

## AIRLINE CONSIDERATIONS:

### CONTRACT PERIOD:

Both airlines have agreed to a 5 year term. (As of this afternoon, BA was at 3-years with some form of renewal rights, not yet specified; I advised that they need to go to 5-years and that it shouldn't be that big a deal for them; while my BA counterpart did not disagree, he said he needed to get approval on this. We'll know the outcome when we get their fax.)  
While I am aware that we should not allow VS to dictate the pace of our decision, I have to protect Omar who promised an early response – we need to know their position on this.

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### LGW SLOTS:

Both airlines have agreed to provide a daily slot pair at Gatwick in the event they terminate their arrangement with JM.

### SPECIAL PRO-RATE AGREEMENT:

Both airlines have agreed to a structure that will include US gateways. BA has the edge in that they provide access to LHR over Miami, JFK and Newark and have a greater number of connections over these gateways. VS is restricted to LGW over Newark. BA has in fact offered the "Triangular" routings over all their common gateways with JM in the US/Canada – which is nine cities: seven to LHR (YYZ, LAX, MIA, ORD, EWR, JFK and PHL) and two to LGW (MCO and ATL). Virgin has five common gateways with JM: four to LHR (LAX, EWR, JFK and MIA) and one to LGW (MCO).

### CODE SHARE:

Both airlines will provide for a JM code on all non-stop flights to Jamaica.

### CROSS – ISLAND SERVICE:

Both airlines will use JM KIN-MBJ-KIN in order to sell both destinations on all flights.

### TAKEOVER OF PRESOLD TICKETS:

VS has inferred they will do this at no cost [if BA were also offering to do this]. We are awaiting a final position from BA. The estimated gross value of the overhang is US\$3,000,000. (If in fact it is VS's position that they are only willing to do what BA is willing to do in this regard, then by definition, this component should be eliminated from the plus and minus comparison below. Not to beat a dead horse, but if BA can take over all the slots in Sept., then this component does have relevance for the paxs that BA will take for

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the one month, which would make the financial comparison go in BA's favor because VS can't do this). In any event, we really need to really scrub the number to determine exactly how many paxs we have that have both booked and paid for post Sept. 27<sup>th</sup> travel, especially if you disagree with my foregoing view.) My guess is that we can get this from VS regardless, however, are we now saying that we are definitely converting to BA in Sep. Then we need to get the hangover numbers sorted out and compare this with the saving from an earlier conversion. See next point also.

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#### TRANSITION:

Both airlines have agreed to an end of October date, however, BA has also indicated they may be able to do the final cutover at the end of September. A confirmation is being sought on this as every month saved is worth US\$2,000,000. JM management is more confident that BA will perform - that is takeover the slots and put the additional flights to Jamaica in service on those dates. This is based on BA's position from the outset that they could accommodate these dates compared to the 'last minute' move from summer '08 by VS.

#### OFFER FOR LHR SLOTS:

VS have offered GBP5.1 M = US\$10.2 M. BA has offered US\$9.4 M.

#### FINANCIAL IMPACT:

TAKEOVER PRESOLD TICKETS - assume BA only accepts 50%, VS + US\$1.5 M, ??? Need a position on this from BA.

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SLOTS - VS + .7 M.

SEPTEMBER TRANSITION - BA US\$2 M.

The net difference is negligible and represent a one time benefit.

#### TOURISM CONSIDERATIONS:

BA's entry to MBJ will provide this destination with two major airlines providing complementary services. VS major customer base comes from Virgin Holidays, and to a great extent excludes the other UK Tour Operators. BA will provide a 4-class service that will include an offering for the higher end of the market and be more inclusive of the other UK Tour Operators.

And

*Tourism Project*

If we go the VS route they will supply additional seats to KIN, however, it is very unlikely that BA will start a service to MBJ. Recent experience in St. Lucia suggests this is very risky as the VS concentration on the low-end using Virgin Holidays as their main vehicle resulted in the reduction of charters and a virtual monopoly position for VS.



*AD*

The more extensive BA network in Europe provides a stronger presence in this area which is critical to the new hotel development and the much desired diversification of the Jamaica market.

RECOMMENDATION:

*Success*

From an airline perspective there is virtually no short term financial gain by selection of either airline. JM management is more comfortable with the BA commitments with regard to transition and their longevity in the Jamaica market. There is, in the considered opinion of our management and the Chairman of the Sales and Marketing Board Committee a significant plus to the ~~land~~ by bringing BA into MBJ.

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*Tourism*

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**It is our recommendation that JM pursue final negotiations with BA to conclude a Code Share Agreement. The timetable for this is very immediate if we are to achieve the transition goals.**

*P*