

Implications of an OPEN SKY's environment in Jamaica.

Ladies and Gentlemen.

My task here today, is to say a few words about the implications of an open sky environment, and how this might affect Jamaica.

Let me first say that there's been a lot of very good speeches that included references to open sky's today. Let us hope that we have not just had a talk shop, but that there will be action after this.

I know that Jamaica has bi-lateral agreements with about 37 countries at this time, but I would like to start by painting a wider picture of what happens in an open sky environment, and then, how it might affect a country such as Jamaica.

In discussing an open sky situation here in Jamaica, we are talking about more than a bilateral agreement between two countries.

I have not really been involved in aviation in Jamaica for over 18 years, but I have been involved in other parts of the world during that 18 years absence from Jamaica. In fact my entire working life has been in aviation at one level or another.

18 years ago I left Jamaica and went into a country on the eastern coast of the Arabian Peninsular. I joined an airline that was 6 years old, and had 8 aircraft. They were, 3 Airbus A300-600Rs, 2 A310-300 and 3 B727s.

That airline now have a total of 129 aircraft, including the A330-200s, A340-300s, A340-500s A380s, B777-200s B777-300r & B777-200LRs. The airline also has 10 B747-800 Cargo on order, and 100 A350s.

What the government did when the airline started, was to make the desert state's airport a totally open sky environment.

All you need to do is to file a flight plan, get your over-flight clearances and go.

They decided that the airline would have to be operated efficiently, so to be able to compete with the airlines that would eventually serve the airport.

The airlines that are being competed against these days are: BA, VS, UA, DL, SQ, LH, AI, PK, MS, Cathay Pacific, Korean, AF, SAS, and another 100 airlines that serves the airport each day.

- 1) The country, being in the Arabian desert, has a tourism industry that is in the millions, compare to that of Jamaica.
- 2) Trade has opened up between countries as far away as Brazil, New Zealand and the USA West coast.
- 3) The country's airline is one of the most distinguished and profitable airlines in the world. The airline made \$1 billion net profit in 2007/2008, some \$400,000,000 in 2008/2009, and is on track for another \$1 Billion profit this financial year.
- 4) Both the growth of the airline in that period, and the influx of other carriers, provided so many jobs in the country, that people had to be employed from India, Pakistan, Sri Lanka, Bangladesh, Australia, NZ, Europe, USA and even Jamaica.

Many friendships were made between countries near and far.

Let us look at India.

India had a very closed and protected environment, but over the last 2 to 3 years has opened up its airports to foreign airlines. "Open Sky's" is now a part of the Indian growth strategy.

The advantages for tourists, students, technology professionals and multinational executives, who form the bulk of air traffic, are discounted flights, easy connectivity and convenient flight times.

Sources say that the open sky agreement, for example, between India and the USA, will provide substantial economic spin-offs for India. According to industry estimates, one extra daily international flight to India has the potential to generate approximately Rs. 3 million worth of foreign exchange. It allows the airlines to make commercial decisions with very little government intervention and decide for themselves on where and how often they will fly, how many people they will carry, and what they will charge. "Passenger traffic between the two countries is estimated to rise by 30 percent this year with ample scope for expansion in the future," says Pushpinder S. Dhillon, economic officer at the U.S. Embassy in New Delhi. For starters Air-India plans to fly to San Francisco, Houston and Washington, D.C., besides its present destinations, Los Angeles, Chicago, New York and Newark.

The open skies accord allows airlines to serve customers efficiently and face competition in rapidly changing market conditions. They can also enter into joint ventures with other airlines to expand their services, reduce costs and make the most efficient use of their resources.

The new agreement will generate more employment opportunities in aviation, trade and tourism. Delta, for example, will have an all-Indian crew on its Indian routes. Last year it trained more than 80 crew members for the Chennai-Paris-New York route.

Open skies agreements worldwide have helped boost trade and commerce and created new markets for cargo and other businesses.

Tourism has become one of the world's largest industries, providing more opportunities to low-cost airlines and choices to customers. Productivity has increased and businesses have become efficient. Since the introduction of no-frill budget flights for the common man, tourism has increased within developing countries, adding to economic growth.

In Jamaica, we need to look into these strategies. We have bilateral with 37 countries, and I know that the present Government has actively pursued agreements with a few European countries.

However, I know of countries that were at one time interested in opening up air partnership with Jamaica, but did not get the buy-in of the government of the day.

One thing that is in our favour when we start to seriously negotiate more agreements, is the fact that we, as Jamaicans, are favourably thought of in countries around the world.

People genuinely like us, and we are usually very skilful in the things we do. We are a talented people.

South Africa.

I was doing business for my company in South Africa a few years ago, when I was told by an official of the South African Ministry of Transport that she had been in Jamaica a few months before, and had made suggestions to the then government that they would like to have Air Jamaica fly to Johannesburg.

The suggestion included the offer of them subsidizing the service until it gained momentum. Unfortunately the offer was not followed up by our people.

If we were to pursue a total open sky environment in Jamaica, African countries should be foremost on our minds.

I remember the taxi driver that asked me where I am from, on the way to the hotel in Johannesburg. When I told him that I was from Jamaica, he replied “oh!! That big, little country” Others that told me that Jamaica is the one place they would like to go before they die.

It is true to say that:

- 1) More jobs would be created, as each airline coming in would be employing a certain amount of its own staff.
- 2) More visitors would come to Jamaica, as each airline would be selling the country through its own international sales network

- 3) There could be more trade, as Jamaica is now trying to improve its agricultural capacity, and might be in a position to export things grown here to other countries.
- 4) Friendships and Diplomatic relations could develop into a new level of world participation.

Let's look at Europe.

In 2008, Open skies started between the USA and Europe, after years of negotiation.

It is expected that over 80,000 more jobs will be created, that due to increase competition, lower airfares will be available between the USA and European airports.

This was so important to some of the US airlines, that one of them paid \$200,000,000 for 4 slots at Heathrow airport.

We gave away Prime Air Jamaica slots for a reported GBP5,000,000. The less said about that, the better.

The situation is though, that Air Jamaica has no long haul capability to reciprocate in any agreements other than those in the Caribbean, Latin America and the USA, so code sharing would be the way to go.

That said, airlines from those other countries, could certainly come to Jamaica, presenting the code sharing opportunities to Air Jamaica.

IATA.

I know that government is keen on reducing the emission of Co2 & NoX into the atmosphere.

IATA is already dealing with this issue, by sending around the world, a team of 3 or 4 aviation experts to do a Fuel Efficiency Gap analysis study on airlines that are keen on improving their operational efficiency.

We have been to airlines with 3 aircraft up to those of 600 aircraft, including the 2 major Western Air Forces.

The last airline I visited, I spent 5 weeks with that airline. We were able to reduce their \$400,000,000 dollars fuel budget by some 6.5% or \$27,000,000 dollars per year.

So, there would be increased pollution, but it would be controlled.

To sum this up, I believe that Jamaica could open up the environment to other Jamaican owned airlines to add competition to the present carrier, and open up the possibility of employing more Jamaicans

I really believe that a further push towards opening the skies in Jamaica should be pursued, and implemented as soon as possible.

Canada (Comments)

International air service into a community directly translates into new business opportunities, more tourists and jobs right here in the community. Real, tangible jobs – directly attributable to the daily arrival of just one large aircraft from another country.

A worldwide report for the International Air Transport Association studied the link between air service connectivity and labour productivity and GDP growth. It found that a 10% increase in connectivity to the global transportation network can produce a long-term increase in productivity and ultimately gross domestic product of 0.07% a year or greater.

To put it more simply, every time a Boeing 777 operated by a foreign carrier lands at Vancouver International Airport, close to 795 hours of employment are created.

USA Government Objectives in pursuing open sky's are:

- 1) Increase variety of price and service options to consumer
- 2) Unrestricted opportunities for carriers to develop routes and markets (

- both current and those not served)
- 3) Elimination of government subsidies, ground handling or other monopolies.

Protectionism.

Ownership rules have led to the establishing of many state owned airlines that have become a significant drain on governments and tax payers world wide. Ownership and Control requirements are however subject to negotiation provided there is government support. Cathay Pacific was 'substantially owned and effectively controlled' by British rather than Hong Kong or Chinese interests. To get around the normal requirement, BASAs States negotiating with Government agreed to replacing 'substantially owned and effectively controlled' clause with 'principal place of business' as key criterion for designation of airlines in the agreements.

Jamaican Government and JCAA can assist in creating a more flexible environment and Open Skies Agreements to facilitate other Jamaican carriers. There is an incorrect perception that ownership and control clauses bind the State. There is a need to look for solutions and means to liberalize the industry to facilitate growth, as many of the provisions are subject to negotiation e.g.:

The USA accepted Spanish (Iberia) ownership 85% of Aerolineas Argentinas on condition that frequency and capacity limits on USA carriers flying into Buenos Aires were lifted. Other States continued to accept Aerolineas Argentinas as the designated airline.

There was a similar position with Air New Zealand and Ansett when it was operating & a similar position for airlines operating within the same regional economic group e.g. Barbados and BWIA, Barbados and Air Jamaica – designation of foreign carrier accepted by USA, Canada and Germany (as urged by ICAO under the 'Community of Interest' concept) ;

The Singapore – New Zealand bilateral signed in 1997 abandoned limits on foreign ownership of each others airlines but required 'effective control' should remain with nationals and head office in home country; other more

interesting structures can be put together to facilitate existing BASA requirements provided government understands the benefits of other designated carriers and are willing to give government support to facilitate a free market instead of financial support to facilitate a state owned airline.

Air Asia co-exists with Air Malaysia, Silk Air co-exists with Singapore Airline, The UAE has Emirates, Etihad, Air Arabia & RAK Air.

Many of the smaller countries with a National Airline, has removed the protection from that airline and allow for the emergence of a privately owned airline. Let's open up the Jamaican sky to this possibility also.

The Minister and others that went before me spoke about many of the things that I had to say about "Open Sky's".

I have therefore not even consulted my notes in this short talk, and just gave a brief outline of where I believe we should be going.

It is my hope that we have not just had some good ideas today, but that genuine steps will be taken to implement the ideas that were shared in this seminar.

Thank you very much for your kind attention.