

GLOBALPANDI

Circular for P & I Clubs

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Correspondents for:

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Venezuela – Flight Tickets Crisis

As widely reported by the media, there is a huge crisis in Venezuela related to the international flights since last year amid a dispute between major international airlines and Venezuela's socialist government about the repatriation of almost US\$4 billion in ticket revenues.

Whereas most countries today operate with floating exchange rates that vary based on economic conditions across different countries, Venezuela has a fixed official exchange rate. For a long time, this official exchange rate has overvalued Venezuela's local currency (the bolivar), causing a shortage of foreign currency. Tough foreign currency controls make it difficult for foreign airlines to repatriate money obtained from ticket sales in Venezuela.

American Airlines alone has US\$ 750 million in revenue trapped because of problems with the country's currency-control system, from 2nd July American has drastically reduced the flights frequency now operating 10 flights per week instead of the normal 48, which means a reduction of 80% in seat availability. In fact, it will only fly to Venezuela from Miami, scrapping flights from New York, Dallas and San Juan, Puerto Rico. The rest of the airlines are facing similar disputes. The International Air Transport Association, a trade group for major world airlines, said this month that Venezuela is holding US\$4 billion in airline revenues.

Others, like Air France flying daily with an Airbus A340-300 (275 seats a day or 1925 seats per week) since May reduced to four weekly flights with Airbus frequency A330-200 (208 seats or 832 seats per week), which represents a 57% reduction in seats and 43% reduction in frequency.

As from 23rd September Airlines Association of Venezuela (ALAV) has reported that to travel outside of Venezuela is getting further complicated, as some other airlines like Delta Air Lines, Lufthansa, Aerolíneas Argentinas and LAN Peru, among others, have chosen to further reduce the frequency of flights, Air Canada has stopped all flights since 17th March and GOL of Brazil, ceased to operate 10 flights from Venezuela on 21st September.

In terms of P&I activities this situation definitely affects any services requiring flight tickets booked from Venezuela, like crew repatriation, -for changing or medical reasons- turning particularly difficult the repatriation of stowaways, which always require a quick response and under the current circumstances could take several months to solve. Therefore, we advise Members that any matter requiring air travel must be informed in advance, to locally check the options. For exceptional cases, there could be alternatives like flying from the nearby Caribbean Islands, but as said more time and resources would be needed to work them out under the current situation.

Should you need any assistance or further information regarding the topic stated above, please feel free to contact:

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