



# Horizons Newsletter



## **\$5 USD PASSENGER TRANSFER FEE EFFECTIVE AUGUST 2006**

The Island Council has unanimously approved a US \$5 transit/transfer fee for passengers making use of the facilities of Princess Juliana International Airport.

The island ordinance of 1997 was amended to accommodate the introduction of the fee, which will help the airport's operating company PJIAE to repay the US \$119 million loan for Phase II of the Master Plan, which includes the construction of a new terminal building.

PJIAE President drs. Eugene Holiday said the fee will go in effect in August this year, which gives airlines operating at the airport and travel agencies time to process the new development in their systems.

"It is logical that we charge a transfer fee. Its mechanisms will be the same as the departure fee, which airports charge for the use of their facilities and the services they provide. Transfer passengers do use our facilities, but they don't pay for the accommodations. It is practical that they contribute too," said drs. Holiday.

And, just like the departure fee (of US\$ 10 for domestic and US\$ 30 for international flights), the transfer fee will be included in passengers' ticket price. "Passengers will be paying this fee when they purchase their tickets and the airlines would subsequently pass the payment on to the airport. Therefore most passengers will not have to go and stand in line in front on the counter to pay the fee. It will become part of the system we have for collecting our departure



The Airport Departure Fee (ADF) counter

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## \$5 USD PASSENGER TRANSFER FEE EFFECTIVE AUGUST 2006

fee. With the exception of Winair, BWIA and DAE, all airlines operating at PJIA have included the departure fee in their ticket price," the PJIAE President explained. He said the three aforementioned airlines will be brought into the program as well soon.

Defending the transfer fee in the Island Council Meeting of Monday April 3rd 2006, Commissioner of Aviation Affairs Sarah Wescot-Williams said the transfer fee is necessary to increase the weighted average of the passenger accommodation fee for PJIAE to be able to generate sufficient cash flow to service the debt. She said if the transfer fee wasn't introduced, the cost would have to be increased for users.

Passengers who used the airport facilities to transfer from one aircraft to another, or continued their journey on the same aircraft, but under a different flight number, within 24 hours of their arrival, were exempted from

paying departure tax until now. PJIAE has to collect more than US \$17 million per year to pay off the debt. It is estimated that the transfer fee will produce US \$750,000 to \$1.5 million on an annual basis. The airport operating company has met its repayment obligations to date.

Some 527,300 passengers had paid the international departure fee in 2004 and 533,500 in 2005. Close to 41,700 passengers paid the domestic departure fee in 2004 and almost 38,400 in 2005. The airport saw some 169,000 transit passengers in 2004 and 180,200 in 2005.

Exempted from paying departure tax will remain children under the age of two, members of government, members of the Royal House, the Governors of the Netherlands Antilles and Aruba, foreign heads of state, those holding diplomatic passports, members of the Executive

Council and persons expelled under the law on admittance and expulsion LTU.

PJIAE has held regular meetings with airlines and the pending transfer fee had communicated to them, including Windward Islands Airways International, Winair.

National Alliance (NA) Councilmen Frans Richardson and George Pantophlet expressed their support for the increase. Richardson stressed that the fee was necessary for the airport to maintain the facilities and ensure a level of customer service. He said there was also the increased cost of security to consider. He even suggested an environmental fee for airlines because of the harm that aircraft and their fumes do the environment.

Mr. Richardson said he was impressed with the new terminal. "This airport is really state of the art," he said.

## CTO SG VANDERPOOL-WALLACE: PJIAE UPGRADES TRENDY

Vincent Vanderpool-Wallace, the Secretary General of the Caribbean Tourism Organization (CTO) recently with admiration about St. Maarten's future airport terminal building. "I was in St. Maarten a couple of months ago and I complimented Commissioner Theo Heyliger (of Tourism and Economic Affairs) on the design. It is quite attractive. The trend in the region is exactly that what St. Maarten is building right now," Mr. Vanderpool-Wallace said during an interview in San Juan, Puerto Rico. "This new building will give all travelers that pass through a great welcome. It will be so much more functional than the existing one."

Mr. Vanderpool-Wallace, who succeeds Caribbean tourism industry veteran Jean Holder in the CTO Secretary General position, said St. Maarten realizes that its airport plays an important hub function in the region, and doesn't just function as St. Maarten's gateway. He hinted that a lot of airports in the region are planning and executing upgrades.

And all that play a hub role seem to realize their function. "They facilitate lots of people on their first entrance into the region. So by upgrading these airports are doing the region a favor," he said.



The CTO Secretary General said even the smaller airports understand the value of upgrading to higher standards and to meet the demands of travelers today. "We have to move away from aiming at just the functionality of an airport. People have to spend a lot more time at airports, whether it's

just because their trip works out like that, or because of the new security arrangements. Airports have to become more comfortable, so they add to the experience of the visitor. We should not minimize what happens at an airport," he said.

Mr. Vanderpool Wallace said even the smaller airports of the region seem to realize the importance of upgrading. "In the Bahamas, the Nassau International Airport is outgrown and no longer functional. So are a number of other smaller airports and the Governments seem to recognize that comfort at an airport is part of the welcome to their visitors," he said. "It is something you can never minimize. In addition, when you upgrade, you have to make sure that the management of the airport is as good as physical structure. We have to train our people and at the same time listen to what our visitors think. We have to capture a lot more data. Maybe we're not managing as well as we should," he suggested.

## ANTILLEAN LIQUORS REMAINS REALISTICALLY OPTIMISTIC



Dominique De Tullio, Manager of Antillean Liquors

**D**ominique De Tullio, Manager of Antillean Liquors is optimistic and at the same time realistic regarding the future of the "airport side" of his business. "If I weren't I would have closed that part of the business and told them thank you," he said.

Antillean Liquors has operated its alcohol and tobacco outlet at Princess Juliana International Airport for at least the last 20 years, and according to De Tullio it's a good small, profitable business. "We have a strategic location; 15 square meters, but we're open 12 hours a day, 365 days a year. Considering the amounts of hours we're open and the numbers of passengers passing through the airport .... It's a profitable little business. And that's because the airport is unique, if we look at its present conditions and at how it's developed from an airport with almost no volume to the heavy volume of traffic it registers today," he said.

Those factors make him optimistic about the future. But realistically, he feels, mixed feelings are in order. "The competition factor will be very different. There will be three more liquor stores operating at the airport," he said.

Stressing that he believes that competition is good, he questioned whether the airport would indeed grow to 2.5 million in passenger numbers in the near or distant future.

"I don't know. Tourism in the Caribbean is sensitive to external factors. And there are other islands that are competing for the same tourists that we are getting. Realistically, I see some single digit growth, but at the same token we maybe also see single digit decline," he said.

He said that the airport and St. Maarten -in general- should thread carefully. "Competition is healthy. But in a limited business environment we should be sensitive to the size of the pie and how many people should eat from that pie," he said, explaining: "The island has a lot of problems that will take away from the attractiveness of the industry. People used to come to St. Maarten and loved the fact that they could move freely to either spend the day at the beach, shopping or doing whatever they felt like doing. Our hotel infrastructure is also set up to cater to that. But now it's being taken away and the business suffers."

De Tullio feels that St. Maarten is becoming too congested. "We're building more rooms, more villas, more condos, more, more and more. But how do we move people from point A to B? All of these things are positive in terms of development, but negative in terms of sustainable development. It happened on the French Side with defiscalisation. They built many hotels and in the end didn't have the bodies to put in them and now these places are unoccupied or being used as apartments. Are we heading that same direction? Are we becoming one of those

places that people don't want to visit because it is becoming too congested?"

He said Antillean Liquors is looking at these trends and may have to adapt. "We may have to move from where we are as a company. And maybe the answer is in different warehouses. In season I can sometimes be sitting here waiting at 8.30pm waiting for a delivery truck that is stuck in traffic," he revealed. "Maybe we'll have to carry larger inventory so we don't have to service our outlet at the airport constantly. That will take off the pressure. The retail business there depends on the wholesale side being able to feed it in a timely and efficient manner. If not it may end up falling apart."

With the construction of the new airport facility reaching completion, designs for Antillean Liquors' new airport outlet are almost in place. "It's going to be an efficient, modern looking store. Initially we wanted to do an authentic rum shop, but we had to deviate slightly from that. Now we're going with a state-of-the-art shop in which we will incorporate the "Sun, Sand and Sea" theme of the airport," De Tullio said.

He said there will be a heavy emphasis on rums from the Caribbean, South and Central America, as rum is indigenous to Caribbean and people visiting will be looking for what's brewed here. "But we will also maintain proper inventories of the more international brands; the Bacardi's, the Black Label's, the Chivas Regal's. People expect those at an international airport as well."

De Tullio said he aware that the game is changing. "It's a totally different ballgame to what we're involved in now. The new airport terminal building will provide a much more professional environment and will lift the bar of what we have to provide. Right now business is there and getting it is a no brainer. In the new scenario the strategic game-plan is going to be an integral part of the success. And that goes for every business that will operate at the new building," he said.

## MANAGEMENT OF AIRPORT TRANSFERRED TO COMMUNE

**M**ARIGOT--Another milestone in the evolution of the Grand Case airport was reached at the Mairie with the signing of an agreement that officially handed over management of the airport from the Conseil Générale in Guadeloupe to the Commune of St. Martin.

President of the Conseil Générale Jacques Gillot signed the two-year convention with Mayor Albert Fleming. The Guadeloupe delegation, accompanied by Sous-Préfet Maurice Michaud, Mayor Albert Fleming and elected officials, had toured the new airport earlier.

Gillot said transfer of airport management to the Commune marked one of the first steps in transfers of competencies to St. Martin ahead of the French side's constitutional change to Overseas Collectivité. "You can consider us still as a partner, because we will always be here to support you if needed," Gillot told Fleming.

General Councillor Guillaume Arnell, who bore the burden of responsibility for bringing the 11-million-euro airport expansion to completion, said he felt a sense of satisfaction, because ultimately he had lived up to his promises.

*"It was not an easy task, but I thank the Conseil Générale for entrusting me with such a huge project," said Arnell. "It was a great challenge, but only possible because of the relationships I tried to foster with all those involved."*

While all departments of the airport are functioning, there are still some operational aspects that need to be completed to conform to civil aviation requirements, such as lighting of taxiways, final installation of beacons on the mountains and reopening the fuel station.

Fleming described the airport as a tool that would develop the social and economic situation on St. Martin. "Each St. Martin working there must ensure that this newborn baby has a life of prosperity; in other words, a tool that can develop into a regional airport," he said. "But to do that, every partner has to participate. It is vital we have a piece of the pie for our own economic stability."

The airport's new General Manager Sabrina Charville agreed that the main objective was for the airport to become a regional hub, attracting carriers such as American Eagle, LIAT and Caribbean Star, instead of just the Guadeloupe and Martinique carriers.

## CARIBBEAN STAR/SUN MULLS LARGER AIRCRAFT AS NEW PLAN IS CRAFTED

**E**xpansion to the US mainland and the acquisition of larger aircraft - including regional jets and narrowbodies - are strategies being considered by Caribbean Star Airlines and Caribbean Sun Airlines as they develop a new business model to present to parent Stanford Financial Group in April.

*"There is a serious consideration for regional jets and we have been and continue to discuss jet operations not only on the regional side, but with major manufacturers Boeing and Airbus,"* said Caribbean Star and Sun's president and CEO Skip Barnette.

Management is not mulling aircraft "in the very large category" but sees potential to serve the USA from certain Caribbean islands with Airbus A320s or Boeing 737-600s, as well as regional jet service on intra-Caribbean operations, he says.

Ultimately, these decisions will be linked to the business strategy chosen for the two sister carriers. It remains to be seen if such a strategy will merge the airlines, keep them separate, or focus on the operation of one over the other.

Hired to help construct the new business plan, North American consulting firm Decision Strategies developed nine business models. Management recently narrowed the choices to three options, and these are currently undergoing financial analysis.

*"Without going into detail, one of the models certainly involves the potential of service to the United States, and one is a single carrier that is really an expansion of what we do today under a single branded*

*umbrella and the other is a hybrid of those,"* says Barnette.

A single brand will not be unexpected. In addition to their recent joint acquisition of Bombardier Q300 turboprops, the two regionals have broadened their codesharing activity, and consolidated scheduling and dispatch systems. Their respective websites are now mirror images.

*"What I sought to do right off the bat was to try to work and identify areas that were common to both carriers and centralize those functions and not duplicate anything that was unnecessary, but still allow the carriers to operate independently of each other,"* says Barnette.

He adds: *"I was brought here to build a strategy to build the world's best airline in the Caribbean and do it profitably."*

The Fort Lauderdale, Florida-based Caribbean Sun could be influenced by its hub at US territory San Juan, Puerto Rico, which enjoys the benefit of a category 1 nation under the US FAA's International Aviation Safety Assessment (IASA) program, allowing for a codeshare with US Airways.

Caribbean Star's ability to expand to the mainland and with US partners, on the other hand, has been limited by the category 2 designation of the Organization of Eastern Caribbean States (OECS), of which the carrier's home country Antigua is a member.

*"The issue of category 1 is very, very important to us and we are working with the Eastern Caribbean Civil Aviation Authority in their*

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## NEW SECURITY OFFICERS AS PJIAE FAMILY EXPANDS



Mr. Carl Richardson

The PJIAE family is expanding. No less than 10 new Security Officers were hired recently and 10 more will be contracted before the new airport building is taken into operation, said Mr. Carl Richardson, Chief Human Resource Department. "We interviewed 91 people in total. 45 were selected based on the aptitude test and their interview. Now we'll be bringing them in by intervals. For now our recruitment drive for Security Officers is closed," reported Mr. Richardson. He said the second batch of officers would

soon be tested by the company doctor. The job description has meanwhile also evolved somewhat. "That is why they are hired as "Security Officers"; the job will be different. Now we have Screeners and Security people apart, but in the future the officers will be doing both jobs. It will become one function henceforth," said the HR Chief.

Mr. Richardson said that while the recruitment drive is closed for security people, PJIAE is continuing its search for people to work in other departments. "Right now the number of PJIAE employees totals 226 -with the additional 10 we just hired we reached 236. In the end we will have 270 people on board. That will be sufficient to run our new terminal building," he said.

He said the company is now looking to hire

people with Bachelor's and higher degrees to work in the Planning and Project System Control, Electrical and Mechanical, Marketing and Customer Service and Quality Assurance Departments. "That is in addition to the normal drive for people to work in the Air Traffic Control Department," said Mr. Richardson.

He recommended a career with PJIAE. "The Airport is a dynamic company; one of the leading companies on the island, if not one of the best with benefits that are second to none. Professionalism is part of our traditions and there is a great collegial spirit amongst workers. Once you're part of it you will experience the benefits of working with PJIAE. We welcome anyone with necessary credentials to apply for a job and once the vacancy exists there is certainly a place for a dedicated professional," he said.

## PUERTO RICO ANSWERS DEMAND WITH AIRPORT UPGRADES



Construction of a new terminal at Puerto Rico's Luis Muñoz Marín International Airport is reaching advanced stages. Minerva Guadalupe, Press and Communications Officer at the island's Port Authority reported during a recent visit that the 85 percent of the steel structure is in place. "The project started in September 2003 and to date we have completed 42 percent of the works. We should be completed by August 2008," said Ms. Guadalupe. The new terminal -which represents a US\$ 68.4 million investment should enable the airport to handle the passenger volume which in 2005 stood at 10.6 million people. Ms. Guadalupe explained that the objective of the terminal was to expand capacity to enable easier processing of cruise ship passenger arrivals and departures and to accommodate the new "convention tourism industry"

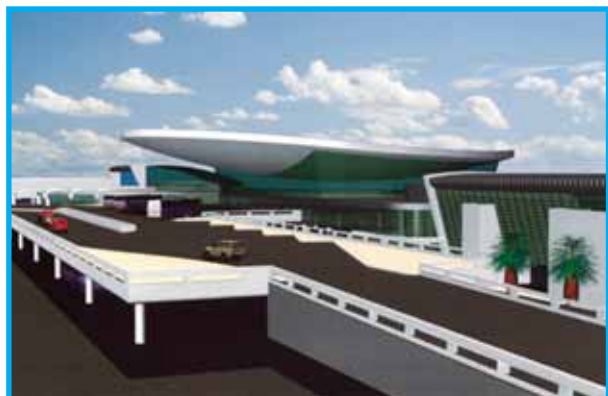
that he island leaped into after opening its multi-million dollar Conference Center in Isla Grande.

"This new terminal will be a modern structure of two levels with 226,000 square feet and a capacity of future expansion of 50,000 square feet. It will have seven entrances, one of them with super capacity," said the Press and Communications Officer. She said the design of the terminal includes advanced technology of security systems and passenger information. Ms. Guadalupe explained also that the terminal stands as a testimony of Puerto Rico's Government's strong commitment to the island's tourism industry. "We are investing millions to have a state of the art infrastructure," she said.

The investment into the new terminal building is only part of the US\$ 237 million the Ports Authority allocated for improvements projects at the Luis Muñoz Marín airport. Part of the investment will be poured into improvements to the runways.

Ranked among the top 50 airports in the United States and among the top 100 in the world for passengers and cargo movement, the airport handles some 600 movements daily, with international flights to Europe, North, Central and South America and the Caribbean.

Ms. Guadalupe said the Ports Authority investments also include improvements to the island's other airports - in Aguadilla, Ponce and Ceiba- to furnish travelers with more alternatives. "We have proposed an investment of \$283 million to improve these airports and make them more attractive, modern and comfortable. That may give an incentive to the airlines when they seek to initiate new routes and opportunities inside Puerto Rico," she explained.



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## CARIBBEAN STAR/SUN MULLS LARGER AIRCRAFT AS NEW PLAN IS CRAFTED

*pursuit of category 1 designation," says Barnette, adding: "They are very optimistic about gaining approval for that."*

The Caribbean Star/Sun CEO notes that the issue is a "critical part of any strategy because [category 1] is limiting today". He adds: "Frankly that is one of the reasons why Caribbean Sun was created". When a final business model is chosen for the two carriers and offered to Stanford in April, it will coincide with a recommendation to acquire additional aircraft to replace the current fleet and support expansion.

*"Obviously, if we select a strategy that doesn't entail longer-haul flying, obviously that will narrow down the type and number of jets we acquire," says Barnette.*

If a US expansion plan is selected, he says: "We are not just going to go head-to-head against US carriers" on current routes, as "we believe there are opportunities to develop expanded relationships with some of the large US and international alliances."

Regardless of the final decision, renewing the current fleet of Bombardier Dash 8 turboprops is a priority. The carriers' recent purchase of four Q300s has been earmarked for delivery to Caribbean Star. "Part of our ultimate recommendation on fleet in all likelihood will entail a replacement strategy for our current leases" as older leases expire, says Barnette.

But one thing is nearly certain. "We are not likely to be an all-turboprop or all-jet operator...it will probably be some combination of both," says the president and CEO.

## LIAT GETS FIRST OF 2 NEW PLANES

LIAT has received its first plane since it announced plans to become a discount carrier following years of financial troubles.

The Antigua-based airline received the Dash 8-3000 plane, leased from the California-based Aero Century Corp., last Thursday. The plane is one of two 50-seaters that LIAT will lease from the company. LIAT chief executive officer Garry Cullen declined to discuss the financial terms of the deal.

The airline expects to have 14 planes in its fleet this year, up from 11 in 2005. The expansion was part of LIAT's plan to become a discount carrier in the region, the company said in a statement.

LIAT relaunched itself as a budget airline last October in a bid to keep flying amid soaring operational costs and increased competition.

In 2002, it laid off 241 employees, or one-third of its work force. The airline has received several bail-out packages over the last three years.

LIAT is owned by the governments of Barbados, St. Vincent, Trinidad and Tobago, and Antigua and Barbuda.

It received US\$16.2 million from shareholder governments last October to help lease new aircraft and to change its operational structure. (AP)

## 13 COUNTRIES TO INTRODUCE AIR TICKET TAX FOR POOR

Thirteen countries forged an alliance on Wednesday to adopt a levy on plane tickets to help poor countries fight AIDS and other killer diseases, despite resistance from airlines.

A further 25 countries opted not to impose the tax but promised to contribute to a central pot which the core group of 13 will create from the levy to fund the purchase of generic drugs and other medicines to help the poor.

"We are creating something that is completely new and revolutionary," French Foreign Minister Philippe Douste-Blazy told reporters at the end of a two-day conference in Paris on finding new ways to fund development.

*"This is a decisive step for aid and development... There are six million people on the planet who need urgent treatment against AIDS and don't get any medicine."*

Brazil, Britain, Chile, Congo, Cyprus, France, Ivory Coast, Jordan, Luxembourg, Madagascar, Mauritius, Nicaragua, and Norway have now agreed to raise or started raising a sum from air tickets to help the poor, they said in a closing statement.

The 25 others included countries such as Germany, Belgium, Austria, South Africa, South Korea and Mexico.

The alliance builds on a proposal by President Jacques Chirac to impose a levy of one euro (USD\$1.20) on plane tickets to help spread the benefits of globalization to people living on less than a euro a day, a level of poverty that prevents the hardest hit by malaria, AIDS and tuberculosis from receiving treatment.

Britain and France have also announced a joint study on funding education and health through the airline ticket levy, a decision welcomed by some aid groups.

Already concerned about high fuel costs, airlines are wary of the idea, which faces opposition from the United States and European Union tourist destinations such as Italy and Greece.

The International Air Transport Association (IATA) urged governments this week to reject the proposal.

*"Airlines make a massive contribution to development by bringing tourists to destinations and transporting goods to markets. Making air transport more expensive is akin to biting the very hand that feeds development,"* said Giovanni Bisignani, the head of IATA.

From July 1, a French law will levy one euro on domestic and European flights and 4 euros on long-haul flights. Business and first class travelers will be charged an extra 10 euros, rising to 40 euros on international flights.

France expects to raise EUR200 million (USD\$238.3 million) in a full year from the levy. Other countries will decide individually what charges to apply.

French officials said the drug purchase facility would provide stable, long-term funding for anti-retroviral drugs used to fight the HIV virus.

They hope it will eventually encourage pharmaceutical firms and makers of generic drugs to increase production, stimulate competition and so lower prices.

UN estimates say about USD\$200 billion a year will be needed in official development aid by 2015 to meet the so-called Millennium Development Goals of halving world poverty. (Reuters)