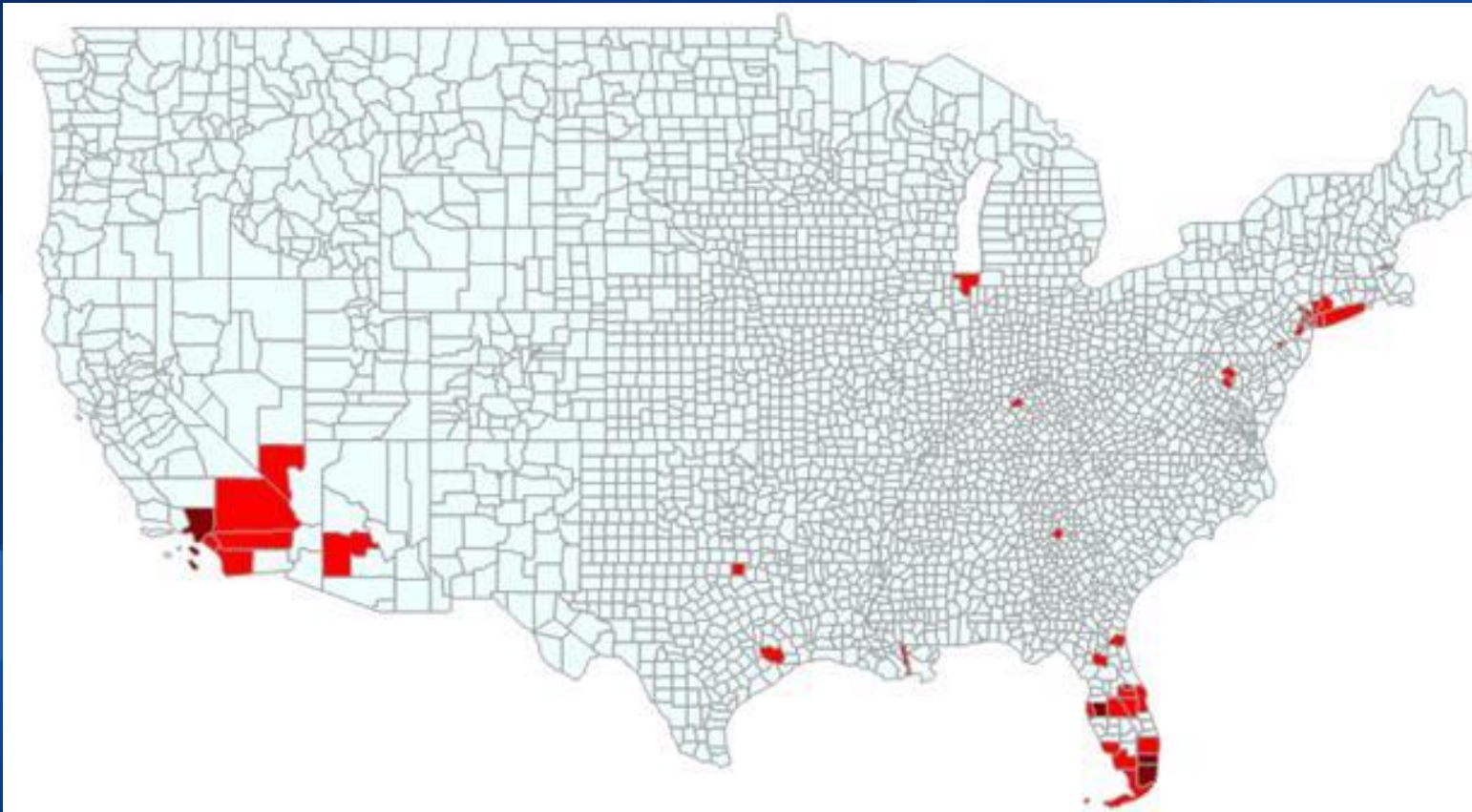
*Problem for airlines – the adventurers are not in big supply, and most Cuban Americans are in Florida*

# Cuban-American Population Distribution

Rank	County	Cuban-American Population	Total County Pop	% of Nation's C-A Population	% of County Cuban-American
1	Miami-Dade County, Florida	650,601	2,253,362	51.6%	28.9%
2	Broward County, Florida	50,911	1,623,018	4.0%	3.1%
3	Los Angeles County, California	38,664	9,519,338	3.1%	0.4%
4	Hillsborough County, Florida	35,123	998,948	2.8%	3.5%
5	Hudson County, New Jersey	33,901	608,975	2.7%	5.6%
6	Palm Beach County, Florida	25,386	1,131,184	2.0%	2.2%
7	Queens County, New York	12,793	2,229,379	1.0%	0.6%
8	Cook County, Illinois	12,752	5,376,741	1.0%	0.2%
9	Orange County, Florida	12,371	896,344	1.0%	1.4%
10	New York County, New York	11,950	1,537,195	0.9%	0.8%
<b>Totals - Top 10 Counties</b>		<b>884,452</b>	<b>26,174,484</b>		<b>3.4%</b>
<b>Total US Cuban-Americans</b>		<b>1,261,658</b>		<b>70.1%</b>	

# More Demographics

*There are less than 15 counties in the entire USA with more than 10,000 Cuban-Americans – most are in Florida*



# The New Cuba Awards

*Reported awards by carrier... seat capacity... estimated traffic need*

	HOG	VRA	SNU	CMW	CFG	SCU	HAV	Total	Est Seats	Pax @ 85%	Annual
<b>AA</b>	14	14	14	7	7		35	91	11284	9,591	498,753
<b>B6</b>	7		7	7			27	48	4800	4,080	212,160
<b>WN</b>		14	7				21	42	6006	5,105	265,465
<b>SY</b>		1	1					2	290	247	12,818
<b>F9</b>			3	4		7	7	21	3045	2,588	134,589
<b>UA</b>							8	8	1120	952	49,504
<b>AS</b>							7	7	1050	893	46,410
<b>NK</b>							14	14	2100	1,785	92,820
									29695	25,241	1,312,519

# Open Question: Can Airlines Make Money In The Near Term?

Airport	Holquin	Matanzas	Santa Clara	Camaguey	Cinefuegos	Santiago	Havana	Total
<b>Seats Avbl</b>	163,800	225,836	251,472	148,824	52,416	65,520	933,244	1,841,112
<b>Traffic RQ</b>	136,445	188,121	209,476	123,970	43,663	54,578	777,392	1,564,945
<b>Stim Needed</b>	<b>138.4%</b>		<b>97.2%</b>	<b>101.8%</b>	<b>68.2%</b>	<b>123.1%</b>	<b>13.4%</b>	<b>62.9%</b>

Compares traffic needed @ 85% L/F and 98% schedule reliability based on currently-filed US carrier schedules, with year 2015 reported charter traffic.

But there's more reality... *historical traffic is from the East Coast...*

Out of 3,073 US-Cuba flights in 2015...

Only 5 – *just* 5 – were from west of the Mississippi

# *So, What Are The Indications*

*Fact: Cuba is a huge potential market..*

*Therefore, any route authority is a major asset.*

*Fact: Current & foreseeable traffic is very specific and limited*

*Fact: The infrastructure issue is the barrier*

*Supposition: Cuba will evolve, as did China... But when*

*Likely immediate outcome: Some of the awarded authorities will likely need to be postponed – held, but postponed*

# **Note:**

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***Boyd Group international  
78 Beaver Brook Canyon Road, Evergreen, Colorado USA, 80439  
(303) 674 2000 [www.AviationPlanning.com](http://www.AviationPlanning.com)***