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THURSDAY, NOVEMBER 25, 2010

WEEKLY \$2.00

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By air or by sea, Puerto Rico!



More airlines and
cruiselines expected

By Frances Ryan
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Economic incentives secure new airlines and cruiselines for Puerto Rico

Island to increase flight frequency; add 12 U.S. & international markets and four cruiselines over next 12-24 months. Avianca, Aero México, Lufthansa mull over Puerto Rico routes; world's largest cruiseships Oasis of the Seas and Allure of the Seas on the horizon.



BY FRANCES RYAN
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Making Puerto Rico a more accessible destination for tourists, business travelers and prospective investors alike is the mission of the island's Chief Development Officer Jaime López Díaz, who occupies a new post established under the Economic Development & Commerce (EDC) umbrella department.

Managing air and maritime access with an integrated approach is one of the EDC's new economic-

development priorities, and the most important strategic change within the umbrella department since it was created in 1994. Until now, air and maritime development were under the oversight of the Puerto Rico Tourism Co. (PRTC), one of the seven economic development agencies under the EDC, whose agency cluster also includes the Puerto Rico Industrial Co. (Pridco), Puerto Rico Film Commission, Puerto Rico Trade Co., Land Administration, Energy Affairs Administration and Port of the Americas.

"This change enables us to implement strategies that leverage our limited resources by integrating tourism, commerce and other activities like filmmaking," explained Economic Development Secretary José Pérez-Riera during an exclusive interview with CARIBBEAN BUSINESS.

Currently, the Caribbean ranks among the top three most popular destinations in the world, according to Smith Travel Research—the tourism industry's leading source for hotel occupancy tracking and research worldwide—welcoming more than

35 million travelers and 15 million cruise passengers every year (CB Nov. 4, 2010).

Despite a couple of years of bumpy rides for American Airlines' operations in Puerto Rico, resulting in the reduction of more than 50% of its daily flights, the island still remains the best airline-accessible location in the region, with 63 daily flights from 20 major U.S. cities. Internationally, Puerto Rico has the most nonstop flights to top

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*José Pérez-Riera,
Economic Development
& Commerce secretary*



*Jaime López Díaz,
chief economic
development officer*



*Mario González Lafuente,
Puerto Rico Tourism Co.
executive director*



*Alberto Escudero,
Puerto Rico Ports Authority
executive director*

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international destinations within the Caribbean, with direct access to Madrid, Toronto, London, Panama and Caracas.

Neither have the past three years been smooth sailing for the local cruiseship sector, which posted a frightening 260,000-passenger drop at the beginning of 2009. However, it began to show signs of recovery toward the end of this year's summer season and still supports close to 5,000 jobs and pours over \$240 million into the local economy every year.

If all goes according to plan, the EDC's new air and maritime initiatives will expand the presence of U.S. network carriers on the island by adding at least one major U.S. airline and additional low-cost carrier services into unserved U.S.-P.R. markets.

Also, EDC officials are in conversations to strengthen Puerto Rico's airlift to its top European markets, Madrid and London, and are working on the addition of a third European carrier from Germany—possibly Lufthansa, CARIBBEAN BUSINESS' industry sources say.

As for Latin America, México and Colombia, both markets with top tourism and existing trade relationships with Puerto Rico, also are in the development pipeline. Although EDC executives are keeping a tight lid on ongoing negotiations with Latin American carriers to serve the Puerto Rico market,

CARIBBEAN BUSINESS learned that Aero México and Avianca have expressed interest in serving nonstop routes to San Juan from México and Colombia, respectively.

Beyond the tourism value that both Latin destinations would add to Puerto Rico's airline portfolio, both markets represent additional trade and commerce development opportunities for the island. Currently, trade activity between Puerto Rico and Colombia exceeds \$298 million, while trade relations with México represent close to \$518 million in annual trade activity for Puerto Rico.

"These existing trade relations can be further expanded with the addition of international airlines serving those markets nonstop to Puerto Rico," Pérez-Riera said.

DIVERSIFYING THE AIRLINE MIX

Despite the fact that the airline industry has been in turmoil during the past five years, Puerto Rico's Luis Muñoz Marín International Airport (LMMIA) has remained the largest in passenger movement in the Caribbean. Last year, LMMIA received 8.3 million passengers, followed by Havana, Cuba and Punta Cana, Dominican Republic, receiving 6.6 million and 4.0 million passengers, respectively, during the same period. Puerto Rico's airport is a hub for the Caribbean.

"Having a sustainable leadership position in terms of airlift within the region is the result of a combination of factors," López Díaz said. "Most importantly, it is an ongoing

balancing act. Airlines come and go, airline prices go up and down—without our control, I might add—but travelers around the world seem to be regaining confidence and have resumed traveling. When your market is an island, as is the case with Puerto Rico, maintaining a diversified airlift capacity is critically important for connectivity as well as for economic-development reasons."

With 20 carriers serving the local market, EDC and Tourism Co. officials agree that the current airline mix meets the island's short-term access needs. However, EDC, Tourism Co. and Ports Authority officials are making the necessary outreach efforts to secure the kinds of airline carriers that will provide long-term access to the destination in a sustainable manner.

From a competitive standpoint, Puerto Rico maintains a healthy balance of the different types of airline carriers available in the market to date, following a traditional airline business model that includes main legacy and network carriers such as American Airlines, Delta, Continental and United, as well as regional carriers serving the Caribbean and fast-growing, low-cost carriers like JetBlue and Air Tran.

"For example, when we make our presentations to different airlines, we are taking not only tourism into account, but also commerce and other economic-development activities," Pérez-Riera said. "Some airlines, as in the case of network carriers like American Airlines and Delta, will

definitely serve the leisure travel segment well, as that remains their main interest. However, you may have carriers like Copa, Avianca or Lan Chile that may be interested in the tourism business Puerto Rico can offer, but also will take into account existing or potential trade commerce and cargo business our destination represents. And those facts will continue to help shape our overall airline portfolio."

Having said that, López Díaz is the first to admit that while airlift needs to serve the market's existing travel and tourism needs continuously, it also must secure the kind of airlift it needs for future growth.

"That's why the mix of airlines we attract and maintain is very important," he explained. "And precisely, when American Airlines announced a second wave of flight reductions, we saw it as a challenge for our tourism industry—especially since the announcement was made right before the upcoming high season—but also as an opportunity to replace those seats with the kinds of air carriers that will yield the greatest overall benefit for Puerto Rico."

There are six legacy carriers serving the island, including American Airlines, American Eagle, Delta, United, Continental Airlines and US Airways. Combined, these represent a total of 148 daily flights to 45 destinations.

Low-cost carriers (LCC), on the other hand, one of the fastest-growing

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segments within the local market, represent a combined 27 daily flights and 12 destinations. The main low-cost carriers serving Puerto Rico are JetBlue, Air Tran and Spirit.

Internationally, Iberia, Copa Airlines, Air Canada, Virgin Atlantic and SunWing Airlines deliver 11 daily flights into Madrid, Panama, Toronto and London. Regional carriers, six in total, complement all other carriers by serving the Caribbean region through Insel Air, Cape Air, Seaborne Airlines, Vieques Air Link, Liat and Air Sunshine.

“Overall, we are looking to boost our airlift to and from the U.S. in two ways: By adding routes into markets that we don’t have in our list of service routes, and by increasing the frequency of flights from existing carriers into our core markets,” López Díaz explained, noting this will translate into 10 new U.S. service markets from Puerto Rico and a 10% increase in frequency of daily flights into the island’s core markets. Puerto Rico’s core markets are New York, Washington, D.C., Miami, Chicago, Houston and Los Angeles.

In addition to more stateside markets and higher flight frequency into U.S. markets, EDC’s airlift initiatives are aimed at signing four new international airlines—two Latin American and two European carriers—to begin operating Puerto Rico routes.

López Díaz expects plans for both national/domestic as well as international expansion of airlift access to be completed during the next 12-24 months.

“That will not only provide the type but also the amount of seats our tourism industry needs, as well as access into new economic development opportunities,” López Díaz said.

Today’s competitive airline business requires not only an integrated approach, as EDC Chief Pérez-Riera suggests, but also requires attractive incentives to secure new airlines, increase flight frequency to existing routes and open new markets. That responsibility is still under the oversight of the Tourism Co. (See related story).

FLYING HIGH

As first reported by CARIBBEAN BUSINESS (CB Sept. 23, 2010),

American Airlines (American) announced that it again will reduce the number of daily flights serving the local and regional Caribbean island markets. Airline cuts are in response to American’s so called Flight Plan 2020 strategy aimed at eliminating most regional and secondary air hubs to focus efforts on the top five national/domestic hubs, including Miami, New York, Chicago, Dallas and Los Angeles. As a result, American will restructure its local operation, effective April 2011, by reducing American Airlines’ current number of daily flights by six and American Eagle’s by 13—leaving American with approximately 16 daily flights and American Eagle with only 26.

Currently, the local American operation offers 22 American Airlines daily flights, while sister airline American Eagle has 39 daily flights, mostly serving the Caribbean region. American’s announcement comes on the heels of the airline’s 2008 reductions in the number of daily flights from an average of 45 down to the current 22. American’s 2008 operations reductions affected some 500 employees, about 300 of them ground personnel.

“The American Airlines situation was a matter of urgency,” González Lafuente explained. “Flight cuts were originally intended to go into effect this month, putting Puerto Rico in a vulnerable position leading into the next high season starting January 2011. Thanks to efforts made by Governor Fortuño, American agreed to make flight reductions effective next April after the high season is over. Meanwhile, other airlines, like JetBlue and Spirit Airlines, have seen this as an opportunity to increase their daily flights.”

Notwithstanding American Airlines’ cuts, during fiscal year (FY) 2010 (ended June 30), Puerto Rico saw 250 new weekly flights added to its regularly scheduled flights, plus one new airline, Virgin Atlantic, with a route from London’s Gatwick Airport. During that period, JetBlue added the largest number of flights a week with a total of 59, followed by Spirit Airlines, which added 26 weekly flights. Both are considered low-cost carriers.

Overall, EDC and Tourism Co. efforts have helped replace daily flights scheduled to be eliminated by American Airlines and post a 180-flight weekly gain.

One of the most interesting pieces of news, López Díaz said, concerns changes to the island’s airlift for 2011, with a total of seven new daily flights plus two new weekly services from London’s British Airways, scheduled between April and May. New 2011 daily flights include JetBlue’s once-daily service to Jacksonville and twice to Tampa, and Air Tran’s two daily flights to Tampa and two additional daily services to Baltimore.

“It is definitely important to look at the kind of seats we are adding and replacing within the market. When you look at the island’s overall 17,000-room inventory, over 80% are two- and three-star rooms. Only a limited 10% or so are four- or even five-star quality rooms,” López Díaz noted. “So, when replacing the seats American will leave available, we need to make sure we are consistent with what the market has to offer today. Clearly, St. Regis visitors are not going to fly a low-cost carrier to get here, but there is an adequate presence of business and first-class

Maintaining a diversified airline mix servicing Puerto Rico is key to air access sustainability



Source: Puerto Rico Economic Development & Commerce Department

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coverage to meet our existing upper-middle and newly created luxury categories.”

Currently, St. Regis is the only five-star quality hotel on the island with 139 guest rooms. As the luxury category grows with the arrival of the Vanderbilt Hotel in Condado and the Ritz Reserve in Dorado, López Díaz acknowledges airline mix serving the island will be modified to provide access to future high-end visitors.

“However, when it comes to the high-end market, it also is true that many of the travelers who frequent luxury resorts around the world usually travel on their own in privately owned jets or chartered airplanes, not necessarily on commercial airlines,” he added.

GOING EAST

“In the short term it is critically important that we strengthen our airlift to and from the eastern seaboard markets in the mainland U.S.,” Tourism Co.’s González Lafuente emphasized. “That is our main feeder market, and our new marketing efforts are focused on becoming again a top-of-mind destination for U.S. travelers.”

Within Puerto Rico’s existing airlift access, nine airlines provide 63 daily nonstop roundtrip flights to San Juan from 20 U.S. mainland points, five of which are network carriers (American Airlines, Delta, Continental Airlines, United and US Airways) and three low-cost carriers, namely JetBlue, Spirit and Air Tran.

“Part of the new daily flights announced for 2011 will help us achieve a greater presence within the east coast,” López Díaz said, referring to JetBlue’s new daily service to Jacksonville and two daily flights to Tampa as well as Air Tran’s two daily services each to Tampa and Baltimore.

Peter James, president of the St. Regis hotel chain, agrees.

“There is no reason why Puerto Rico can’t be the Hamptons of the Caribbean. It is an easy, hassle-free getaway for most East Coast points, great for weekend leisure travel and business,” he said. “Most importantly, there are not many destinations in the Caribbean and even in



some other regions around the world that can pack so much to do and see in such a unique location and with the great advantages of being a part of the United States. ‘Going East’ is a natural-fit strategy for Puerto Rico.”

López Díaz and González Lafuente concurred that increasing service frequency and capacity in San Juan’s core U.S. markets also will help increase the number of new visitors.

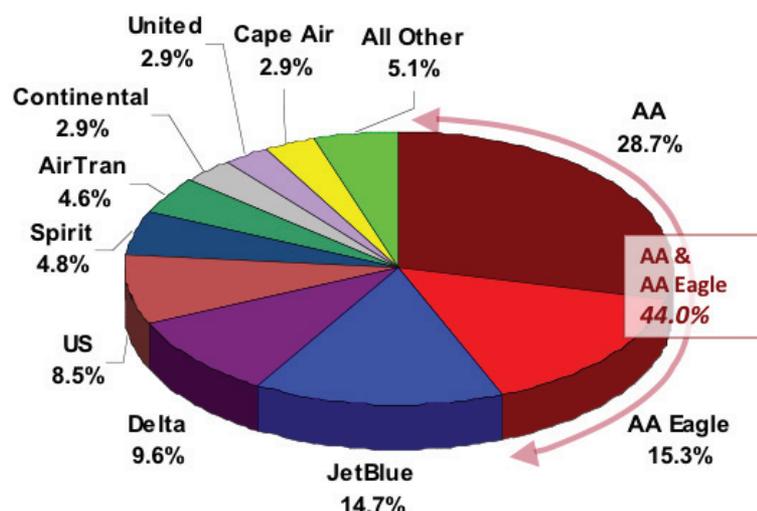
“Looking at other markets, as

we mentioned earlier, adding airlines from México and Colombia are great additions to our Latin American portfolio,” López Díaz said. “Internationally, we are looking at Germany as the third European

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American / AA Eagle are the largest airlines in San Juan providing 44% of the seat capacity, followed by JetBlue with a 15% seat share

Share of San Juan Scheduled Seat Departures



Carrier Category	Share of SJU Seats
Network Carriers	52.5%
Low Cost Carriers	24.2%
Regional Airlines	20.2%
Foreign Jet Airlines	3.1%
Total SJU	100%

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market that has no nonstop service from Puerto Rico, and potentially adding an international airline from that area.”

Also doing his part to increase Puerto Rico's connectivity is Alberto Escudero, executive director of the Puerto Rico Ports Authority (PRPA).

For example, Escudero said, the Ports Authority has participated with the EDC team in negotiations with airlines, which is essential to provide comfort on the operational aspect of the business and to show one common front.

“A special project for the Luis Muñoz Marín [LMMIA] airport is reopening the transit lounge. To improve the airport's odds in achieving this, the Ports Authority has bumped up its security systems. We are giving the public-private partnership development of the LMMIA the utmost consideration and have had a very active participation in the process. Certainly, the great working relationship between the Ports Authority and the Department of Economic Development & Commerce has led

to successful negotiations with airlines,” Escudero added.

SMOOTH SAILING

Despite ups and downs in recent years, the cruiseship sector continues to yield top benefits for the island economy to the tune of \$240 million, while helping support 5,000 jobs. Puerto Rico has a year-round cruiseship market, with high season beginning in November and ending in April.

Industry experts interviewed by CARIBBEAN BUSINESS said that although Puerto Rico's cruiseship industry has matured over time, there is still tremendous room for growth amid the launching of new mega-cruiseliners, the ever-growing popularity of the Caribbean as a leading destination and new groups of travelers making cruising their No. 1 choice for vacationing.

Although relations between the cruiseship industry and the government of Puerto Rico are in smooth waters these days, they are just beginning to yield results after the settling of two pending claims with Royal Caribbean and Carnival that had kept Puerto Rico off some of the

growing number of cruising routes within the Caribbean.

The first was a \$17 million lawsuit filed by Royal Caribbean for money owed them related to the construction of Pier 3. A second claim was lodged against the government by Carnival; both were settled out of court last year.

Another indicator of smoother sailing ahead for the island's cruise industry is that key players—namely the Ports Authority, Royal Caribbean and the EDC—are finally on board regarding the upgrades to Pier 3 needed to allow the next generation of 6,000-passenger cruiseships to dock in Puerto Rico. Chief among those changes, the Port Authority's Escudero is happy to report, is the removal of the public art sculpture on Pier 3 that impeded the new mega-cruiseliners from docking in Puerto Rico.

“And for the first time in four years, thanks to the combination of improved relationships with the cruiseship industry, improvements to the ports area and negotiations with cruise lines, we have seen an increase in homeport passengers by 34%,” said López Díaz, adding that

the forecast for 2011 is to increase transit visits by 13% for the first time in five years.

This means that by 2011, total visits are expected to grow by 8%, the first overall industry increase in five years.

“In addition to the cruiseship passengers who energize our local tourism industry, their extended stay has tremendous economic impact on other sectors, like commerce. Last year, cruiseship provisioning amounted to \$16 million while cruiseship passenger expenditures in San Juan alone had an economic impact of more than \$180 million,” López Díaz said.

While it is true that other Caribbean destinations like St. Maarten, Jamaica and even the Dominican Republic have made great strides in developing homeport facilities, Puerto Rico continues to be the main homeport facility in the region, receiving 1.2 million cruise passengers on a yearly basis. Still, Puerto Rico occupies the eighth position among the top 15 Caribbean itineraries for visiting cruiseships and is fifth among regional ports.

“We do need to keep an eye on the competition,” said González Lafuente, referring to what the small island of St. Maarten has accomplished during the past three years while Puerto Rico has struggled with the cruiseline industry.

“From 500,000 annual cruise passengers, they are already receiving about 1 million, almost the same as Puerto Rico,” the Tourism Co. chief said. “However, no one can argue that Puerto Rico's overall destination offer is the best in the Caribbean. With many of these issues out of the way, I firmly believe that not only will we strengthen our leadership position, but also we will be able to continue growing our cruiseship sector steadily.”

BUSINESS RELATIONS TIGHTEN WITH CRUISESHIP INDUSTRY

Puerto Rico is currently served by 12 cruiselines and is home to six of them, including Royal Caribbean, Princess Cruises, Silversea, Carnival, Celebrity Cruises and SeaDream.

Growing the cruise market is decidedly an integrated effort, Pérez-Riera noted.

“One area in which the EDC, the

Cruise market has a significant economic impact on Puerto Rico

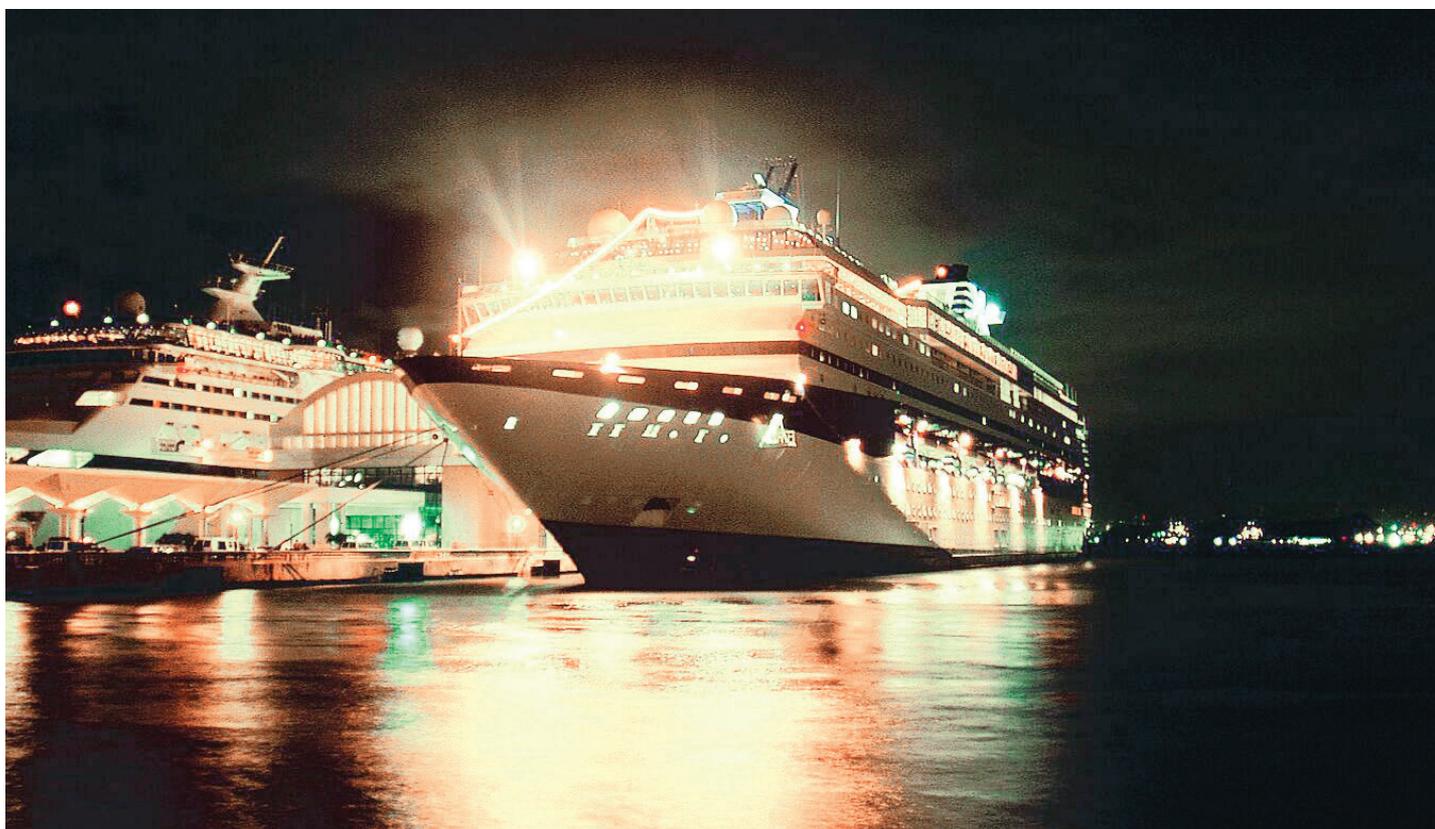
Total Impact for FY 2009

	Total FY 09 Impact	Average expenditure per person
Transit Passengers	\$54.1M	\$69.74
Homeport Passengers	\$64.7M	\$159.33
Crew	\$29.2M	\$138.63
Cruise Lines	\$34.2M	
Employees	\$63.2M	
Total	\$245.4M	

Other Facts:

- 37% of homeport passengers have pre/post stays of an average of 1.7 nights
- 43% of crew disembarks in Puerto Rico
- Puerto Rico has the second-highest level of cruise lines expenditures

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Tourism Co. and the Ports Authority are working in great synergy to recoup our leadership position in [the cruise market],” the EDC secretary said. “But it has to be done with a macroeconomic development vision, one that understands how cruiseship activity fits in with other economic sectors from tourism and local commerce, and even how it impacts our local ports operations.”

López Díaz is counting on a five-point development strategy to give the local cruiseship industry a solid departure. The strategy starts with improving air access, based on the additional airlines and daily flights currently in the pipeline, coupled with pre- and post-offers to extend visitor stays—and thereby expanding the overall economic impact on the local economy.

Improved overall passenger experience is a major area of importance for cruiselines, contends Michele Paige, president of the Florida Caribbean Cruise Association (FCCA).

Paige explains that in addition to the island’s already successful cruiseship incentives in place, the overall

on-land experience can be improved by introducing new tours and new area attractions, and by expanding the tour offer beyond the traditional surfing, El Yunque and Old San Juan souvenir-shopping alternatives.

“From an operational standpoint,

we are working to make our verification and custom-clearance process quicker for easier access to the market,” Ports executive director Escudero explained.

Product enhancement will be greatly facilitated when revisions to

the new incentives law are approved. Law 99 of 2008, also known as the Puerto Rico Special Incentives Fund for Cruise Ships Law, which established amendments to the original Law 76 of 2005, will expire at the end of June 2011.

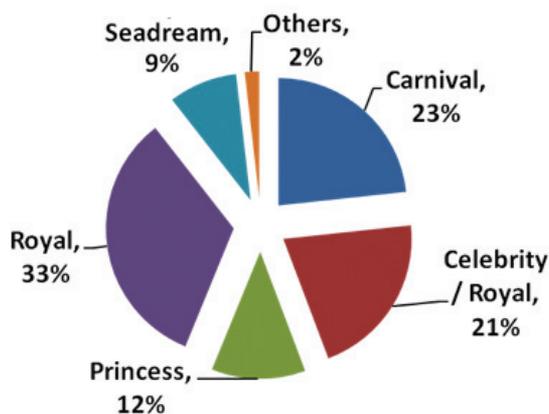
Raúl Candelario, executive director of the commonwealth House Treasury Committee, added: “Interestingly, during our recent meeting with government and industry representatives, we learned that our current incentives are not only competitive when compared to other Caribbean markets, but also that our cruiseship incentives law is being used by cruiseship companies as a model when they do business with other destinations. Most importantly, however, we learned that offering cruiseship companies more financial incentives doesn’t necessarily guarantee they will bring more cruiseships to Puerto Rico. Instead, there are factors and considerations inherent in the way the cruiseship industry operates that dictate what these companies are looking for above and beyond financial incentives.”

“Indeed, we are in conversations with the key members of the cruiseship industry and working jointly with the Treasury Committee of the Puerto Rico House of Representatives to ensure our cruiseship incentives

Puerto Rico Cruise Lines Market Share

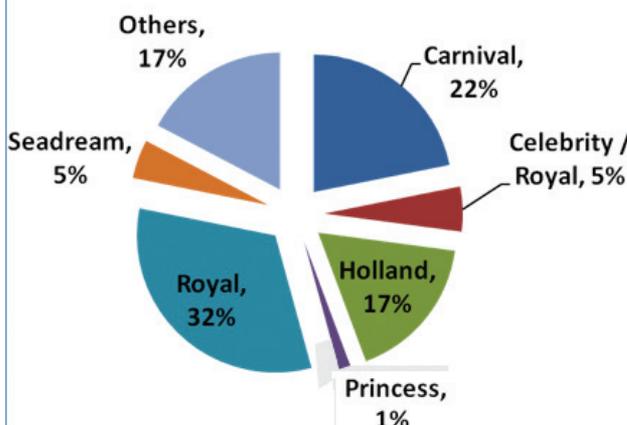
Homeport Market Share

- Royal currently dominates the homeport San Juan market



Transit Market Share

- Royal currently dominates the transit market share



Delivering the best air and cruiseship industry incentives

BY FRANCES RYAN
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Puerto Rico's air and maritime incentives program is one of the main tools that help the local tourism industry remain competitive as the leading destination within the Caribbean.

"The main goal of the airline incentives program is to promote the creation of new air routes as a means to stimulate economic growth. New airline routes yield economic impact both through the expenditures of those airlines in the local economy as well as the economic activity generated by new visitors," explained Mario González Lafuente, executive director of the Puerto Rico Tourism Co., which—by law—oversees the approval and disbursement of both airline and cruiseship industry incentives. As this week's front-page story details, the assignment of these incentives is the result of a combination of efforts from the Economic Development & Commerce Department and the Puerto Rico Ports Authority.

Incentives are available for carriers with scheduled or charter flights that need financial support during the launching of their new airline operation on the island.

New airline services are evaluated on a case-by-case basis to ensure they meet program criteria and are on par with the government's strategic development initiatives. Values of incentive packages vary according to several factors, including flight frequency and type of aircraft equipment. Currently, local airline-incentive packages include the following main four components:

- Discounts on operation costs and airport taxes—reimbursement of 50% of airport landing fees and applicable terminal fees for the period of one year.
- Reimbursement of applicable start-up costs—the Puerto Rico Tourism Co. will reimburse airlines for startup costs of up to \$50,000 associated with setting up operations



at one of the main airports in Puerto Rico. Related set-up costs considered for reimbursement include airport signage, lease-hold improvements and connecting into the terminal.

- Co-op marketing—through a 50% reimbursement fund, the Puerto Rico Tourism Co. matches a new airline's investment in promoting the new flight services to Puerto Rico. Marketing co-op funds are available to new airlines for one year only, with amounts varying based on market target (\$5 on average for each inbound seat from U.S. markets, and \$10 per inbound seat for international services).
- Income guarantee—the Puerto Rico government will guarantee the new airline a specific income level or a "break even" income on the new route for a period of six months to a year from the start-up date. The specific income level on which the guarantee is based is negotiated individually with each new airline.

"In addition to new airline incentives, the Tourism Co. also has co-op marketing funds available to stimulate growth and diversification of existing flights and routes," González Lafuente said. "These are applicable to, or give priority to, existing routes or flights to and from hubs within Puerto Rico's core target markets.

"These marketing incentive efforts are based on \$1 per inbound seat on nonstop flights with an incentive ceiling of \$700,000 and during a 12-month period," González Lafuente noted, adding that the total amount of the incentive will be distributed 80% outside of Puerto Rico within the mainland U.S., Canada, Europe, Latin America and the Caribbean. The remaining 20% will be allocated to stimulate growth of outbound flights and to meet export trade.

Airlines that qualify for co-op marketing funds must agree to invest 20% of the funds in airline tickets, integrated marketing efforts and other co-branding initiatives by matching funds of their own.

"The government of Puerto Rico periodically reviews the use of incentives by recipient airlines as well as identifies, on an ongoing basis, the needs of new underserved markets," González Lafuente said. "Companies that reach their \$700,000 incentive limit and have added a new flight to or from a gateway of an underserved market will receive an additional \$1.50 per inbound seat for that particular market," he added.

RATED THE BEST INDUSTRY INCENTIVES

Soon to expire, the island's cruiseship incentives law has not only

proven effective to spur growth within this important tourism industry segment, but it has also become the standard incentives model for the Caribbean.

"Law 76 specifically establishes a fund, separate from other public funds, to promote the island's cruiseship industry," González Lafuente explained. "Since 2005, the fund has operated with \$5 million from the Tourism Co., plus another \$4 million from the General Fund."

Some of the existing cruiseship industry incentives include:

- Destination incentive—whereby the Tourism Co. contributes \$2.95 for each passenger who arrives at the San Juan port and who pays a full M-1-6 fare of \$13.25. If the fare is reduced, the incentive to the cruiseship company will be reduced accordingly.
- Frequent visit or homeport incentive—another \$1 is reimbursed per passenger to cruiseship companies that use the San Juan port as their homeport facility. The company must use the port at least 20 days during a six-month period.
- Transit incentive—cruiseship companies also receive an incentive of 85 cents per passenger traveling on transit cruises spending at least eight hours in the San Juan port during their scheduled visit.
- Volume incentive—designed to increase the volume of passengers cruiseship companies bring to the San Juan port, this incentive gives companies \$2 per passenger when their total number of passengers to Puerto Rico is between 10,000 and 139,999. From 140,000 and up, the incentive, at \$4.50 per passenger, is substantially more attractive.
- Provisioning incentive—cruiseships docked at the San Juan port receive a 10% reimbursement for the total cost of their provisioning expenses while in San Juan. An additional 5% reimbursement is given when buying local produce from the certified list of products approved by the Puerto Rico Department of Agriculture. ■

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law continues to serve as an important tool to stimulate the growth and diversification of this important tourism industry segment," González Lafuente concluded. "As facilitators of this process, we are continuously looking for ways to reduce bureaucracy and diversify our market offer in staying ahead of cruiseship industry changes."

For example, we are considering the possibility of making some of these incentive payments directly through the Ports Authority without having to use the Tourism Co. as a clearinghouse for the distribution of these incentives. This will greatly expedite the disbursement of these incentives," he said.

New attractions already identified for cruise passengers include Toro Verde in Orocovis, featuring the world's second-longest zip-line outdoor attraction, San Juan's Museum of Wildlife and Punto Verde theme park. The latter is in keeping with one of the most notable cruiseship

industry trends: the number of children cruising in the region totaled one million last year.

In addition to new excursions, the San Juan Waterfront redevelopment, or the new Bahía Urbana, is a 15-year, \$1.5 billion waterfront initiative that will develop the San Juan ports area from Pier 3 to the Convention Center District. In addition to Bahía Urbana is San Juan municipal government's own waterfront initiative, which will pump another \$1.5 billion into the area and will kick off with the installation of San Juan's new light-rail train, considered by city officials to be the backbone of the San Juan waterfront transformation (CB Nov. 18, 2010).

"Strategic alliances in this industry are crucial," López Díaz added, referring to one of the key points in the five-point strategy. "We are working on joint marketing initiatives with other Caribbean islands to share resources and most importantly to develop two-destination packages that result in an increased number of visitors. By having joint offers

or special Caribbean deals, not only will Puerto Rico benefit, but we also can contribute to keeping passengers coming to the region.

"Our partnership with the Florida Caribbean Cruise Association (FCCA) is already paying off and continuing to expand individual relationships with cruise companies through programs that include on-board marketing efforts to promote homeport visits and extend passengers' length of stay."

In fact, Puerto Rico will host the FCCA's annual convention next year.

NEW CRUISES ON THE HORIZON

In the end, the idea of a robust cruiseship industry and ports infrastructure is to attract new cruiseships and the next generation of exciting mega-cruiseliners, González Lafuente said.

New cruises visiting Puerto Rico this fiscal year include:

- **Celebrity Eclipse** (Celebrity Cruises)—inaugurated in April with capacity for 2,850 passengers.



- **Ms. Nieuw Amsterdam** (Holland American Line)—inaugurated during the summer with capacity for 2,106 passengers.
- **MSC Magnifica** (MSC Cruises)—inaugurated in March with capacity for 2,518.
- **Silversea Silver Spirit**—inaugurated in early 2010 with capacity for 540 passengers.

In addition, there are three possible targets including Cunard, Disney Cruise Line and Aida Cruises. Other short-term goals on López Díaz's agenda include increasing the number of Carnival homeport vessels, to work with Holland America Line to increase transit calls on nearby islands and increase Vieques and Culebra visits.

"These new lines are a part of our forward-looking targets. In addition, we have made a great deal of progress to include Puerto Rico in the Oasis of the Seas and Allure of the Seas [the world's largest and second-largest cruiseships in the world to date] itineraries. These represent the new generation of 6,000-passenger cruiseships that Puerto Rico needs to move to the next level in homeporting," López Díaz said. "Ideally, we could see an increase in homeport vessels, rerouting from México cruises, and finalizing of ports infrastructure development in the ports area [Bahía Urbana] through public-private partnerships." ■

Cruise market shows an increasing trend

New cruises visiting Puerto Rico this fiscal year

Celebrity **X** Cruises

- **Celebrity Eclipse:** inaugurated in April with capacity for 2,850 passengers

Holland America Line
A Signature of Excellence

- **Ms Nieuw Amsterdam:** inaugurated in the summer with capacity for 2,106

MSC Cruises
Discovered. Delivered. Done.

- **MSC Magnifica:** inaugurated in March with capacity for 2,518

SILVERSEA

- **Silversea Silver Spirit:** inaugurated early 2010 with capacity for 540 passengers