The realities of Intra-Caribbean Tourism
Albert Kluyver – CEO InselAir
Today's topics

1 - Caribbean region in perspective

2 - Issues airlines Caribbean

3 - Regional potential
1 - Caribbean region in perspective
Caribbean region in perspective (1)

Language / Culture
1 English (15 Islands)
2 Dutch (7 Islands)
3 French (6 Islands)
4 USA (3 Islands)
5 Spanish (2 Islands)

Caribbean = 1 region
5 different territories
Tourism contribution to GDP is 14% (highest in all regions worldwide)
Tourism accounts for 1 in every 8 jobs
4 times more dependent on tourism than any other region in the world

Source: Alta
Caribbean region in perspective (3)

Total contribution to GDP

Source: WTTC
Caribbean region in perspective (4)

Airlines in the Caribbean

- 8 IOSA airlines
- 316K annual flights (16.6% of the Region)
- 19M annual seats (10.3% of the Region)

Source: Alta
Growth in tourism

2011-2012

Dutch territory: + 5.6 %
USA territory: + 6.8 %
Spanish territory: + 6%
US arrivals to Caribbean: + 4.1 %
UK arrivals to Caribbean: - 10 %
Canadian arrivals to Caribbean: + 5.6 %
Intra-Caribbean travel: + 3%
Visitors spending in Caribbean: + 3.6
(27 and-a-half billion dollars in total)

Source: http://www.onecaribbean.org/content/files/StateofIndustryFeb2013.pdf
Caribbean region in perspective (6)

Caribbean in 2003

596 routes

Source: Alta
Caribbean region in perspective (7)

*Caribbean now*

561 routes: - 6%

Int. flights to and from the Caribbean, excl intra-Caribbean international flights

Frequencies: + 1.2%

Seats: + 2.2%

Source: Alta
Caribbean region in perspective (8)

Growth LATAM & Caribbean

Source: Alta
Caribbean region in perspective (9)

Growth 2010 - 2015

Projected annual growth rate for international traffic by region, 2010 - 2015

Source: Alta
2 – Effect of taxes

Two Caribbean governments increasing travel taxes

BRIDGETOWN, Barbados, Thursday June 7, 2012 – Even as Caribbean governments and tourism officials have lamented the negative impact from higher travel taxes and duties imposed in overseas source markets, two island authorities are introducing new travel taxes.
## Effect of taxes (1)

### Airport departure increase

#### one way

<table>
<thead>
<tr>
<th>Location</th>
<th>Was</th>
<th>Is</th>
<th>%</th>
<th>Last change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curacao</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>International</em></td>
<td>USD 32</td>
<td>USD 39</td>
<td>+4%</td>
<td>2012</td>
</tr>
<tr>
<td><em>Bonaire (inter island)</em></td>
<td>USD 14.50</td>
<td>USD 18</td>
<td>+24%</td>
<td>2012</td>
</tr>
<tr>
<td><em>Transfer fee (int)</em></td>
<td>USD 2</td>
<td>USD 5</td>
<td>+50%</td>
<td>2012</td>
</tr>
<tr>
<td>Bonaire (int)</td>
<td>USD 32</td>
<td>USD 35</td>
<td>+9%</td>
<td>2010</td>
</tr>
<tr>
<td>Haiti</td>
<td>USD 32</td>
<td>USD 70.50</td>
<td>+120%</td>
<td>2012</td>
</tr>
<tr>
<td>Venezuela</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Valencia</em></td>
<td>USD 44</td>
<td>USD 54</td>
<td>+22%</td>
<td>2013</td>
</tr>
<tr>
<td>St. Maarten</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>International</em></td>
<td>USD 30</td>
<td>USD 36</td>
<td>+20%</td>
<td>2014</td>
</tr>
<tr>
<td><em>Domestic</em></td>
<td>USD 10</td>
<td>USD 22</td>
<td>+120%</td>
<td>2014</td>
</tr>
<tr>
<td>Jamaica</td>
<td>USD 69</td>
<td>USD 96.51</td>
<td>+40%</td>
<td>2012</td>
</tr>
<tr>
<td>Paramaribo</td>
<td>USD 30</td>
<td>USD 35</td>
<td>+17%</td>
<td>2008</td>
</tr>
<tr>
<td>Aruba (incl. arrival tax)</td>
<td>USD 34.25</td>
<td>USD 44.25</td>
<td>+29%</td>
<td>2012</td>
</tr>
<tr>
<td>Trinidad</td>
<td>USD 15</td>
<td>USD 30</td>
<td>+100%</td>
<td>2012</td>
</tr>
</tbody>
</table>

Source: InselAir Sita system
Other tax increase examples (2)

<table>
<thead>
<tr>
<th>Service</th>
<th>Current</th>
<th>Previous</th>
<th>Increase</th>
<th>Last Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landing fees Curacao</td>
<td>$6 p/MTOW</td>
<td>$3 p/MTOW</td>
<td>100%</td>
<td>2012</td>
</tr>
<tr>
<td>ATC/navigation</td>
<td>352.84</td>
<td>Included in ATC</td>
<td>352.84</td>
<td>2012</td>
</tr>
</tbody>
</table>
Effect of taxes (3)
Business case: Chili

<table>
<thead>
<tr>
<th>Impact on cost of travel</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average return international airfare, USD (incl fuel surcharge)</td>
<td>1,182</td>
</tr>
<tr>
<td>Airport facility charge, USD (includes existing $2 Solidarity Tax)</td>
<td>30</td>
</tr>
<tr>
<td>Total travel cost, USD</td>
<td>1,212</td>
</tr>
<tr>
<td>Proposed tax on foreign visitors, USD per arrival</td>
<td>20</td>
</tr>
<tr>
<td>Increase in travel cost for foreign visitors</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

*Table 1. Sources: Pax-IS (airfare), airline websites (surcharges)*

<table>
<thead>
<tr>
<th>Impact on foreign visitor arrivals by air</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total foreign visitor arrivals, millions</td>
<td>3.1</td>
</tr>
<tr>
<td>Proportion of foreign visitors arriving by air, %</td>
<td>36%</td>
</tr>
<tr>
<td>Foreign visitor arrivals by air, millions</td>
<td>1.1</td>
</tr>
<tr>
<td>Increase in travel cost for foreign visitors due to tax</td>
<td>1.7%</td>
</tr>
<tr>
<td>Elasticity of demand*</td>
<td>-1.2</td>
</tr>
<tr>
<td>Decrease in foreign visitor arrivals by air, %</td>
<td>-2%</td>
</tr>
<tr>
<td>Decrease in foreign visitor arrivals by air, thousands</td>
<td>-22</td>
</tr>
</tbody>
</table>
Effects of taxes (4)
Business case: Chili

20 USD per visitor

=> USD 21 million new tax revenues
  => 22,000 less arrivals
    => GDP contribution drops 37 million
      => 1,000 jobs at risk
        => contribution to public finances drops 8 USD million

<table>
<thead>
<tr>
<th>Impact on economy</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced contribution to GDP, USD million</td>
<td>-37</td>
</tr>
<tr>
<td>Reduction in employment, jobs</td>
<td>-1,002</td>
</tr>
<tr>
<td>Reduction in annual contribution to public finances, USD million</td>
<td>-8</td>
</tr>
</tbody>
</table>

Table 3. Source: Input-Output model built for IATA by Oxford Economics

Source: IATA
Effects of taxes (5)

Business case St. Lucia

• St Lucia proposed tax (Airport Development Charge) increase of USD 35 was suspended after Gov. change in 2012.
• According to 2013 statistics (CTO) St. Lucia shows highest growth in the region 2012-2013.
Effect of taxes (6)

Tax/fare

**Example 1** (10/14/2013):
Ticket St. Maarten – Antigua
Total ticket price USD 351.50 (incl taxes)
Tax USD 125.50 = 36%

**Example 2** (10/14/2013):
Ticket Curacao – Aruba
Total ticket price USD 166.25 (incl taxes)
Tax USD 55.25 = 36%

**Example 3** (10/15/2013)
Santo Domingo – San Juan
Total ticket price USD 307.70 (incl taxes)
Taxes 137.70 = 45%
Effect of taxes (7)
Tax increase = less jobs

Figure 6: Unemployment Rates (%) of CARICOM countries

Source: www.ccmf-uwi.org
3 - Regional potential
Regional potential (1)

Opportunities

• Undeveloped Inter Island travel
• Undeveloped connections with Latin America
Geographical location: close to Europe and in the midst of the Americas (South, Central and North)
Regional potential (3)

**Population & reach**

**English**
- Anguilla: 15,841
- BVI: 26,390
- Cayman Islands: 56,575
- Montserrat: 5,081
- Bermuda: 65,605
- Turks & Caicos: 37,399
- Dominica: 71,000
- Saint Lucia: 170,000
- Antigua & Barbuda: 90,467
- Trinidad & Tobago: 1,343,681
- St. Kitts & Nevis: 42,550
- St. Vincent & Grenadines: 108,543
- Barbados: 276,209
- St. Lucia: 177,601
- Grenada: 106,207
- Jamaica: 2,797,423
- Guyana: 748,471
- Total: 6,211,109

**French**
- Guadeloupe: 409,000
- Martinique: 398,000
- Saint Martin: 39,000
- Saint-Barthélemy: 10,000
- French Guiana: 250,000
- Haiti: 10,671,000
- Total: 11,777,000

**Dutch**
- Aruba: 105,000
- Bonaire: 16,541
- Curacao: 155,000
- Saba/St. Eustatius: 5400
- Suriname: 542,526
- Total: 865,467

**Spanish**
- Cuba 11,226,999
- St Domingo 10,361,141
- Total: 21,588,140

**North American reach**
- Virginia: 8,185,867
- West Virginia: 1,855,413
- North Carolina: 9,752,073
- South Carolina: 4,723,723
- Florida: 18,801,310
- Alabama: 4,822,023
- Total: 48,140,409

**Central American Reach**
- Guatemala: 15,424,186
- Honduras: 8,087,646
- Nicaragua: 6,015,308
- Costa Rica: 4,867,248
- Panama: 3,687,871
- Total: 33,215,011

**South American reach**
- Venezuela: 30,436,930
- Colombia: 48,161,501
- Ecuador: 15,147,943
- Peru: 30,087,524
- North-Brazil: 15,022,060
- Total: 138,398,484

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**US territory**
- Puerto Rico: 3,766,177
- St. Croix, St. John & St. Thomas: 108,648
- Total: 3,874,825

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**Total reach:**
- 389,652,874
Recap

“the economic effect of growth of the airline sector is greater than the daily milking of the aviation sector”

Focus on:

1. A tax policy that supports economic growth
2. Focus on reach/potential of Caribbean airlines in the Pan American region
Thank you

“The whole is more than the sum of its parts.”
- Aristotle