

FINAL POSITION FAPP
19 APR 07

LONDON ROUTE					
Deal Component	BA	VS	Comment	Favorability	
				BA	VS
Direct Financial Considerations:					
Slot Purchase	\$9.4 million	\$10.1 million			\$0.7
Full Slot Takeover	Sep. 23rd	Oct. 27th	Would allow JM to exit market one month sooner; Oct. period ranks among worst performing months; in 2006, JM experienced a negative contribution on the Route of \$3.0 million. The net effect of a total exit for this period versus a reduced level of service is reflected in the comparative favorability	\$2.0	
Passenger Handoff	Undecided		Not clear at this point whether VS would only commit to what BA would do. In any event, we are not likely to get any meaningful difference between the two when it's all said and done. Total size of the pot is approx. \$1.5 million	n/a	n/a
				S/T	\$2.0
				Net	\$1.3
Other Considerations:					
Pro-Rates and Gateways	Similar		Both airlines have agreed to a structure that will include No. Am. gateways under a structure known as, <i>Fare Triangulation</i> -- two cities for price of one. BA has the edge due to their greater number of gateways, frequencies to and from the gateways and nonstop access to LHR and their larger network beyond. BA has nine common gateways with JM in the US/Canada: 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).	X	
Frequent Flier Programs	Similar		Reciprocal earn/burn mileage arrangement		

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Tenure	3-yrs., plus, "full & open discussions and would expect to extend the arrangement."	5-yrs			X
Tourism Considerations	Will add MBJ	Will add KIN	<p>BA's entry to MBJ will provide this destination with two major airlines providing complementary services. Virgin's major customer base comes from Virgin Holidays. BA has a broader distribution and acceptance level among a wider range of hotels and tour operators; additionally, 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.</p> <p>If VS were selected, they would supply additional seats to KIN; however, it is very unlikely that BA will start service to MBJ, thereby relegating that market to one dominant carrier. The more extensive BA network in Europe also provides a stronger presence in this area which is critical to the new hotel development and the much desired diversification of the Jamaica market.</p>	X	
Commitment to Jamaica			BA has been in JM market for 60 years , versus 10 months for VS; it is unlikely that that BA would alter its commitment to the Jamaican market due to cyclical downturns in the industry.	X	
Ability to Perform			BA being the much larger carrier and the dominant slot holder at LHR has much more flexibility to execute the slot takeover. This was evident from the outset in the negotiations as evidenced by their ability to accommodate our slot transition timing.	X	
Diaspora Issues			BA is clearly better positioned on this important area, not only for the reasons noted above re <i>Commitment to Jamaica</i> and <i>Tourism Considerations</i> , but also for their long history of working directly with the Jamaican community both here and in the UK	X	

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Pages: 4

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Date: 19APR07

Re: AIR JAMAICA LTD. - LONDON ROUTE cc:

Urgent For Review Please Comment Please Reply Please Recycle

DEAR MINISTER DAVIES: PLEASE SEE ATTACHED AS REQUESTED RE LONDON ROUTE.

REGARDS.

MICHAEL J. CONWAY

111, JAMAICA, W.I.
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