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

Bank credit conditions

Tighter Credit Standards

Looser Credit Standards

Source: ECB, US Fed
Then traffic collapsed as recession hit

Source: IATA/Platts

Air freight FTKs

Passenger RPKs
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

Brent oil price, $ per barrel

Source: RBS

Spot price
Jan 2009

Futures curve
Aug 2008

Futures curve
Jan 2009

Source: RBS
State of the industry during this Global economic crisis...
Confidence has slumped to new lows

Confidence in Europe and the US

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
Economic Barriers prevent potential aviation & economic growth in the Caribbean

- 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
The Caribbean ATC system is fragmented and relatively expensive.
Fragmentation leads to duplication and additional costs
Liberalisation
Environment
Infrastructure 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!
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)

Validate IATAN ID Card
or Registration Status
US Agents Only

VALIDATE AGENCY NUMERIC CODE

Validate an IATA issued
Numeric Code
Worldwide
Monthly O&D data

Monthly raw un-aggregated data

Total market size estimates

Travel Information Exchange Solutions
Wake-up call to Governments:

Don’t kill tourism with an overdose of taxation
A healthy aviation sector is in all our best interests

IATA is here to help