



Travel execs react cautiously to Obama's surprise opening to Cuba

A Travel Markets Insider Special Report

First, the good news: if you're a U.S. citizen who's already licensed to travel to Cuba, you may now come back to the United States with \$400 worth of Cuban goods, including \$100 worth of duty free rum and cigars. The bad news: it may still be awhile before the rest of us can legally visit this forbidden island only 90 miles from Florida's shores.

On Wednesday, President Obama announced in a live TV address that he would seek to end half a century of U.S. hostility toward Cuba. That declaration — which includes the establishment of full diplomatic relations with the Castro regime — followed the long-sought release of jailed U.S. contractor Alan Gross from a Cuban prison, as well as the return of three convicted Cuban spies back to the island.

Yesterday morning, as shipping executive Jay Brickman was leaving for Miami International Airport for his 50-minute charter flight to Havana, he had no clue the earth was about to shake under his feet.

But by the time Brickman had boarded his plane, the whole world knew.

"I had planned this trip before, so this makes it even more productive once we're there," said Brickman, vice-president of Jacksonville-based Crowley Liner Services, which earlier this year became the first customer at Cuba's nearly \$1 billion megaport at Mariel, along the island's north coast just west of Havana.

"The reason for switching container traffic from Havana to Mariel was to make Havana a more attractive cruise ship port,"

said Brickman. "If the U.S. government says it's OK for cruise ships to go directly from U.S. ports to Cuba, obviously that will have a significant impact on the industry. The question is, are the Cubans ready to receive more cruise ships, and if so, how many more? And what are they going to want in their negotiations for letting the cruise ships in?"

These are the types of questions everyone in the airline and cruise ship industry suddenly wants answers to.

One such executive is John Tercek, VP of commercial development at Royal Caribbean Cruises. He called Obama's new policy definitely a step in the right direction.

"These are nice words, but I don't see any immediate impact until a number of pieces fall into place," he told *Travel Markets Insider*.

"The president has gradually liberalized travel and made small, incremental steps, and maybe this will lead to something bigger. But I don't see anything happening overnight."

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Story and photos by Larry Luxner
Below: Havana panarama*

Duty Free Americas wins its first airport duty free concession in Brazil

Duty Free Americas has been awarded a 10-year contract to operate the duty free concession at Afonso Pena International Airport in Curitiba, Brazil.

The contract will commence in February 2015.

Initially, the retail space will consist of approximately 2,320 square feet in the arrivals terminal and approximately 400 square feet in the departures terminal. Both spaces are expected to double in size when the redevelopment project at the Airport is completed in 2016, says DFA.

The airport handles approximately 60,000 flights annually.

Curitiba is the largest city in the Brazilian state of Paraná and the eighth most populous city in the country, with a population of over 3.2 million in the metropoli-

tan area.

Declared the greenest/eco-friendly city in the world in 2013, Curitiba is also the fourth richest city in Brazil, after only São Paulo, Rio de Janeiro, and the capital Brasilia.

Jerome Falic, Chief Executive Officer of Duty Free Americas, comments: "We are excited to expand our airport business to a new country, which reinforces our ambitions to further develop our brand on an international level. This venture will provide us with a solid platform to grow our business both in Brazil and other countries in the region.

"We are extremely pleased to partner with Afonso Pena International Airport to build an outstanding shopping experience that will set a new standard of airport retail in Brazil.

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JUUL-MORTENSEN RE-ELECTED PRESIDENT TFWA

Erik Juul-Mortensen has been re-elected unanimously to the presidency of TFWA — the Tax Free World Association— for a 16th term.

The election took place at a meeting of the TFWA Management Committee on December 12 in Barcelona, at which the executive team presented a review of the year.

Juul-Mortensen has been a member of the TFWA Management Committee since the Association was founded in 1984. He was elected to the Board in 1986, serving as vice president marketing & communication for ten years with a further year as vp special projects. He was elected president in September 1999.

TFWA reports that 2014 has been another very successful year for the trade association, which provides exhibitions, conferences, research and support to the global duty free and travel retail industry.

The 2015 TFWA event agenda:

TFWA China's Century Conference – Shanghai, 10-12 March 2015
TFWA Asia Pacific Exhibition & Conference – Singapore, 10-14 May 2015
TFWA World Exhibition & Conference – Cannes, 18-23 October 2015
MEADFA Conference – Jordan, November 2015

Further details of TFWA events can be found at www.tfwa.com.





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Carnival Cruise Lines is not even commenting on the development yet, with a spokesman telling *TMI* that the changes must first be approved by Congress.

Michele Paige, president of the Florida-Caribbean Cruise Association, said she hopes Obama's predictions will eventually be converted into concrete action resulting in more Americans traveling to Cuba.

"Basically, none of the restrictions have been lifted. It would be phenomenal to go to Cuba, and there's a lot of pent-up demand, but Congress would have to approve it," she said. "Under the law, any ship that does business in the U.S. cannot call on Cuba — and until that is changed, it's kind of a moot point."

Paige, whose FCCA is a nonprofit group representing 15 member lines that operate more than 100 cruise vessels in Floridian, Caribbean and Latin American waters, said the average cruise ship holds 3,000 passengers and injects \$500,000 into the local economy per port call.

"Cruise tourism requires the least amount of infrastructure," she said. "It's perfect for Cuba. They don't need hotels, they just need to move people."

But what's good news for one Caribbean island may not be so good for others.

"Destinations that provide a satisfactory experience for passengers and are doing a good job have nothing to worry about. It's the destinations that are having problems that need to worry," Paige said, adding that she'd be particularly concerned with the Bahamas and Jamaica — both of which are, like Cuba, relatively close to the U.S. mainland, and both of which have reported a rising incidence of violent crime against cruise passengers in recent years. "We've said continually that they have to be cognizant of the fact that when Cuba opens up, there will be competition."

Clarisa Jiménez, CEO of the Puerto Rico Hotel & Tourism Association, does not seem especially distraught about the prospect of hordes of American tourists crowding the streets of Old Havana — a city that shares a common history with San Juan.

"It would certainly be a novelty, and the novelty has its attractions, although this applies more to the United States because Cuba was already open to the world," said Jiménez. "We have to compete with everyone, not only with Cuba. This is a great time to reinforce marketing plans and be more pro-active in

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Foreign tourists enjoy the colonial architecture of Old Havana. Photo: Larry Luxner



Preserved in time: A vintage early 1950s Chevrolet in Havana's Vedado neighborhood. Photo: Larry Luxner

DFA wins first airport contract in Brazil

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"We look forward to the opportunity to be able to serve the more than two million tourists who visit each year," Falic adds.

Antonio Pallu, Superintendente of Afonso Pena International Airport, welcomes Duty Free Americas to its first airport in Brazil: "We are working hard to offer an improved travel experience to our customers at Afonso Pena International Airport," he says.

"The concepts that are being developed by Duty Free Americas for the airport will positively impact on that experience."

DFA has operations throughout North, South and Central America, as well as in Israel and Macao.

Dufry extends duration of call/put option in Brazil

In other Brazil airport news, Dufry announced that it has signed an extension until February 2015 on the call/put option to buy 20% of the equity of Dufry Lojas Francas (DLF) in Brazil. DLF is Dufry's operating entity for new duty free businesses in Brazil, which includes the duty free operations at Guarulhos airport in Sao Paulo.



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Carnival Cruise Lines taps CLIA's Christine Duffy as president

Carnival Corporation & plc. has named Christine Duffy as president of its 24-ship Carnival Cruise Line brand, the first woman to hold the position.

Duffy, who is currently president and CEO of Cruise Lines International Association (CLIA), will assume the role on Feb. 1, reporting to Arnold Donald, CEO of Carnival Corporation & plc.



The respected cruise industry executive replaces Gerry Cahill, who retired last month after 20 years with the company. “[Duffy] brings a wealth of experience to Carnival Cruise Line that will help the cruise

line continue to deliver unmatched vacation experiences to millions of guests each year,” said Donald in a statement.

Duffy has more than 30 years of

experience in the travel industry and started her career as a travel agent in Philadelphia.

As CEO of leading cruise industry trade association CLIA, she led many advancements including the globalization of cruise industry associations around the world to create a unified voice promoting cruising to key stakeholders from policy makers to consumers through CLIA's more than 13,000 travel agency members representing over 50,000 travel agents.

In this role, Duffy successfully engaged member cruise lines and industry stakeholders to support CLIA's expansion into new and emerging markets around the world.

Carnival Cruise Line is the company's largest division, operating three- to 16-day voyages to The Bahamas, Caribbean, Mexican Riviera, Alaska, Hawaii, Canada, New England, Bermuda, Australia, New Zealand and the Pacific Islands. The 25th ship, the 133,500-ton *Carnival Vista*, is scheduled to enter service in 2016.

RCCL names two new CEOs

Earlier this month, Royal Caribbean Cruises named two senior company executives to chart the future course of the company's two largest brands. Michael Bayley, the CEO of Celebrity Cruises since July 2012, becomes the CEO of Royal Caribbean International, replacing Adam Goldstein. Bayley also served as executive vice president of operations at Royal Caribbean International.

Lisa Lutoff-Perlo becomes CEO of Celebrity Cruises, a leader in the premium market, where she replaces Bayley. She has extensive background with the company and was most recently the executive vice president of operations at Royal Caribbean.

Both appointments are effective immediately.

Miami-based Royal Caribbean Cruises Ltd. owns Royal Caribbean International, Pullmantur, Azamara Club Cruises and CDF Croisieres de France, as well as TUI Cruises through a 50 percent joint venture. Together, these six brands operate a combined total of 42 ships with an additional seven under construction contracts, and two on order. They operate diverse itineraries around the world that call on approximately 490 destinations on all seven continents.



Michael Bayley

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promoting Puerto Rico as a tourist destination.”

U.S. ports are promoting themselves too. Port Tampa Bay, which at 307 nautical miles from Havana calls itself “the closest full-service U.S. port to Cuba,” says it is prepared to move quickly to aggressively market itself to potential Cuban customers.

“Tampa's emerging container business positions the port as a natural gateway to Cuba when ties are re-established, particularly in view of our historical ties and short transit time of 15 hours,” said port president and CEO Paul Anderson. “This will be driven by cargo demand and carrier decisions to serve the market. Moreover, the port would anticipate opportunities for bulk cargoes, general cargoes and cruise activity.”

Added Ellen Kennedy, a spokeswoman at Port Everglades: “We see Cuba as an economic opportunity, and we're standing by, but we have to wait for whatever legislation is appropriate. There's not much we can say yet.”

Experts agree that rapidly falling global oil prices were a contributing factor in pushing Cuba closer to a deal to repair its ties with Washington. Venezuela, which now supplies 98,000 barrels of oil a day to its socialist ally at deeply discounted rates, faces internal chaos as its petroleum-dependent economy spirals out of control — and the Castro regime appears increasingly worried that President Nicolás Maduro might end those subsidies or be forced from power altogether.

In 2013, Canadian-owned Cuba Cruise became the first company to offer regularly scheduled circumnavigation cruises around the island. The Toronto-based operator said that while unlicensed U.S. travel to the island remains banned, it does expect a boost from non-Americans who might want to see Cuba before it's too late.

“We do not anticipate that Wednesday's breaking news regarding the U.S. and Cuba will have an immediate effect on our business practices and model,” said the company's president and CEO, Dugald Wells.

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“However, we absolutely foresee an increase in bookings from international travelers who are drawn to Cuba’s incredibly preserved culture, its mix of old and new world charm, and who want to experience the iconic country before it opens its doors any further.”

At the moment, six charter tour operators are licensed to offer flights between the United States and Cuba. The vast majority of those flights are from Miami International Airport, with a few flights also offered from Fort Lauderdale and Tampa. Direct service from Los Angeles was cancelled two years ago, and California-based Cuba Travel Service said it’ll soon reinstate service from New York JFK to Havana.

CTS says its initial request to operate Havana-bound flights from Newark Liberty was denied by local airport authorities, though JFK is still easily accessible from New Jersey, home to the nation’s second-largest Cuban exile community after South Florida.

Last year, between 300,000 and 500,000 Cuban-Americans traveled legally to the island, as well as 90,000 U.S. citizens not of Cuban origin — more than double the amount registered in 2008, when regulations were stricter.

American Airlines operates 20 weekly charter flights from Miami to Havana, Holguín, Santa Clara and Cienfuegos, and from Tampa to Havana and Holguín. JetBlue got into the act in late 2011, with three weekly flights on Airbus A320s from Miami to either Havana or Santa Clara.

Ronen Paldi is president of Ya’lla Tours USA, an authorized travel service provider based in Portland, Ore., that’s been bringing visitors to Cuba since 2002. He said it could be awhile before OFAC makes clear what’s allowed and what’s not.

Paldi pointed out that Obama vowed to relax restrictions governing the issuance of people-to-people licenses to Cuba in January 2011. But OFAC announced those changes

only in April, and they weren’t implemented until June — half a year after they were first promised.

“The embargo is still in effect. We need to see if the restrictions to be eased will include [letting] airlines fly to Cuba. If we still have to depend on charter flights, that will remain a very narrow bottleneck that limits capacity on anything going to Cuba.”

Even if all the restrictions are lifted, he said, Cuba isn’t exactly a travel bargain compared to its Caribbean rivals — and the tourism bureaucracy is mind-numbing.

“It’s getting worse, not better. The Ministry of Tourism decided to consolidate most tourism companies in Cuba under one roof. So instead of decentralizing the industry, they’re centralizing it under the banner of Havanatur, which will create less competition. Also, they are not allowing American organized tourists to make their own reservations at *paladares* [private restaurants],” Paldi told us.

“They are almost full to cap-

acity with their existing hotel rooms, tour buses, tour guides and parking lots. Finding rooms in Havana — not just at Christmas but in January, February or March — is already very difficult. ASTA predicts that once restrictions are completely lifted, more than one million Americans would flow into Cuba during the first five years. Cuba just isn’t ready for that.”

Joseph Hinson is president of Miami-based United Americas Shipping Services, which has been planning passenger ferry service to Cuba since 2010.

“Obviously, we’re very excited. We’ve been waiting to hear this news for the last six or seven years, and finally we see some real opportunities here,” said Hinson, whose Baja Ferries unit already transports 250,000 passengers per year between the Mexican ports of Mazatlán and Topolobambo. “We will resurrect our overall business plan and get in touch with key people in Washington immediately.”

Baja Ferries also owns the *Caribbean Fantasy*, which carries 1,000 passengers and 1,900 lane meters of cargo between Puerto Rico and the Dominican Republic. The vessel has 150 cabins and offers a nightclub and duty free shopping on its evening departures to the D.R., which alternate between San Juan and Mayagüez.

Hinson hopes to launch similar service to Havana from South Florida — either Miami or Port Everglades, charging roughly \$250 round-trip per passenger.

“We have done all our homework,” Hinson said. “We’d still have to negotiate with Cuban authorities over the exact location where we would place our ship. Truthfully, we’ve been contacted by so many people over the years who wanted to do this but never had the assets. We’re one of the few who actually have ships — and we’re ready at a moment’s notice.”

What President Obama said: A new approach to Cuba ...

Following President Obama’s speech announcing a new path with Cuba yesterday, the White House issued a detailed position paper today. Here follows some excerpts of the presentation:

A Failed Approach

“Decades of U.S. isolation of Cuba have failed to accomplish our objective of empowering Cubans to build an open and democratic country. At times, longstanding U.S. policy towards Cuba has isolated the United States from regional and international partners, constrained our ability to influence outcomes throughout the Western Hemisphere, and impaired the use of the full range of tools available to the United States to

promote positive change in Cuba.

“Though this policy has been rooted in the best of intentions, it has had little effect — today, as in 1961, Cuba is governed by the Castros and the Communist party.

“We cannot keep doing the same thing and expect a different result. It does not serve America’s interests, or the Cuban people, to try to push Cuba toward collapse. We know from hard-learned experience that it is better to encourage and support reform than to impose policies that will render a country a failed state. We should not allow U.S. sanctions to add to the burden of Cuban citizens we seek to help.”

Here’s what the President’s new approach aims to do:

Re-establish diplomatic relations that were severed in January of 1961. The President is immediately reopening discussions with Cuba and working to re-establish an embassy in Havana in the coming months.

Adjust regulations to improve travel and remittance policies that will further increase people-to-people contact, support civil society in Cuba, and enhance the free flow of information to, from, and among the Cuban people.

Continued on next page.

“To the Cuban people, America extends a hand of friendship.” —President Obama

The new regulations espoused by President Obama do NOT automatically open Cuba to regular tourism. At this stage the goal is to “Facilitate an expansion of travel under general licenses for the 12 existing categories of travel to Cuba authorized by law- General licenses will be made available for all authorized travelers in the following existing categories: (1) family visits; (2) official business of the U.S. government, foreign

governments, and certain inter-governmental organizations; (3) journalistic activity; (4) professional research and professional meetings; (5) educational activities; (6) religious activities; (7) public performances, clinics, workshops, athletic and other competitions, and exhibitions; (8) support for the Cuban people; (9) humanitarian projects; (10) activities of private foundations or research or educational institutes; (11) exportation, importation, or

transmission of information or information materials; and (12) certain export transactions that may be considered for authorization under existing regulations and guidelines.

Authorize expanded sales and exports of certain goods and services from the U.S. to Cuba to support the “nascent Cuban private sector and make it easier for Cuban citizens to have access to certain lower-priced goods to improve their living standards and gain greater economic independence from the state.”

Authorize American citizens to import additional goods from Cuba. Licensed U.S. travelers to Cuba will be authorized to import \$400 worth of goods from Cuba, of which **no more than \$100 can consist of tobacco products and alcohol combined.**

Initiate new efforts to increase Cubans’ access to communications and their ability to com-

municate freely. Cuba has an Internet penetration of about five percent – one of the lowest rates in the world. The cost of telecommunications in Cuba is exorbitantly high, while the services offered are extremely limited. Now, telecommunications providers will be allowed to establish the necessary mechanisms, including infrastructure, in Cuba to provide commercial telecommunications and internet services.

In addition, of interest to the travel retail industry, the President is calling for “**Updating the application of Cuba sanctions in third countries-** U.S.-owned or -controlled entities in third countries will be generally licensed to provide services to, and engage in financial transactions with, Cuban individuals in third countries. In addition, general licenses will unblock the accounts at U.S. banks of Cuban nationals who have relocated outside of Cuba; permit U.S. persons to participate in third-country professional meetings and conferences related to Cuba; and, allow foreign vessels to enter the United States after engaging in certain humanitarian trade with Cuba, among other measures.

Source: The White House

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