

LIAT

- LIAT flies to 21 destinations.
- Operates an average of 112 daily flights within a complex network combining profitable and social (uneconomic) routes.
- There are **39** social (unprofitable) flights affecting **18** territories.
- LIAT cannot continue to meet the cost of these social routes.

Current Market

<u>LIAT Destinations</u>	Population (Sept. 2012 Est.)	Target Market (Age: 15 - 64)	Direct Market Reach	Social Media Reach
Anguilla	15,423	10,282	6,940	6,100
Antigua & Barbuda	89,018	59,191	70,968	29,020
Barbados	287,733	204,305	191,878	114,240
British Virgin Islands	31,148	18,805	14,620	9,720
Curacao	145,834	98,894	92,500	95,420
Dominica	73,126	48,737	32,151	22,800
Dominican Republic	10,088,598	6,617,959	4,120,801	2,233,360
Grenada	109,011	71,214	34,961	29,640
Guadeloupe	405,500	262,385	155,740	125,860
Guyana	741,908	352,220	190,000	NA
Martinique	397,166	256,966	170,000	125,680
Puerto Rico	3,690,923	2,636,974	1,698,301	1,486,340
St. Kitts & Nevis	50,726	35,037	22,340	22,140
Saint Lucia	162,178	109,032	142,900	48,300
St. Maarten	39,088	27,312		
St. Vincent & Grenadines	103,537	70,027	76,000	40,000
Trinidad	1,226,383	885,138	650,611	435,240
US Virgin Islands	105,275	71,490	30,000	8,340
TOTAL CARIBBEAN	17,762,575	11,835,968	7,700,711	4,832,200

Demand in the Region

Purpose of Travel

LIAT Customer Service Survey 2007:

In 2007 a Customer Service Survey was implemented. There were 311 respondents. Main purpose of travel was **Leisure** as reported by **57.2%** of participants, followed by **Business at 31.5%**. A combination of both Business and Leisure accounted for the remaining **11.3% of respondents**.

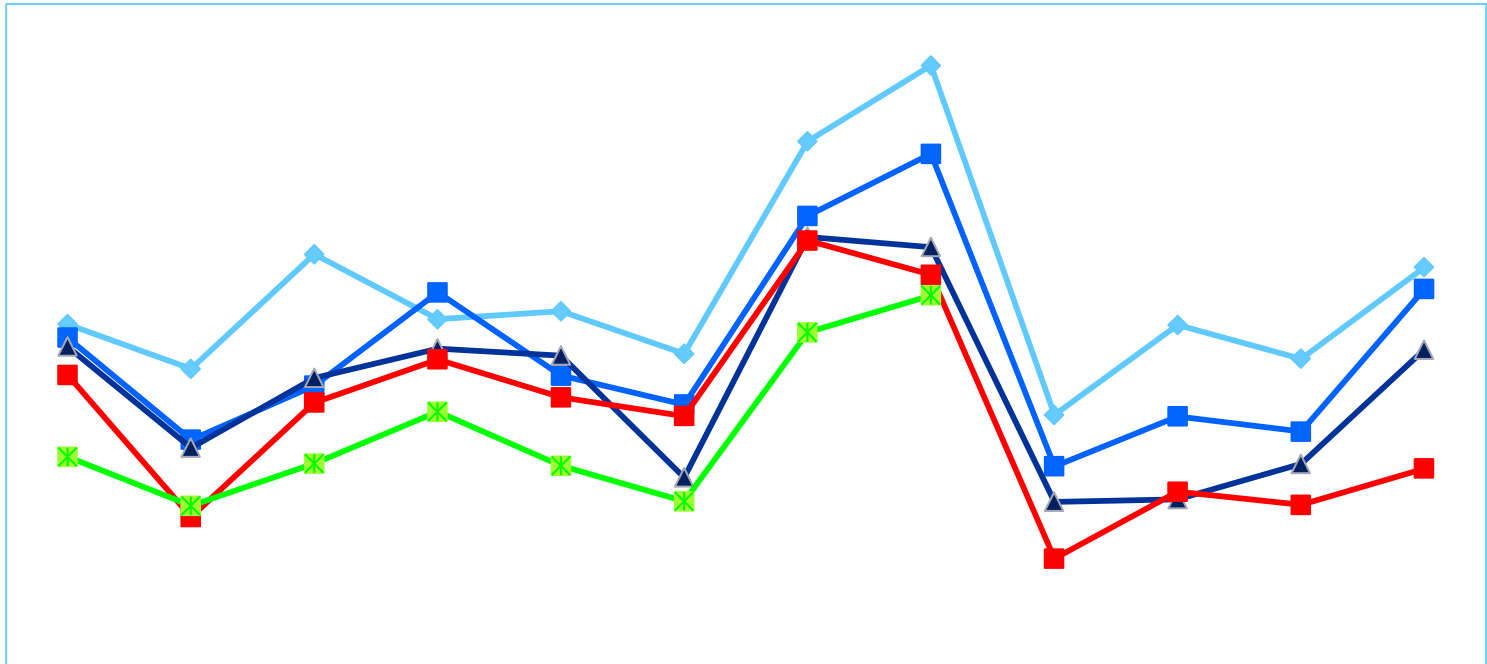
LIAT Online Survey 2012:

More recently, the first Online Survey for 2012 revealed that of the **5696** persons who responded: **61.9%** indicated that they travelled for **Leisure**, **17.5%** for **Business**, **20.0%** On **Family visits** and **0.6%** for **Medical** reasons.

Contributing Factors to the Current Situation

- Declining Traffic Volumes
- High Cost of Provision of Aviation Services
- Competition
- High Fares in the region
- Little Harmonisation of Aviation Oversight System

Passenger Traffic by Month (2008-2012)

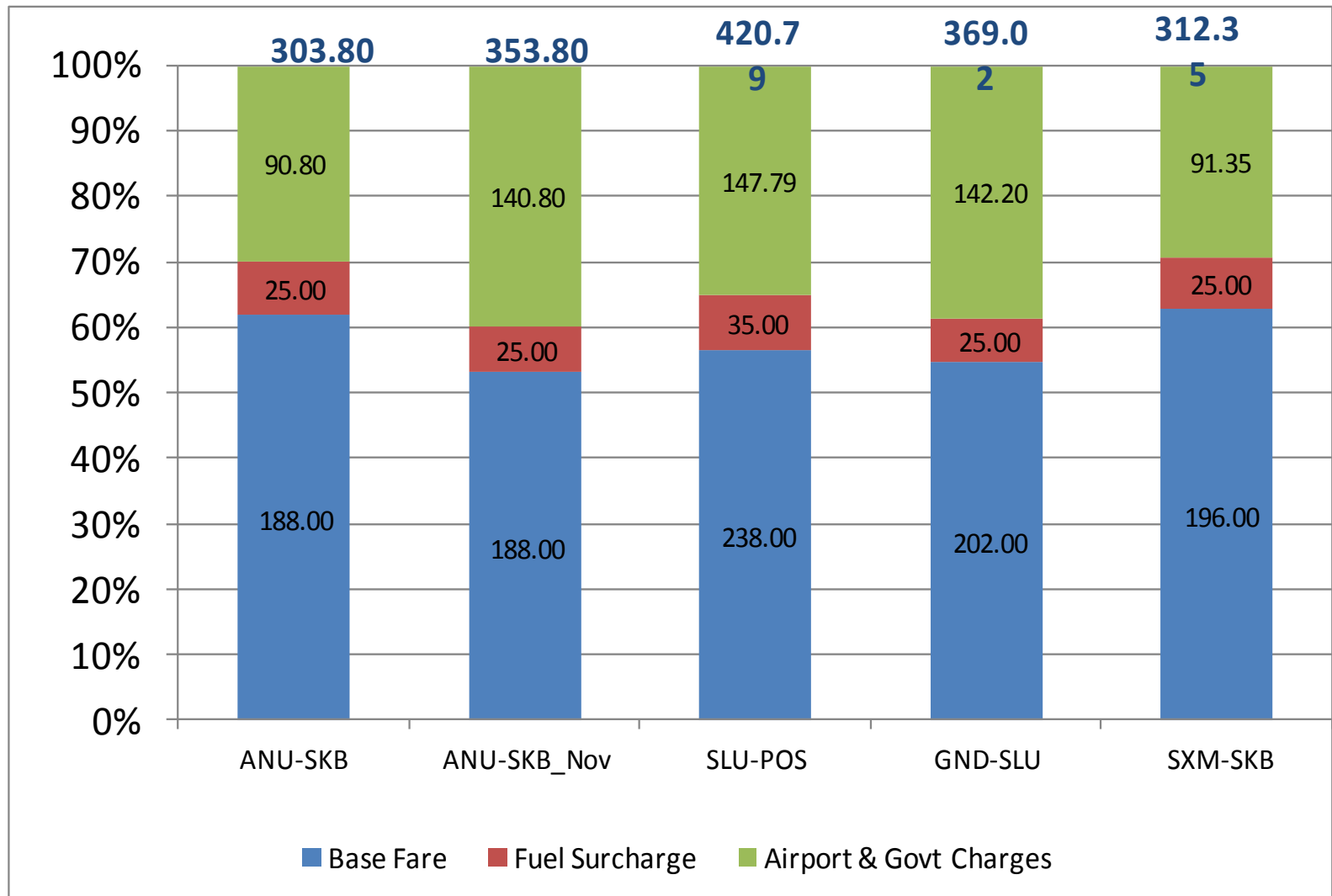


Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
—◆— 2008 —■— 2009 —▲— 2010 —■— 2011 —×— 2012

Airlines other than LIAT operating intra-regionally

Airlines	Routes
Caribbean Airlines	Between POS and ANU, BGI,GND,GEO,SLU and SXM and between BGI AND GEO
British Airways	Between ANU and PUJ, SKB, GND, SJU and between BGI and GND
American Eagle	Between SJU and ANU, DOM, EIS, SKB, PTP and FDF
Air Caraibes	Between FDF /PTP and SLU , SDQ
Winair	Between SXM and NEV. Will soon commence SXM /SKB
SVG Air Mustique Airways	Between SVD and BGI, UVF and between BGI and CIW Between SVD and BGI (mainly Charters)
BVI Airways	Between EIS and SXM , DOM
Virgin Atlantic	Between ANU and BGI.
Cape Air	Between SJU and EIS, AXA and NEV
Jet Blue	Between SJU and SXM
Insel Air	Between SJU and SXM, between SXM and SDQ and between SXM and CUR
Air Sunshine	Between EIS and SJU and seasonally between EIS and DOM
Anguilla Air Express	Between AXA and SJU
Fly Montserrat	Between ANU and NEV
Suriname Airways	Between CUR and POS

Effect of Government and Airport charges on Fare



Current Fares Comparison by Distance

	EIS –SXM Tortola to St. Maarten	SEA – YYJ Seattle to Victoria	FLL – FPO Fort Lauderdale to Freeport
Distance	98 miles	97 miles	97 miles
Base Fare	USD 98.00	USD244.00	USD 99.00
Surcharge	USD 12.50	USD 7.50	0
Govt. Taxes & Airport Fees	USD 17.00	USD 23.74	USD 34.26
Total Fare	USD127.50	USD275.24	USD133.26

Current Fares Comparison by Distance

	POS - SLU Port of Spain to St. Lucia	MUC - MIL Munich to Milan	BRU - BRE Brussels to Bremen
Distance	238 miles	233 miles	234 miles
Base Fare	USD119.00	USD180.00	USD206.00
Surcharge	USD 17.50	0	0
Govt. Taxes & Airport Fees	USD 65.12	USD 40.70	USD 42.50
Total Fare	USD 201.62	USD220.70	USD248.50

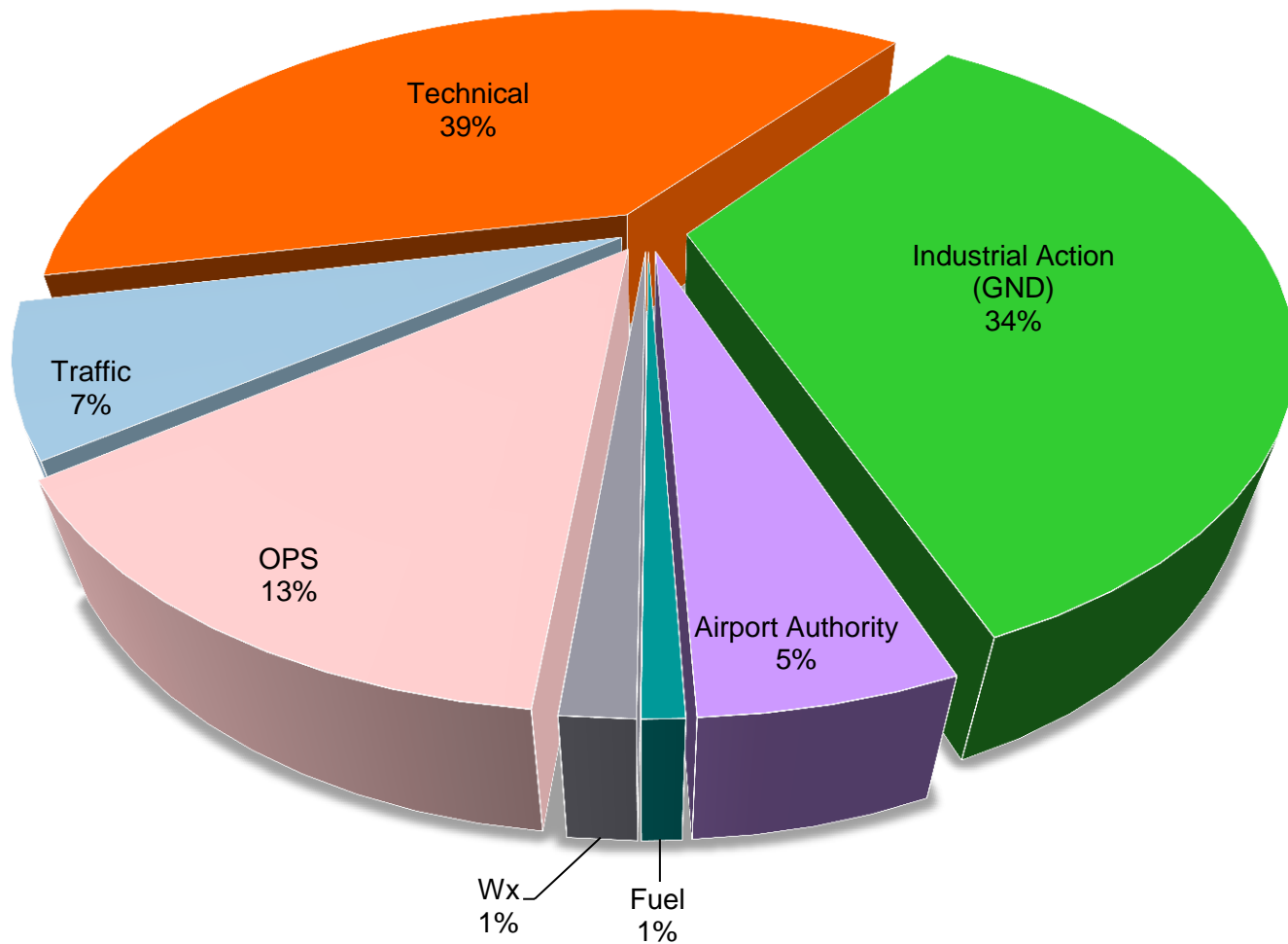
Challenges Faced by LIAT

- Taxes account for 30-50% of the cost of regional fares to the public. We administer 66 different taxes
- Fuel costs high and volatile (In tank cost: US\$3.70 per gallon)
- Thin and fragmented markets- limited economies of scale.
- High employee costs/overheads due to large geographical footprint spanning small markets.
- Finding the capital to renew an aging fleet.
- Maintaining efficiency and good customer service with the present assets.

IATA Study of the Costs of Air Travel – 2008

O & D	Net Fare	Ticket Surcharge	Total Airline Revenue	Airport Charges	Govt. Taxes	Total
Caribbean Routes	128.75	8.06	136.81	31.66	24.73	193.20
Benchmark Routes	188.52	57.66	246.18	19.67	14.31	280.16
Difference	-32%	-86%	-44%	61%	73%	-31%

Delay Causes: September 2012



The Way Forward - Solutions

Airline Consolidation

- 2008-2011 - The Global downturn has accelerated the consolidation process in the world:
 - LH buys SN Brussels, BMI and Austrian
 - Air France with Alitalia
 - Delta/Northwest Merger
 - United/Continental merger
 - Avianca/Taca and Tam/Lan lead this consolidation process in Latin America
- Qantas (QF) and Emirates (EX) have just embarked on a global partnership alliance which integrates networks, coordinates pricing, sales and scheduling and includes benefit sharing.

The Way Forward - Solutions

Consolidation of Safety and Security Oversight

- This long outstanding expedient - a harmonised aviation regulatory system envisaged in the birth of RASOS which became CASOS, has not really materialised.
- Individual states continue inconsistencies which frustrate the smooth flow of the aviation system in the region. Customer Service and On-time performance are often severely impacted.

The Way Forward - Solutions

Two examples:

1. In the seat of the OECS oversight system and the headquarters of LIAT, aviation regulations are subject to affirmative resolution by parliament (as opposed to negative resolution). This makes it very difficult to react to changing aviation safety and security expedients with the speed that is necessary.
2. In many states in the region, in-transit passengers and their bags are routinely re-screened, despite the fact that they have been sterile since the up-stream screen in another CARICOM or even another OECS State.