

DESPITE GOOD 2005 CHA URGES CONSIDERATION OF AVIATION WHITE PAPER



The President of the Caribbean Hotel Association Mrs. Berthia Parle

The President of the Caribbean Hotel Association (CHA) has called on Caribbean Governments to give thought to the survival of the regional airlines, as the good fortunes in airlift might not last forever. "We have experienced unprecedented airlift into the Caribbean in 2005, with low-cost carriers like Spirit bringing a lot of business," said Mrs. Berthia Parle during Caribbean Marketplace which was held in Puerto Rico in early January.

She reported that despite the disastrous summer of 2005, the Caribbean did see 8 percent growth in international airline traffic, which translated into an overall growth of about 5 percent in tourism arrivals by air. Similar growth is expected for 2006. "But the fact of the matter remains that it's when business is good that the low cost carriers come," said Mrs. Parle.

She urged Governments to prep the Caribbean carriers and give considerations to the recommendations in the white paper CHA issues in September last year, after the conclusion of the association's Caribbean Hotel Investment Conference (CHIC) in Miami.

The five-page paper recommends a solution: full operational integration as the way forward for a viable solution to the regional air

services problem. The document has been distributed to CARICOM Heads of State, Ministers and Directors of Tourism, Ministers and Directors of Aviation, and the CARICOM Secretariat.

The proposed solution calls for the airlines to retain their individual operating units and strong brand identities under common ownership in an "Airlines of the Caribbean Group" operating an integrated schedule. "As in any business, control over market access is fundamental to success—more so for tourism, the only sector that can realistically generate hard currency for the region's economies and meaningful employment for its people," said Alec Sanguinetti, director general and CEO of CHA. "Operational integration would empower the Caribbean to achieve more self-reliance in air transportation, which will in turn provide Caribbean tourism with a solid foundation on which to build its future." Such integration would result in profitability, lower fares, and expanded service.

The White Paper concludes that while full integration is ideal to maximize the benefits, the proposed structure should be flexible enough to allow partial integration initially with space for others to join at a later date. The participants in the session whose insight

contributed to the development of the White Paper on Caribbean Aviation included Ian Bertrand, Aviation Consultant, principal, El Perial Management Services; Hon. Noel A. Lynch, Minister of Tourism and International Transport, Ministry of Tourism and International Transport, Barbados; Bob Booth, Chairman, AvGroup, Editor AvNews Latin America & Caribbean; Barry Biffle, Chief Marketing Officer, Spirit Airlines; Jorge García, Commercial Vice President, COPA Airlines; and John Greenfield, President, JAGEVA, Inc. and Former Vice President of Planning, Air Jamaica and BWIA

The White Paper follows on the footsteps of successful advocacy initiatives led by the Caribbean Hotel Association over the past year to support the decision-making process as it relates to the development of the Caribbean tourism industry. These include the study on the economic impact of Travel & Tourism in the Caribbean launched in 2004, as well as the lobbying efforts undertaken in the wake of the Western Hemisphere Travel Initiative, which would require a valid passport for re-entry to the United States for Americans returning by air and sea to or from the Caribbean as of January 1st, 2006—now postponed until January 1st, 2007.

CALL FOR EASIER REGIONAL TRAVEL

CARICOM nationals ought to be able to spend fewer hours and dollars on air travel between countries within the group with the advent of the Caricom Single Market and Economy (CSME), Jamaica's State Minister Delano Franklyn has said.

"We cannot create a single market in the region without making travel far more simple, less time consuming and cheaper," Franklyn noted, ahead the formal signing of the instruments for the official launch of the first phase of the Caricom Single Market and Economy. Mr. Franklyn was addressing the opening ceremony of the eighth annual Research Day, at the University of the West Indies, Mona campus.

In highlighting the challenges preventing the provision of adequate air transportation service for intra and extra-regional destinations, Franklyn said the four airlines that currently operate within the Caribbean region all did so with government subsidies.

"This situation cannot continue forever," Mr. Franklyn said. "As a matter of urgency, it is imperative that a regional approach be taken to pursue common functions jointly - both in the interest of the single market and in order to bring these airlines to profitability and reduce their burden on the region's public purse."



Mr. Delano Franklyn (right), state minister in the Ministry of Foreign Affairs, greets Kenneth Hall (left), pro vice-chancellor and principal of the University of the West Indies (UWI), Mona, and Eric Frater, former headmaster of Rusea's High School during the opening ceremony of UWI Research Day yesterday.

Additionally, Mr. Franklyn said the debate as to whether there should be a single political body to govern the region was still ongoing, and like the vexing issue of air transportation, must be kept on the "front burner".

Continued Mr. Franklyn: "This issue, therefore, of whether or not the CSME can become a meaningful reality without an alter-

ation and rearrangement of the existing regional 'governance' structure has been, and will continue to be a serious challenge to the leaders and people of the region," he remarked.

NETHERLANDS ANTILLES/SURINAME TO RENEW AVIATION AGREEMENT

Negotiations for a new aviation agreement between Suriname and the Netherlands Antilles are planned for late February 2006. Suriname transport minister Alice Amafo signed a Memorandum of Understanding (MoU) with her colleague Omaira Leeflang to negotiate a new document.

In a meeting in the first week of January in Willemstad, Curaçao the Ministers reviewed the current agreement and came to the conclusion that a new agreement is necessary.

The Suriname government is liberalizing the aviation industry, opening its market for more operators and, in doing so, allowing more competition for national carrier Surinam Airways. Minister Amafo said

that the current agreement with the Dutch Antilles dating from 1995 is very restrictive. Only one carrier from each country is allowed to conduct flight operations.

The government aims at more travel access to Suriname by renewing air transport agreements with other nations. The transport minister claims

that the country could benefit from the numerous connections from Curaçao with the rest of the world.

The MoU stipulates that, in a liberalized environment, more than one



foto

Carrier from each party will be granted permission to transport passengers between Paramaribo and Willemstad and any other destination between these two points.



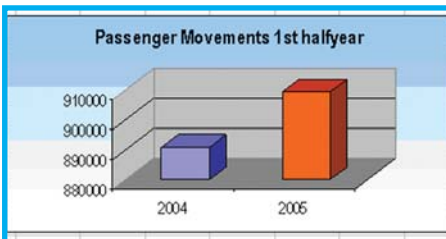
Horizons Newsletter

2.1 % MORE TRAFFIC AT PJIAE

Traffic at Princess Juliana International Airport for the first half year of 2005 (January through June) amounted to 909,702 in total passenger movements; a 2.1% increase over 2004 for the same period. Internationally, the first half of 2005 showed an 8.8% growth in international passenger traffic, according to the International Air Transport Association (IATA).

Month on month comparisons showed January to be the highest in passenger growth with a 7.4% increase in total origin and destination passengers at PJIAE (transit passengers are excluded), compared to January 2004. Transit passenger in January increased by 14.4% making for an overall increase in passenger movements for January 2005 of 8.1%.

Almost every month showed a slight increase compared to the same month of the previous year, except for May which saw a drop in total passengers of -7.1% compared to May of 2004. This drop in passengers resulted in a lower than expected increase in passenger movements for the first half year of 2005 of 2.1% as mentioned above. (The first half year of 2004 saw a passenger increase of 12.1% compared to the same period in 2003).



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NEW AMBULANCE FOR AIRPORT FIRE DEPARTMENT



the ambulance

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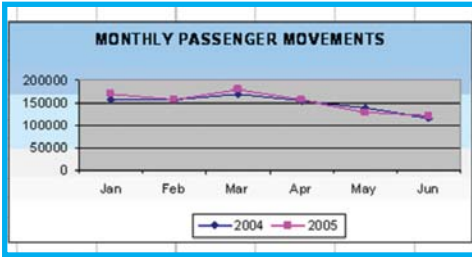
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This may be the first indication of a slower demand for passenger services. Since the beginning of the year, airlines have been struggling with the ballooning effect of fuel prices. This may have damaged consumer confidence in air travel, since air fare has increased considerably due to the fact that airlines have had to add or increase fuel surcharges to their ticket fares in order to offset increasing fuel costs. According to IATA, rising oil prices have pushed up the estimated loss for the world's airlines this year to US\$7.4 billion.

Consequently, in spite of heightened security measures worldwide, which resulted in a steady rise in passenger travel in the last two years, the extra-ordinary fuel prices and its effects on airlines, is now putting restraints once again on international passenger travel.

AIRCRAFT MOVEMENTS

Like passenger movements, aircraft movements have also shown very little increase for the first half year of 2005 compared to 2004. Aircraft movements totaled 41,557 (excluding over flying aircraft), compared to 40,450 in 2004 - a 2.7% increase. Month-on-month comparison with the previous year shows a decrease in commercial aircraft movements in January, April, May and June 2005 of -3.7%, -1.7%, -0.82% and -4.5% respectively. The overall half year increase of 2.7% is a result of increase in other non-commercial aircraft movements, such as private aircraft, while February and March saw only slight increases in commercial aircraft movements of 0.5% and 2.2% respectively.

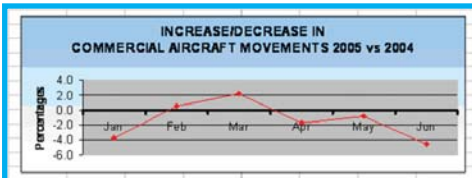
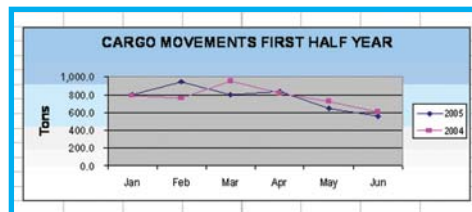
The seemingly slow-down in aircraft movements is largely due to the increasing costs of

for the first half of 2005 are 74.0% compared to 73.0% in 2004, while June posted a load factor of 76.6%. North American carriers recorded an average load factor of 83.9%. So while there may be fewer flights, the aircraft are flying fuller, which accounts for the increase in passenger movements.



CARGO

Cargo movements for the first half year amounted to 4,577 tons compared to 4,639 tons in the same period of the previous year, a slight decrease of -1.3%. This may be a direct result of the decrease in dedicated cargo aircraft movements, which decreased from 1,502 movements in 2004 to 964 in 2005 for the first six months. This represents a decrease of 35.8% in cargo aircraft movements for the first half year of 2005. Apart from the decrease in movements of all-cargo aircraft, combination aircraft (passenger & cargo) are also transporting less in cargo, as they continue striving to increase load factors. This also most likely contributed to the decrease in cargo movements. Cargo movements by air continue to be dependent on the need for time-sensitive and perishable goods.



fuel, which have forced many airlines to resort to stringent cost-cutting measures, while still fighting to increase yields and improve efficiencies. According to IATA, the total losses for the airline industry in the United States were estimated to be more than US\$8 billion. In spite of this, on a global scale, passenger load factors remained at extremely high levels. Averages

quarter of 2004. Hence the total passenger movements for the first nine months of the year (January through September) amounted to 1,272,565, an increase of 1.88% over the same period in 2004.

Aircraft

Aircraft movements (excluding over flying aircraft) in the third quarter of the year increased by 17.9%, showing a total of 17,309 compared to 14,687 movements in 2004 for the same quarter. A steady monthly increase was recorded mainly in scheduled carriers of 14.4%, 23.6% and 40.4% for the months of July, August and September respectively. While movements in scheduled carriers increased during this quarter, other movements saw decreasing numbers; charters increased in July by 21.4%, but took a downward turn again in August and September. Private aircraft movements also showed increase in July, but decreased again in August and September. Movements of all freight carriers (Cargo aircraft) on the other hand, remained below the numbers for the 3rd quarter of 2004 and showed no increase at all.

Year to date totals for the first nine months of the year (January through September) showed an overall increase in aircraft movements of 6.76%, climbing from 55,137 in 2004 to 58,866 in 2005.

Conclusion

Unlike 2004, the first 9 months of 2005 showed very little increase in passenger and aircraft movements and in particular, passenger movements. Year to date totals up to the third quarter in 2004 showed a total of 1,249,117 movements, representing a 10.25% increase over 2003. In 2005 the year to date totals up to the third quarter amounted to 1,272,565 representing a slight increase of 1.88% over 2004.

As mentioned, this seemingly slow down in traffic movements is largely due to the continuous rise in the cost of fuel, which has forced airlines to increase fares or add fuel surcharges in order to offset the increase. This has led to drop in demand for air travel.

Following this trend in movements for the balance of the year, PJIAE may well fall below its forecast annual passenger increase for 2005 of 3.7%. As a result, the total passenger movements expected for 2005 may not far exceed the total amount for 2004 of 1.6 million. Since the first half of the year represents some 55% of PJIAE's total passenger traffic, extrapolated figures indicate that the total expected number of passengers would be approximately 1,654,000 or 1.7 million.

Third Quarter Results

Passengers

The second half of the year started out in the same trend with little growth in monthly passenger movements. Compared to 2004, July showed a growth of 2.9%, while August resulted in a slight drop of -0.27%. September also showed an increase in passenger movements of 1.13%. Total inbound passengers for the third quarter 2005 amounted to 159,403; outbound to 163,755; and transit passengers to 39,705, bringing the total passenger movements for the third quarter of 2005 to 362,863. This represents a 1.3% increase over the same

Princess Juliana International Airport
December 2005

AIRPORT FIRE DEPARTMENT GETS NEW AMBULANCE

With the new terminal building soon coming on stream, PJIAE recently acquired yet another piece of equipment to secure all-time safe operations. The keys to the new Ford-350 Life Line Ambulance were handed over to Fire Department Chief Manilo Penijn on January 17th 2006 by Jim Jones, Salesman for Life Line Emergency Vehicles from Montreal.

Mr. Jones guaranteed that PJIAE made a good buy as the new vehicle stands out as far as functionality, maneuverability and maintenance are concerned. "These vehicles are built by the Demers Family from Montreal and they blend European and US ideas into their ambulance," said Mr. Jones. He added that being family-owned and operated also enables Life Line Emergency Vehicles to be very flexible.

As for functionality, durability and maintenance, Mr. Jones said that no wood has been used on the vehicle. "With biohazards being of big concern these days, it is a plus that this ambulance can be cleaned down with a simple hose," he said. The use of wood, he

added, is also a plus, when taking into consideration the humidity of the Caribbean.

The ambulance, he said furthermore, is also 1,000 pounds lighter than regular ambulances, because of the modern composites that were used to put it together. "Those were super weight savers and also prevent breaks from wearing down faster, but also make handling the vehicle much easier," said Mr. Jones. He acknowledged that traffic in St. Maarten is different from traffic in the US where cars drive predominantly on highways, but said that for St. Maarten's hills an emergency vehicle that maneuvers easier is also a plus. "The truck will not sway when climbing a hill," he said.

On top of that, Mr. Jones added, the new ambulance is a more upscale, nicer vehicle than the previous one. Outfitted with all the basic needs required on an ambulance and equipped with an AED (automated external defibrillator) -vital in cases of cardiac arrest- the vehicle is a welcome addition to the fleet of the Fire Department. It will enable better

response in case of a calamity.

The previous ambulance is over fifteen years old and was in dire need of replacement. It will be donated to the St. Maarten Red Cross. The staff at the Fire Department welcomes the new addition and is always looking for ways to provide the best possible service, to the airport and community.

A frequent visitor to St. Maarten Mr. Jones said he was able to contribute to the new development. "I am in St. Maarten often," he said. As salesman for the Demers family, he oversees the company's southern US business.



SITA ENTERS \$6 MILLION PARTNERSHIP WITH NEW CARIBBEAN AIRLINE



"We are very pleased to be working with TransCaribbean Airways. We are committed to TCA to ensure a successful start-up and our work on their behalf will be completed by March," said Olivier Layly, SITA Vice-President, Caribbean and Latin America on the announcement of SITA's partnership with a new Caribbean airline.

TransCaribbean is a new Caribbean start-up airline which plans to operate regular scheduled flights using Airbus 320 and 340 air-

crafts linking the Netherlands Antilles with Europe and the USA, flying to destinations such as London, Orlando and Nashville from Curacao and St. Maarten. It was formed by the international consultant firm, Mirage Group Inc, along with a selected group of professionals with international backgrounds located in the Netherlands Antilles and the United States and Europe.

"The Netherlands Antilles is well-known to us as we recently signed contracts with the air-

port authorities in Aruba, Curacao and St. Maarten for our check-in Common Use Terminal Equipment (CUTE)," he said. Some four million people use these airports each year.

The full TCA suite of IT applications from SITA includes the Horizon Reservations System, the iTravel Direct on-line booking engine, FleetWatch, CrewWatch, Flight Briefing and AIRCOM/ Aircom Server.

ST. MARTIN TO DEVELOP GRAND CASE INTO REGIONAL AIRPORT

Even while they continue to hold the Princess Juliana International Airport in high regard, tourism officials of French St. Martin say they will not turn a blind eye to the potential of turning the Grand Case airport into a "regional gateway." Newly appointed Head of the Bureau de Tourisme Alex Richards revealed that the wait is on the big day at year-end when the French side will vote "yes" to a change in its constitutional status. "From a legal standpoint the commune of St. Martin should not be allowed to operate an airport. All decisions regarding funds are taken by the local Government of Guadeloupe and they would not sanction the kind of investments that would make it possible for St. Martin to tap into the true potential of the Grand Case airport," said Richards.

The new man at the helm of the Bureau du Tourisme stressed that his office is excited about the developments taking place at the Princess Juliana Airport. "That has and will always be our main gateway to the world," he said. He foresaw that the construction of the new, state of the art terminal building will bring more business to the northern part of the island as well.

"From a tourism perspective we're one destination. We're doing more promotions together and together we're part of the Little Caribbean Alliance (LCA) that includes all islands to which the Juliana Airport is an important hub. Juliana is our gateway, and its upgraded facilities will mean improved service to visitors and our residents."

"But," he added, "when we consider the geographical location of St. Martin, the change of status will present new opportunities. The Grand Case airport is strategically located for any person traveling from the Northern to the Southern Caribbean. It is very well positioned to be a hub."

As an example he used people who would want to travel to Haiti from Martinique or Guadeloupe, for who it will become very easy to transit in St. Martin. "We feel strongly that because of the openness within the French territories, we can facilitate all Francophonian travelers with less hassle."



Alex Richards

A more professionally operated Grand Case airport would also benefit freight.

"The economic potential is great whether it's for passenger or freight. You must consider that the airport is not too far from economic center of both French and Dutch St Maarten. Any company can use it for quick freight," said Richards. He revealed that the modest upgrade at the airport of 2005 has already brought an increase in revenue. "We have handled more passengers, and seen more touch downs. That gives us a good indication of the potential when we're to consider further development."

In addition, he said, more flights to Grand Case would relieve the roads from the Juliana Airport, which now are holding passengers in a fierce deadlock because of the constant traffic congestion. "On that level developing Grand Case would be beneficial too."

That further development will have to wait for now though. "Technically in the French system airports only exist on a state level. States or regions manage such facilities. Our platform (Grand Case) is actually an exception, because the commune, the lowest level of administration division in French system, managed the facility," Richards explained.

He was anxious about the new possibilities that a constitutional change would present. "The commune of St. Martin will acquire powers equivalent to that of a region, meaning that it will be able to manage the airport in Grand Case and apply for subsidies and for funds to develop the platform." Whether that would happen leaves no doubt. "There is potential there. If we develop the platform it will benefit tourism," Richards said.

Richards said the possibilities have also been recognized by airlines that now service St. Maarten through the Julian Airport. "We have been approached by companies that are servicing the region and would consider doing business with Grand Case. Well known companies that are looking for area to base their operation," the Tourism Department Head said.

He said that once the change in status would validate the further development of the airport, the funds would be sought. "Right now the airport can handle ATR42 and 72. aircraft, as well as Dash 8 and everything below. And private jets. The runway was extended last year, but we're looking at another project to extend to another 350 meters. That is to meet international security requirements," he said.

Richard said developing the airport would primarily be to implement better, upgraded and more adequate access for St. Martin to the rest of the world. "And improved facilities and service. We have an existence in the American market and we will keep on working on upgrading our presence in the European market. But more emphasis needed in Caribbean market. That is an underdeveloped market, but with an upgraded Grand Case airport we can change that," he said.

Talks have already started with regional airline Caribbean Star to help encourage people to come for St. Martin Carnival this year. "We want to do it a whole lot to increase our presence in Caribbean region. It's a potential that we have to tap into."