Making The Caribbean Competitive

International Air Transport Association, 2009

Celebrating a small 2007 profit

Celebrating a small 2007 profit **and we were plunged back into crisis**

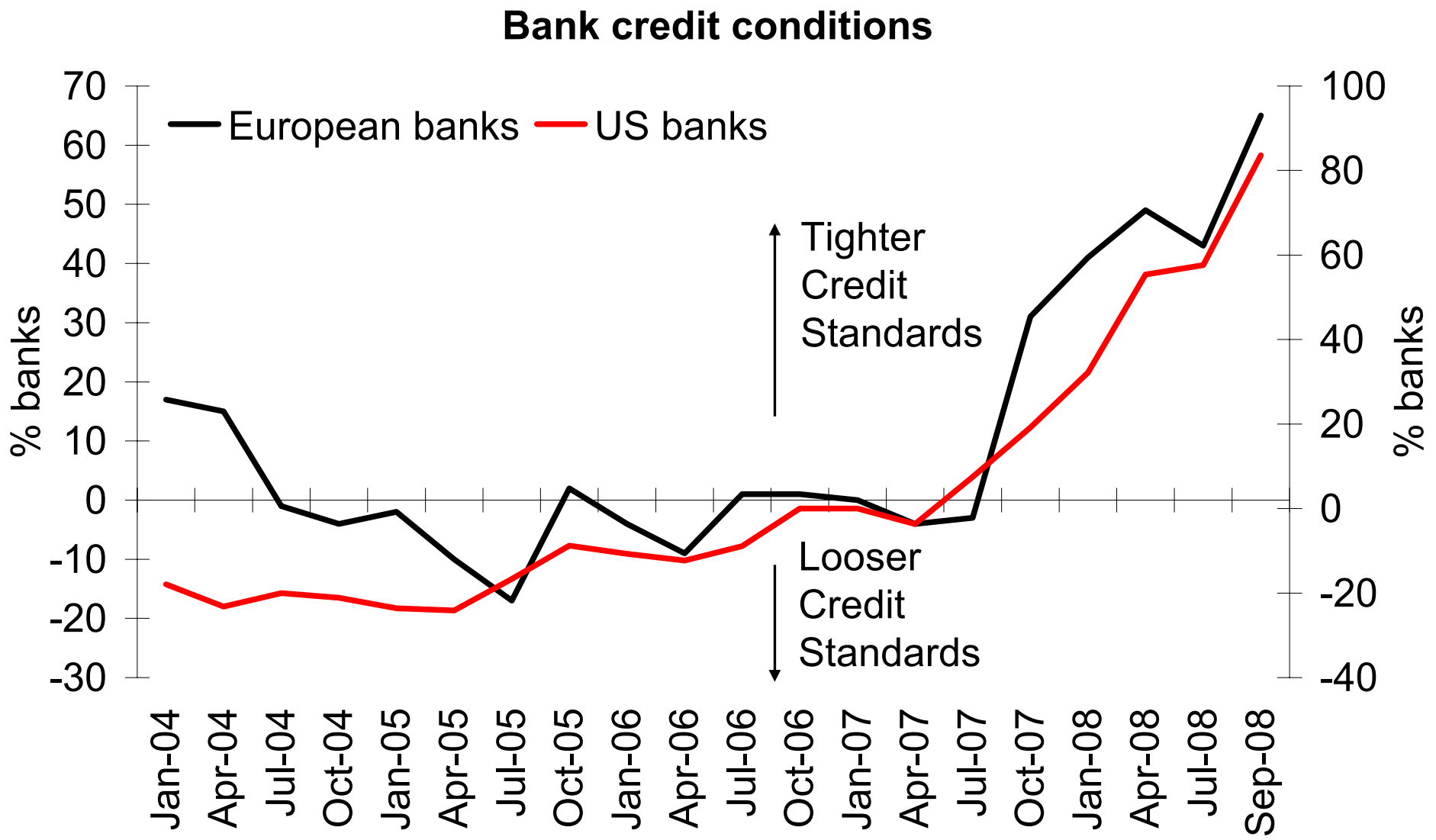
- **Oil is now at US$52**
- **Recession is driving industry losses**
- **February traffic was down: 10.1% for passenger 22% for cargo**
- **Airlines stock are down 60% on 2007**

IATA had to **suspend** 31 airlines from our US$360 billion financial systems

Industry losses this year will be US$8 billion

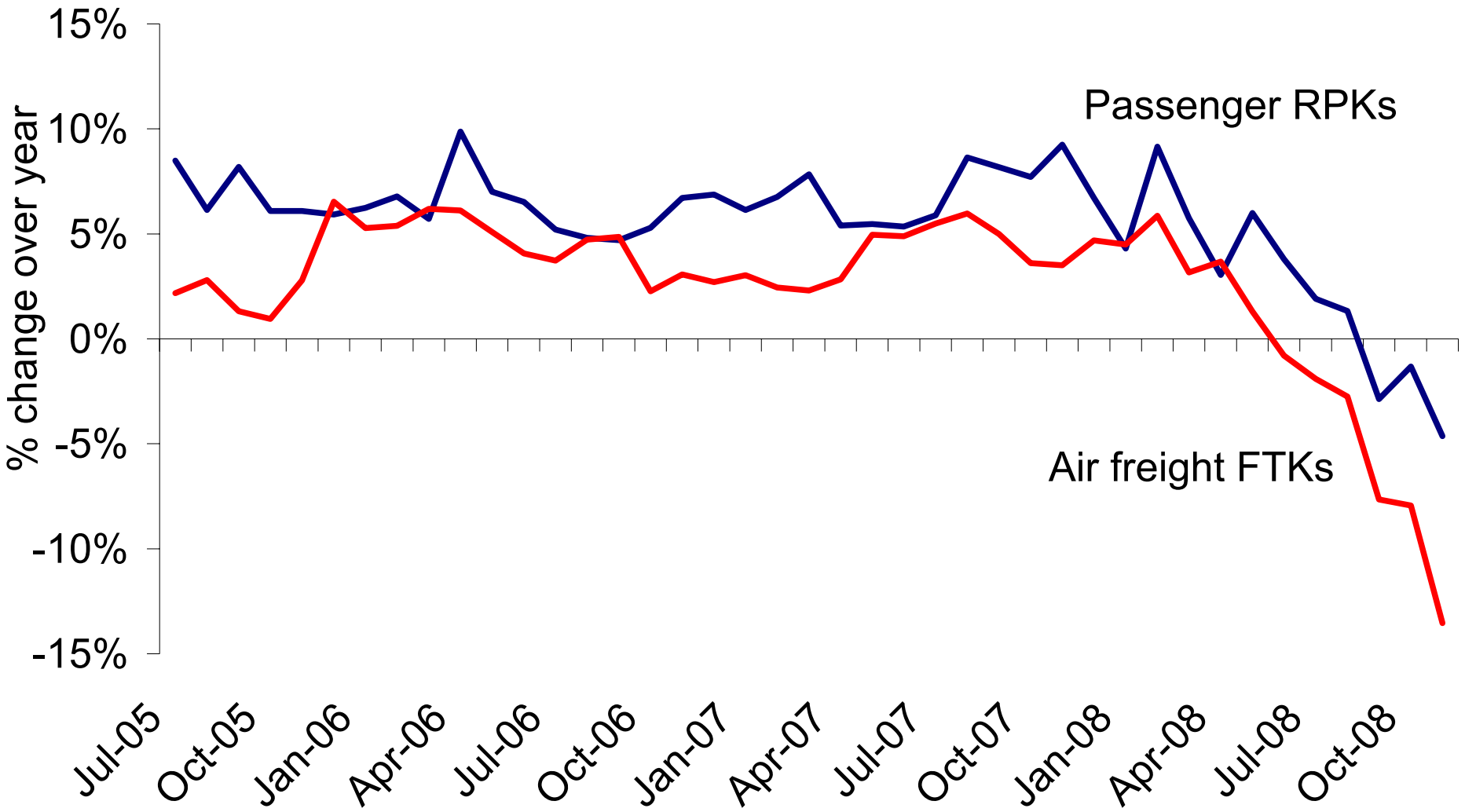
↗ 2009 losses of US$2.5 billion

But banks are unwilling to lend



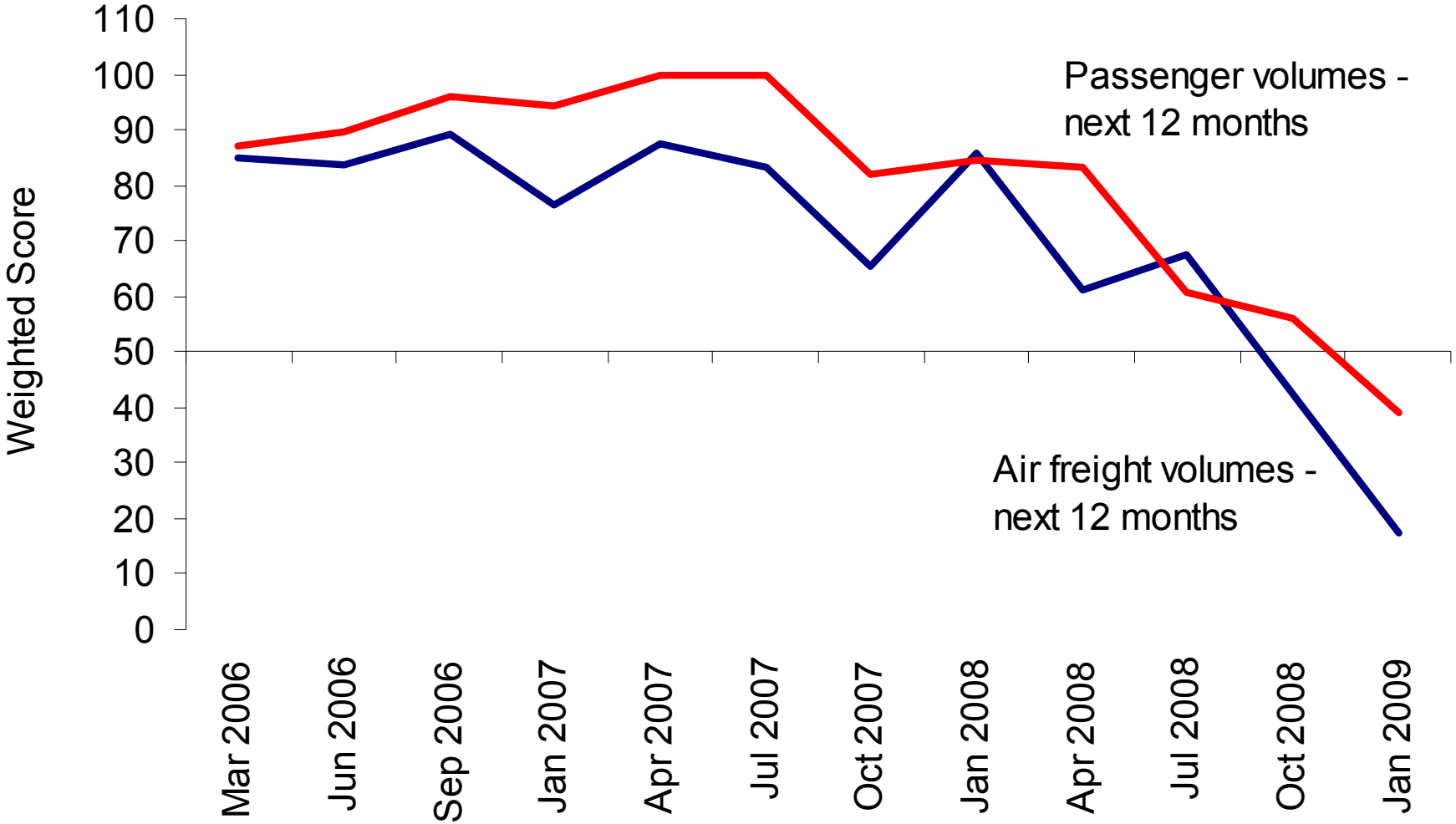
Source: ECB, US Fed

Then traffic collapsed as recession hit



Source: IATA/Platts

Airlines now expect sharp falls in traffic



Source: IATA business confidence survey

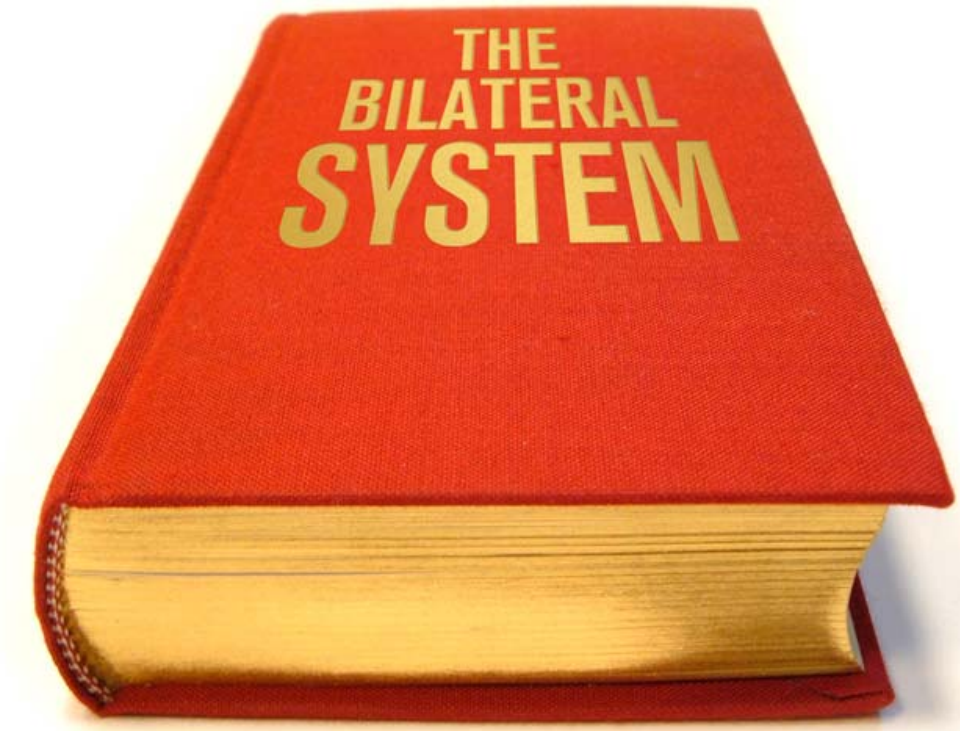
The chronic industry crisis continues

The chronic industry crisis continues as we face the toughest revenue environment in 50 years

Airlines feel recession like any other business

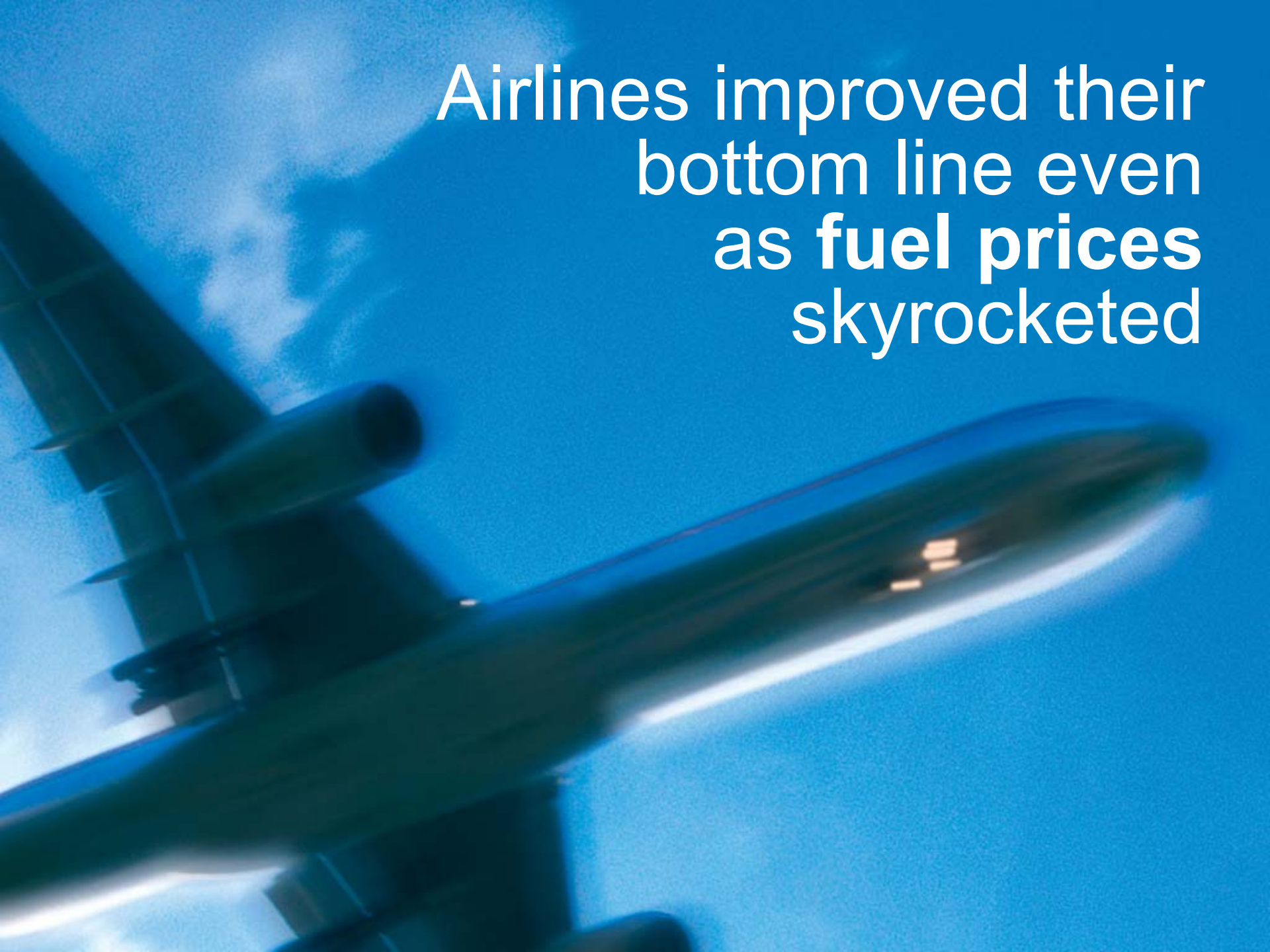
…but we don’t have the commercial tools that other industries take for granted

The 60 year-old bilateral system

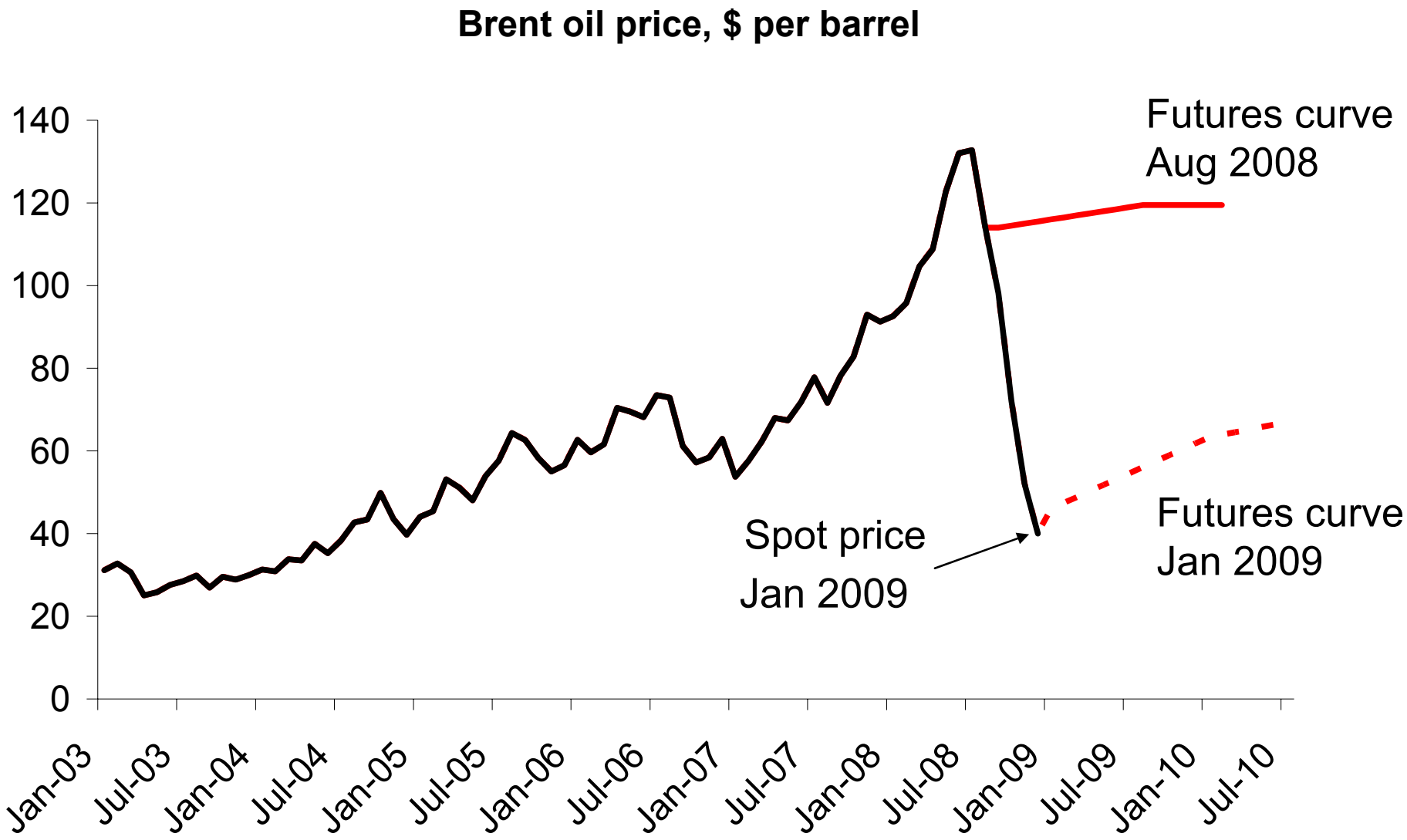


The 60 year-old bilateral system **must change**

- **Denies airlines the basic freedoms to access markets and global capital**
- **…or to merge or consolidate**


Airlines improved their
bottom line even
as **fuel prices**
skyrocketed

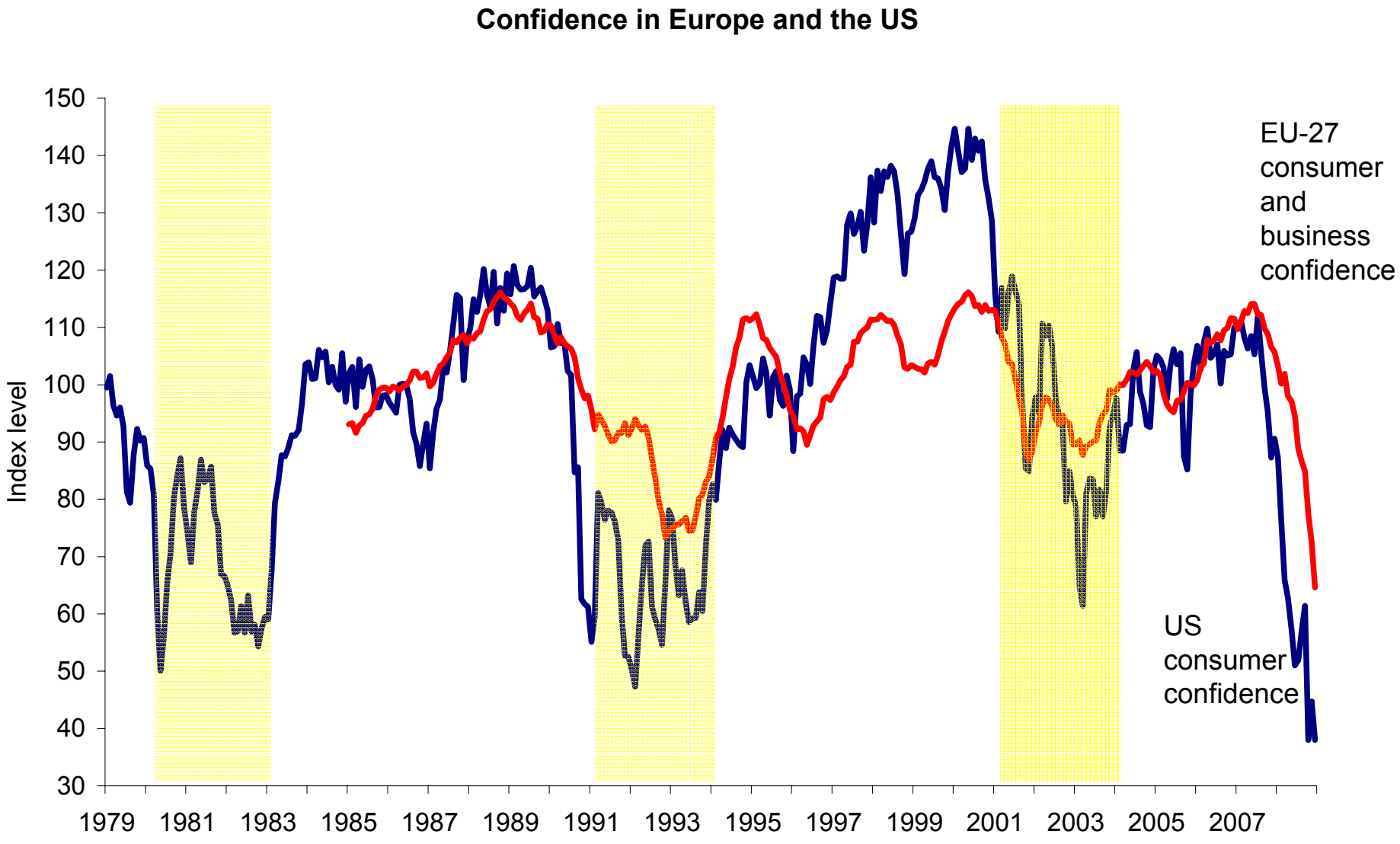
Looking ahead oil is much cheaper



Source: RBS

State of the industry during this Global economic crisis…

Confidence has slumped to new lows



Source: Haver

The Caribbean still has international potential

Air transport is **critical** to LATAM/CARIBBEAN

- 570,000 direct jobs
- $20.5 billion GDP contribution

Aviation is an economic engine

One daily international 747 flight:

- ↗840 jobs
- ↗$97 million business revenue
- ↗$22 million wages
- ↗Subsequent Federal taxes

But airlines have a **choice** where to utilize their fleet

The Caribbean region competes increasingly with other regions, not just Island v.s. Island

- Airlines increasingly receive requests from “new” tourism markets

- China, India, Central America, Brazil Middle East, Africa

Tourism **needs** aviation, and vice versa

An example in Costa Rica:

- 1.1 million arrivals-72% by air
- 5 fold increase in a decade
- Tourism spending of $1.3 B.
- Hotels doubled in a decade

Tourism Tax Law
only aviation!

$15

Tourism Tax Law
only aviation!

$15

+ $26

$41

Killing the Goose

Reducing costs will **benefit** Governments

Toronto Canada:

Effect of reduction in Federal tax of $ 58 Million

- Traffic increase = 2.2%
- Incr. tax revenue: $ 62 Million
- Business revenue: $300M
- 3000 extra jobs

Economic Barriers prevent potential aviation & economic growth in the Caribbean

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- Airline passengers are overtaxed
- Lack of intra Caribbean harmonization / cooperation
- High dependency on airline revenue
- Lack of economic regulation

A Real World Example:

- Tax on airline passenger USD 30+
- Tax on cruise ship passenger USD 1

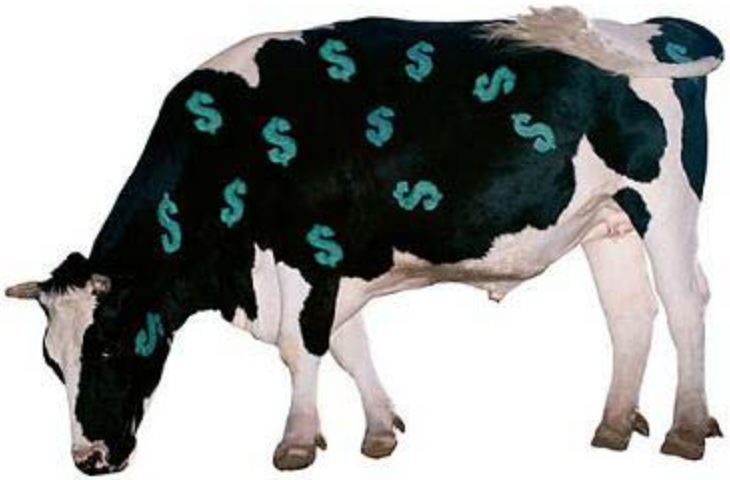
Why discriminate individual visitors ?

↗ **Cruise Passengers - Low Taxes**
Often only day visitors
Mostly tourism / shops
Average spending USD 98,- per visit

↗ **Airline Passengers - High Taxes**
Stay multiple days / weeks
Hotels, Tourism, Dining, Shops
Average spending per visit?……

The reason:

Aviation passengers are often an easy cash cow for Governments



The solution: Treat all visitors equally

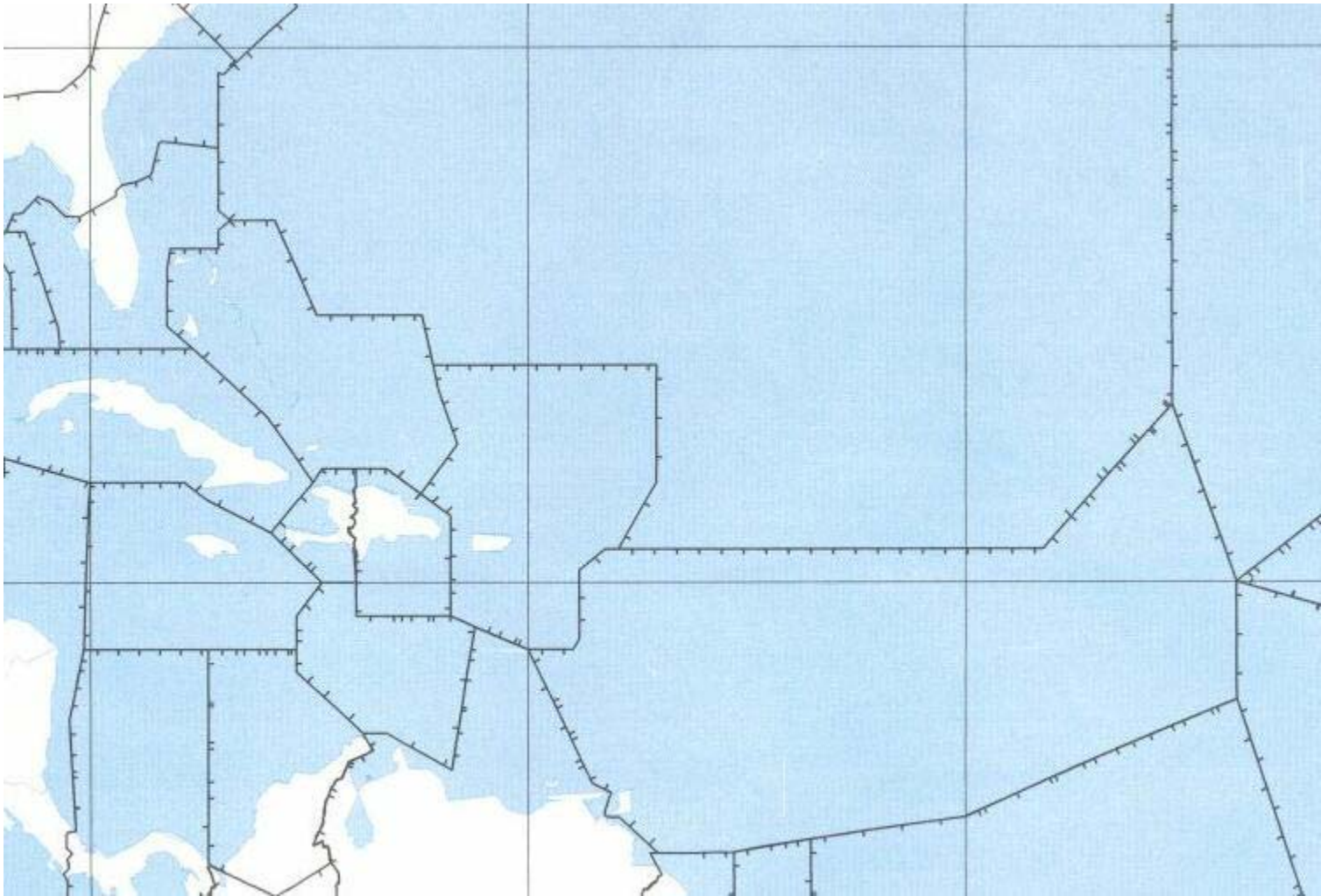
What can **airports** do to improve bottom line costs?

- Work on challenging efficiency targets
- Work together with airlines as business partners in long term strategies and investments
- Drive cost reduction and efficiency improvement with more speed

Air Traffic Control

The Caribbean ATC system is fragmented and relatively expensive

Fragmentation leads to duplication and **additional costs**



- ↗ Liberalisation
- ↗ Environment
- ↗ Infrasturcture costs
- ↗ Simplifying the Business
- ↗ Security
- ↗ Safety

Simplifying the Business

In June, we achieved

In June, we achieved 100% e-ticketing

- **Saving US$3 billion annually**

Common use self service kiosks **(CUSS)** are a success story

↗ **30% passengers check-in using kiosks**

Common use self service kiosks (**CUSS**) are a success story

- **30% passengers check-in using kiosks**
- **Year-end: 2,400 CUSS kiosk at 138 airports**
- **San Francisco Airport kiosks are wireless**
- **Potential savings are US$1 billion**

The IATA standard **2D bar code** facilitates check-in on-line, on your phone, or at a kiosk

- **194 airlines use the standard**
- **Capable of covering 40% of all travel**
- **Tanzania is 1st all BCBP country**
- **Saving US$1.5 billion**

Fast Travel will give passengers even more self-service options

- **From tagging your own bags**
- **To self-boarding and recovering lost baggage**
- **US$1.6 billion can be saved**

Baggage Improvement Programme (BIP)

↗ **Cost savings of US$1.9 billion by reducing mishandled bags**

The **IATA e-freight** revolution

- **Saving up to US$4.9 billion by removing paper documentation from the freight processes**

The capability to eliminate
64% of the paper for
81% of all cargo

Global standards will also deliver benefits in **security**

Global standards will also deliver benefits in **security**

- **Focus is on a risk-based approach for intelligence and passenger screening**

Advance Passenger Information is critical to intelligence efforts

- **But governments have not harmonised their approach**

Priorities:

- Further develop and promote global data transmission standards for API and PNR
- Work with the US government to harmonize requirements

Governments have created a **security-monster**

Priorities:

- ↗ **Promote Security Management Systems**
- ↗ **One-Stop-Security**

Times are changing…

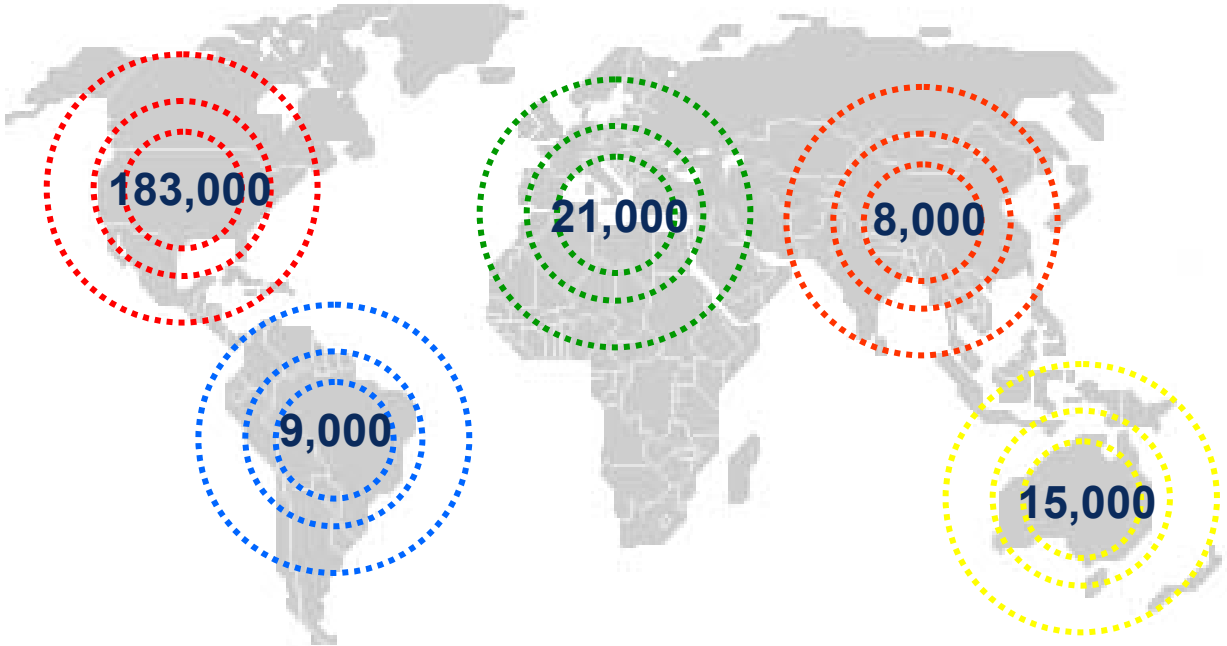
In today's economy every dollar needs to be well spent…

Know who your dealing with!

IATA
ID
NAME OF AGENCY
00-0 0000 0
JANE DOE
00/0000

Global Credential for Easy Recognition

230,000 Cards in Circulation in 150 Countries



Check A Code

VALIDATE AGENCY PERSONNEL

Validate IATA ID Card
Worldwide (Except US Agents)

Click Here

Validate IATAN ID Card or Registration Status
US Agents Only

Click Here

VALIDATE AGENCY NUMERIC CODE

Validate an IATA issued Numeric Code
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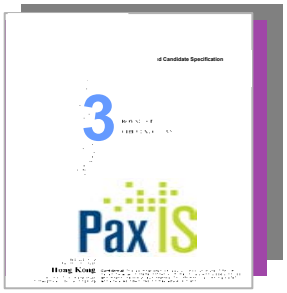
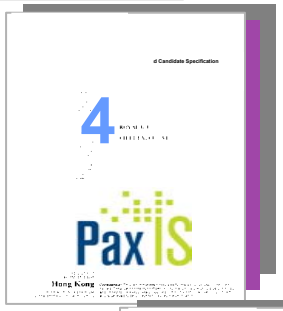
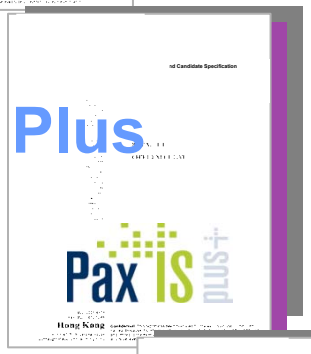


✈Monthly O&D data

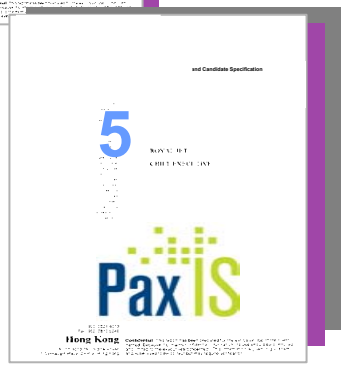
Pax IS



✈Monthly raw un-aggregated data



✈Total market size estimates



✈Daily / Weekly / Semi-Weekly&
Monthly raw un-aggregated data
& US ARC Segment Detail Product

Global Data

Solutions for travel industry suppliers

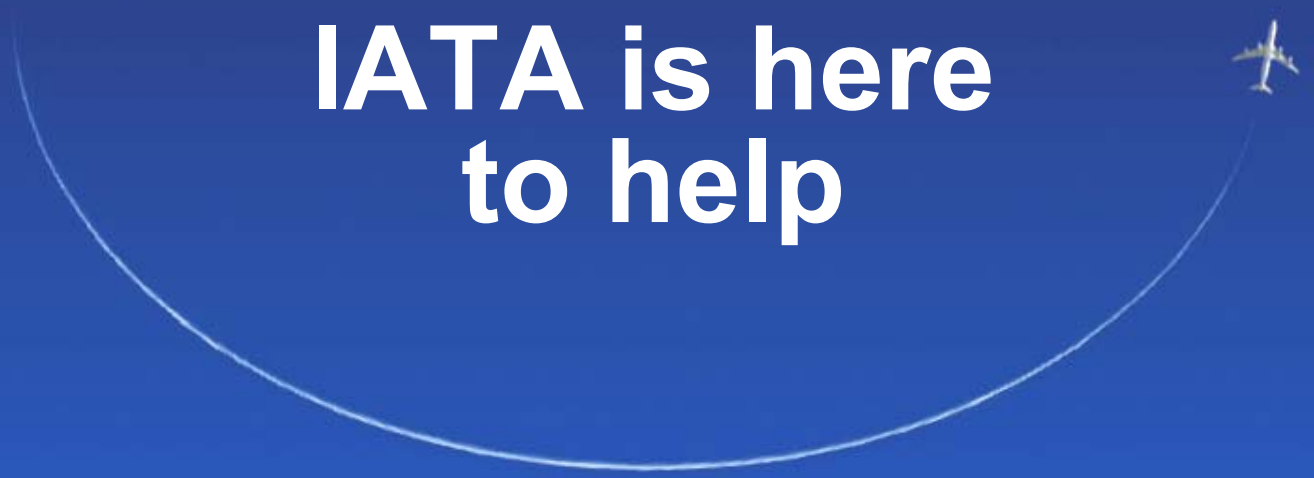
Global Data

Cruises
Trains
Car Rentals
Buses
TIES
TIES
Travel Information Exchange Solutions
Hotels
Tour Operators
City Tours
Travel Insurance

Wake-up call to Governments:

Don’t kill tourism with an overdose of taxation

… A Positive Future…

A healthy aviation sector is in all our best interests

IATA is here to help