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### III ANALYSIS OF AIR CARGO SERVICES TO THE CARIBBEAN

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#### A. Overview

The overwhelming share of air cargo to and from the Caribbean nations under study is conveyed in the bellies of passenger aircraft. These flights are scheduled around the needs of the airline passenger. Air cargo is marketed entirely as a by-product, generating cash from otherwise empty belly space. The incremental costs of carrying air freight are insignificant, and consist primarily of additional fuel burned because of the somewhat higher gross takeoff weight of the aircraft. Cargo may also lead to higher ground costs, but these can be minimized by cross-utilizing ramp staff to service air cargo, subcontracting warehouse operations, and using freight forwarders.

Passengers overwhelmingly prefer to travel during weekends, so midweek cargo capacity can be scarce. Such weekend peaking does, however, permit the carrier to sell passenger and cargo space on somewhat lower rates than would otherwise be possible. Many of the aircraft operating on weekends to the Caribbean are used on high volume, high yield intercity runs during the weekdays. Because of the weekend slump in business travel, they would be idle unless used on runs such as to the Caribbean. These services can be costed on an incremental rather than a fully-allocated basis, and rates may be lower as a result.

The great importance of the Caribbean as a winter vacation market complicates the provision of air cargo services. This market is highly seasonal, and the peak time for passenger demand will not necessarily correspond to air freight traffic peaks. Some services, such as Air Canada's flight from Toronto to Varadero, are discontinued altogether during the summer. Vacation travel is highly price-sensitive, and downward pressures on passenger yields are further exerted by the large travel wholesalers and bulk purchasers of seats. The relatively low yields (revenues per revenue passenger mile) that result necessitate that the flight operate relatively full if it is to generate a profit. This in turn may limit cargo space because of the additional checked baggage.

In addition to North American tourists, flights to the Caribbean cater to the transportation needs of Basin residents. Large numbers visit Canada and the United States, particularly during the summer, either for leisure or seasonal employment. These persons return home in the late fall. Traffic is so large that one carrier interviewed considers the summer months, not the winter, as the major traffic peak. Many purchase large quantities of consumer goods in North America, which are transported to the Caribbean as personal baggage. The enormous and "unrealistic" passenger demands for checked baggage space poses a major problem to airlines at this time. Belly holds have frequently bulked out completely with baggage and have totally displaced air freight. Since many shippers rely on air cargo heavily, this has created a major problem for clients and airlines alike. Some carriers have trucked excess baggage to US gateways for onward transit to the south. High frequency narrow body flights predominate on Caribbean services from Florida. Although these flights also are subject to many demands for capacity, they are usually able to provide adequate space to accommodate low priority cargo and excess baggage. One carrier suggested that excess baggage problems are actually more acute from US gateways than from those in Canada.