



IATA lowers air passenger forecast for long-term demand to 2034

The International Air Transport Association (IATA) has updated its passenger growth forecast, lowering its estimate of passenger numbers to 7 billion by 2034. Previously, IATA forecast 7.4 billion passengers in 2034 based on a 4.1% average annual growth rate. The revised result reflects negative developments in the global economy that are expected to dampen demand for air transport, especially slower economic growth projections for China.

Despite the lower forecast, the 7 billion passenger forecast represents a 3.8% average annual growth in demand (2014 baseline year). That is more than double the 3.3 billion who flew in 2014 and exactly twice as many as the 3.5 billion expected in 2015.

"Economic and political events over the last year have impacted

some of the fundamentals for growth. As a result, we expect some 400 million fewer people to be traveling in 2034 than we did at this time last year," said Tony Tyler, IATA's Director General and CEO.

"Air transport is a critical part of the global economy. The economic impact of 400 million fewer travelers is significant," he added.

IATA reports that the five fastest-increasing markets in terms of additional passengers per year over the forecast period will be China (758m new passengers for a total of 1.196 billion), the US (523m new passengers for a total of 1.156 billion), India (275m new passengers for a total of 378m, Indonesia (132m new passengers for a total of 219m) and Brazil (104m new passengers for a total of 202m).

Seven of the ten fastest-growing markets in percentage terms will be in Africa. These are expected to grow by 7-8% each year on average over the next 20 years, doubling in size each decade. The top ten will be: Malawi, Rwanda, Sierra Leone, Central African Republic, Serbia, Tanzania, Uganda, Papua New Guinea, Ethiopia and Vietnam.

In terms of routes, Asian, South American and African destinations will see the fastest growth, reflecting economic and demographic growth in those markets. Indonesia-East Timor will be the fastest growing route, at 13.9%, followed by India-Hong Kong (10.4%), Within Honduras (10.3%), Within Pakistan (9.9%) and UAE-Ethiopia (9.5%).

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One on One with FDFA Executive Director Laurie Karson Will Canada's new government help the land border duty free business?

Canada's new Prime Minister Justin Trudeau took office on Nov. 3, just days before the Frontier Duty Free Association held its milestone 30th anniversary convention in Vancouver, B.C.

Trudeau, the second youngest prime minister in Canadian history and the son of the late Pierre Trudeau, who served as prime minister from 1968 - 1979, and again from 1980 - 1984, is a Liberal who won a landslide victory after nearly a decade of Conservative rule. He promises big changes and has already made his mark by naming a new Cabinet made up equally of 15 men and 15 women.

"Prime Minister Justin Trudeau is pro small business so that should help the land border duty free business," explained FDFA Executive Director Laurie Karson during the Convention, which took place Nov. 15-19. "In addition, Trudeau has made the Minister for Small Business and Tourism, who previously reported into a higher level cabinet position, a full-fledged minister for the first time. So now our Minister has a set budget, and does not have to get approvals from other departments in order to do something. The new ministry will have much more direct decision-making powers."

Conversely, the FDFA had worked very closely with many in the former Conservative government. "Conservative members of Congress represented about 80% of the locations where our member stores are located, so we had really been supporting conservative members of government, both locally and in specially targeted government relations. We had to deal with a lot of bureaucracy and many layers of government. The new government claims to be different, promising to be completely transparent, and much more equitable," she explained.

But the reality is that the Association will almost be starting its government relations activities from scratch, says Karson.

"We now have 200 new ministers that we need to educate about travel retail. We are working with Temple Scott and Associates, a lobbying organization with strong liberal connections. The challenge right now is that the administration still has to make a motion to commence government at this point. They are identifying all the chiefs of staff, and the strong decision-making bureaucrats that we have to make our arguments to alongside the members of parliament."

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Brown-Forman announces executive changes

Tony McIver, who has represented spirits company **Brown-Forman** in the Middle East for the past 20 years, has announced his retirement, as of June 30, 2016.

McIver will be replaced by **Robinson Brown IV**, currently B-F's North American Region Territory Manager for Florida. Brown will begin his new duties in Dubai March 31, 2016.

McIver built Brown-Forman's Middle East presence from a one-person operation in Dubai, and was a driving force behind the creation of the world's first Jack Daniel's Bar & Grill in the Dubai Airport. "I want to personally thank Tony for his years of friendship and patient mentoring. He is a true friend and gentleman," commented Jim Perry, B-F SVP and managing director for IMEA & CCSA.

In his role as Territory Director, Robinson Brown will oversee Brown-Forman's business in India, the Middle East and North Africa.

In more B-F news, **Tim Young** has been named Marketing Director for India, Middle East, Africa, Caribbean, Central and South America region, adding the Caribbean, Central and South America (CCSA) to his previous responsibilities for the India, Middle East, and Africa (IMEA).

The CCSA region's marketing function was formerly managed by **Matias Bentel** who now becomes Brown-Forman Country Manager for Mexico. Young and Bentel's new roles are effective January 1, 2016.



Left: Robinson Brown IV;
Right: Tim Young

IATA lowers long-term air passenger forecast

Divergence among the BRIC nations

A sizable gulf has opened up between the performance of air passenger markets in the BRIC economies (Brazil, Russia, India and China). China and India are growing fast, with annual growth this year-to-date of 12.5% and 16.5% respectively.

India has bounced back from a subdued 2014, and is seeing a strong increase in domestic frequencies. China's growth rate has moderated, but it is still on course to add an additional 230 million passenger journeys between 2014 and 2019. This is more than double the other three BRIC nations put together.

Brazil and Russia, by contrast, are struggling. Falling oil and other commodity prices are partly to blame. Economic sanctions have also affected the Russian economy.

It is notable that airlines in Brazil pay some of the highest fuel charges in the world; bringing the country's fuel policy in line with global standards

would certainly be a boost for air transport, says IATA.

Trends in the 10 largest air passenger markets

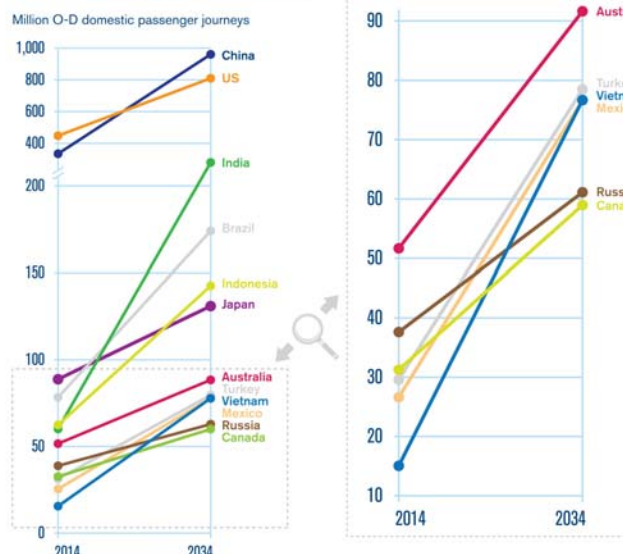
China is expected to overtake the United States as the world's largest passenger market (defined by traffic to, from and within) by 2029. In 2034 China will account for some 1.19 billion passengers, 758m more than 2014 with an average annual growth rate of 5.2%.

Traffic to, from and within the US is expected to grow at an average annual growth rate of 3.1% that will result in 1.16 billion passengers by 2034 (52m more than 2014).

India will displace the United Kingdom as the third-largest market in 2026, with Indonesia rising to number 5 in the world.

Japan, Spain, Germany and France fall relative to their competitors, Italy falls out of the top 10, and Brazil moves from 10th place to 7th.

Major Domestic Markets



IATA: Long-term regional growth highlights

Routes to, from and within Asia-Pacific will see an extra 1.8 billion annual passengers by 2034, for an overall market size of 2.9 billion. In relative terms it will increase its size compared to other regions to 42% of global passenger traffic, and its annual average growth rate, 4.9%, will be the joint-highest with the Middle East.

The **North American** region will grow by 3.3% annually and in 2034 will carry a total of 1.4 billion passengers, an additional 649 million passengers a year.

Europe will have the slowest growth rate, 2.7%, but will still handle an additional 591 million passengers a year. The total market will be 1.4 billion passengers.

Latin American markets will grow by 4.7%, serving a total of 605 million passengers, an additional 363 million passengers annually compared to today.

The Middle East will grow strongly (4.9%) and will see an extra 237 million passengers a year on routes to, from and within the region by 2034. The UAE, Qatar and Saudi Arabia will all enjoy strong growth of 5.6%, 4.8%, and 4.6% respectively. The total market size will be 383 million passengers.

Africa will grow by 4.7%. By 2034 it will see an extra 177 million passengers a year for a total market of 294 million passengers.





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SPOTLIGHT ON CANADA

TRAVEL MARKETS INSIDER

FDFA interview: Will Canada's new government help the land border duty free business?

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Karson continues: "Our number one priority, because this is a government that we haven't dealt with in the past, or certainly in a very long time, is to educate the new administration about who we are, and remind them how important to the overall economy our industry is. We have to let them know what they need to do to make us more effective."

Karson says that the FDFA is looking to bring its government relations team and board members to Canada's capital city of Ottawa to begin lobbying activities as early as January.

"Education is key. I am hoping we can meet with some of the members of Parliament, and maybe have a dinner with key decision-makers. Our ROAD Trip program* gives us a specific issue to call them about. We are working with the National Chambers of Commerce, and that will open a lot of doors for us. During its AGM in October, the C of C presented the Government of Canada with recommended programs they want to

see in the budget, and ROAD Trip was one of the recommendations. Many of the border communities favor ROAD Trip as a way to bring in Americans as tourists, now more than ever. Of 57 resolutions put forward, only two were unanimously voted through, and ROAD Trip was one of the two. So the C of C is submitting ROAD Trip as a budget choice under the taxation section. This is one way to better engage our representatives."

Even though the date of the 2016 budget submission has not yet been announced, Karson says that the Association must be ready to "hit the ground running," to work to have ROAD Trip approved for funding in the coming year.

In related news, Michael Resch of DFS Ventures (Emerson Duty Free Shop in Manitoba) will be inducted into the Tourism Hall of Fame by the Travel Industry Association of Canada (TIAC) at an award luncheon on Dec. 4. He will receive the award from the new Minister of Small Business and Tourism in front of 350 of the top

tourism stakeholders.

"Michael will have a chance to discuss all sorts of issues with the new minister -- a brilliant young lady named Bardish Chagger -- and provide great public relations for our industry. This will be a great introduction for her to duty free. By the way, Michael so deserves this award. I don't know anyone who has accomplished more," says Karson.

Exchange rate favors Canada

The current Canadian exchange rate, which has averaged about C\$1.33 to the US dollar over the past several months, is seen as a strong boon for American tourism to Canada, says Karson.

"For two months in the summer, July and August, the land border duty free shops reported sales up by +17% and +23%, respectively, month over month. The exchange rate is not going to change anytime soon, and especially if we get ROAD Trip passed, we anticipate stronger sales growth with more U.S. customer traffic. I hope we

will see the Americans back and spending money," said Karson.

CBSA

In other FDFA business for 2016, the Association will be working on some projects with Canada Border Services Agency (CBSA). Director General Brent McRoberts and Shawn Riel, Manager of Assessment and Licensing, who have oversight of Canada's land border duty free industry, presented an overview of the industry at the FDFA Operator's Meeting. FDFA recently conducted a survey asking its operator members to identify administrative areas they would like to see amended to improve business and store efficiencies.

"Our members would like to see more automation and modernization of the administration. Brent and Shawn are very forward thinking government officials with a keen knowledge of our industry. As a result, we are very pleased to announce that FDFA is forming a collaborative working group in

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** Road Trip (Travel Rebate Incentive Program) is a three-year pilot program developed by the FDFA to help incentivize U.S. tourism visits and related spending in Canada by allowing U.S. travelers to have their 5% tax rebates processed on the spot at Canadian land border duty free stores. As part of the program, travelers would have been encouraged to "Take 5" and consider making a final purchase with their rebate before returning to the U.S.*

FDFA 2015 Gold Standard Awards

BEST MARKETING AWARD – Peace Bridge Duty Free

NEW IDEA AWARD – Peace Bridge Duty Free

NATIONAL BRAND INTEGRATION AWARD – DFS Ventures (Emerson Duty Free Shop)

SUPPLIER OF THE YEAR 2015 – SMALL SUPPLIER - Michel Germain Parfums Ltd.

SUPPLIER OF THE YEAR 2015 – LARGE SUPPLIER - Turkey Hill Sugarbush Ltd

DUTY FREE DISTRIBUTOR/AGENT OF THE YEAR 2015 - Distribution Fontaine Inc.

BEST CANADIAN AIRPORT DUTY FREE COMPANY 2015 - The Nuance Group (Canada) Inc.

PLATINUM AWARD – CATEGORY A - Boutique Hors Taxes de la Beauce

PLATINUM AWARD – CATEGORY B - Queenston-Lewiston Duty Free

BEST SPECIALTY PRODUCT: Jewellery, Watches, Handbags, and Accessories - Mouflon Essential – Feathers Collection (Joanel - Bugatti Group)

BEST SPECIALTY PRODUCT: Confectionery, Food and Souvenirs - Maple Cream Cookies (Turkey Hill Sugarbush Ltd.)

BEST NEW FRAGRANCE/COSMETIC PRODUCT - Gucci Bamboo (Distribution Fontaine Inc.)

BEST NEW SPIRITS/TOBACCO/BEER/PRODUCT - Glen Deveron Single Malt (Bacardi)



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Valrhona enters Americas travel retail through DFA in time for the holidays



French premium chocolate brand Valrhona will be debuting in the Americas travel retail with DFA for the 2015 holiday season. The brand has been present in travel retail for fifteen years, with a strong presence in Europe and a growing footprint in the Middle East and Asia. But the launch with DFA marks its first foray into the travel retail market in this region, and Valrhona is looking to make a splash with the 2015 Christmas Collection limited edition featuring Grand Cru ganaches in Christian Lacroix haute couture packaging. The Americas debut will take place at JF Kennedy, Washington Dulles International, Dallas-Ft. Worth International, Miami, and Hartsfield-Jackson Atlanta International airports.

Known as “the source of great chocolate” by culinary experts throughout the world, Valrhona has been standing out from the confectionery crowd since pastry chef Alberic Guironnet created the brand in the Rhône valley in 1922. Using sustainable, bean-to-bar production from the company’s cocoa plantations in Venezuela and the Dominican Republic, Valrhona chocolate is recognized for its unique flavor profiles and complex cocoa combinations. World-famous chocolatiers and chefs favor Valrhona as a culinary brand, a reputation enhanced through the

specialized training offered at its Ecole du Grand Chocolat cooking school.

But Valrhona’s reputation stretches far beyond the culinary world. For the coming year in the Americas, Valrhona plans to appoint a Miami-based US area manager. This position will dramatically improve the way in which the company communicates, and Valrhona’s multibrand strategy will offer customers a wider product range.

The company plans to launch three additional brands in travel retail along with Valrhona: French brand Mademoiselle de’ Margaux; Swiss brand Villars; and the newest acquisition, the French brand Weiss. Each brand will offer a unique chocolate perspective that will not compete directly with the other brands.

Valrhona will also feature two travel retail bestsellers for the 2016 Chinese New Year. Available for customers throughout the globe starting January 1, 2016, the 260g Grands Crus Découverte collection of 52 Squares of 4 dark & milk chocolate and the 250g Almonds & Hazelnuts covered in dark & milk chocolates will feature bright and elegant packaging celebrating the Year of the Monkey. With over 100 million Chinese travelers, Valrhona’s holiday offerings are strategically designed to tap into the gifting culture.

Lara Pasternak



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in 2016 to develop mutual recommendations to improve our industry for the future,” said Karson.

New Offices/Professional Summit

FDFA is also moving to more spacious, efficient offices in December, although it is staying in the same building on Lisgar Street in Ottawa. The Association has been renting space from TIAC, the Tourism Industry Association of Canada, since they share so many tourism issues in common. FDFA will continue to share information and activities with TIAC, says Karson.

The 2016 FDFA Business & Professional Development Summit will take place in Las Vegas, on March 2, 2016.

“The Summit will be attached to the end of the AFC Show (Jewelry/Gift) which a lot of the operators attend. We will hold a team building event and a day of meetings. We haven’t established the agenda yet, but we expect to hold an open dialog on core issues like liquor, tobacco, cosmetics, and ROAD Trip. We will have more details closer to the event,” says Karson.

Employee certification program

The FDFA is now finalizing the pilot program it developed in part-

nership with the Retail Council of Canada. The pilot program served 37 employees from 11 stores, and several employees have already signed up for the full program.

“The employees go online, study the online modules, and then take the exam. We are using feedback from the pilot to fine tune the program before we go live. I would recommend it to every new hire. Our industry is complicated-Canadian Customs, U.S. Customs, border information, general product information, this covers a lot of that. It is a good user-friendly tool, and especially valuable since some of our stores don’t have formal trainings,” says Karson.

The idea of the certification program is to add a new module every year, creating a library of training modules. For 2016, the new module may focus on liquor, says Karson.

“We are there to increase sales and this training will do that. Having knowledge will make an employee more confident. There are no negatives to training an employee,” she noted.

In closing, Karson gave special thanks to Allison Boucher, and the whole team, who did an excellent job of organizing the FDFA Vancouver Convention.

Lois Pasternak



Left: Chris Foster and Dave Court of Platinum Award winning Queenston-Lewiston Duty Free with FDFA Executive Director Laurie Karson. Top left: Michael Resch, DFS Ventures, is to be inducted into Canada’s Tourism Hall of Fame; Above right: Jim Pearce, Bonne Gates and Sandy Rienzo of Peace Bridge Duty Free, winner of the FDFA’s 2015 Marketing and New Idea awards.