

AIR JAMAICA'S ANNUAL REPORT 1981

Attached for the information of the House is Air Jamaica's Annual Report for the year ended December 31, 1981.

For Air Jamaica, there were several positive developments in 1981, compared to 1980, when the Company had experienced a decrease in passenger traffic and revenues, and had to contend with the world recession, the poor economic situation in Jamaica and the problems within the airline industry.

That Air Jamaica was able to make what it considers the first step on the road to recovery, was due to its determination to keep down costs and reduce losses.

In an effort to streamline operations and utilize its resources more economically, the Company discontinued its scheduled service to London, Frankfurt, Dallas and Houston in early 1981. These routes had become unprofitable because of the high operating costs - due to the type of equipment and fuel prices - and reduced passenger loads. At the same time, the Company increased the frequency of service on other routes, and introduced a weekly charter between Dallas/Montego Bay and Atlanta/Montego Bay.

Other measures carried out by the Company, included the introduction of an improved marketing operating programme (which led to a reduction in the initially predicted loss) the launching of a dynamic advertising campaign aimed at attracting the Jamaican ethnic market as well as tourists, the placing of greater emphasis on the North American market and the attempt, in collaboration with JAMVAC, to increase charter operations in the United States.

Air Jamaica's operating results show a net loss of J\$21.4M in 1981, compared to J\$34.0M in 1980, a reduction of J\$12.6M. Total revenues in 1981 were J\$161.8M compared to J\$189.8M in 1980, while total operating expenses amounted to J\$184.6M in 1981, compared to J\$223.2M in 1980. The reductions in both revenues and expenses were due to re-organization in the Company, and the discontinuation of the unprofitable routes as mentioned above. It may be noted that freight revenues declined

somewhat in 1981, but Air Jamaica's twice weekly freighter from Miami continues to play a vital role for the manufacturing sector, and there are plans to expand operations. With the Government's emphasis on exports, it is expected that in 1982 the freight revenues should increase.

During 1981, Air Jamaica restructured its management and introduced a management training programme under new leadership. There were no major industrial disputes, and relations between the Unions and the Company were fairly good.

In the face of increased competition from other airlines and the negative effects of fuel prices both directly on aviation costs and indirectly in sales resistance to increased fares, Air Jamaica managed to maintain its market share of 58%.

As far as the future is concerned, Air Jamaica believes it can meet the challenges and play its part in the development of the travel and tourist industries. This belief is based on the indications in 1981 of the possibility of financial recovery by determined and dedicated efforts, the increased efficiency of the Company and its improved customer service. Other positive signs are seen in Jamaica's growing attraction as a tourist destination and the bilateral talks being held by the Government with several countries to obtain new routes.

Pearnel Charles

Minister of Public Utilities

and Transport

20th September 1982.