

**CONCEPT PAPER ON A STRATEGIC PLAN ON
TOURISM SERVICES IN THE CARICOM SINGLE
MARKET AND ECONOMY (CSME)**

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a) Summary Analysis of the Tourism Service Sector in CARICOM

In the short-term, travel and tourism is expected to continue to be negatively affected by the downturn in global economies, increasing unemployment, reduced disposable incomes and reduced demand for leisure and business travel. However, UNWTO has made the observation that “past experience has shown that travel and tourism always rebounds from cyclical downturns - sometimes even stronger than before”¹. Indeed, the 6.5% average annual growth rate in international arrivals over the period 1950 to 2005 is evidence of the sector’s resilience and robustness over the long-term.

For most of the Caribbean, tourism has become the most important productive sector in terms of contribution to Gross Domestic Product (GDP), employment and foreign exchange earnings. Through linkages, it has created added value in other economic sectors e.g. agriculture, manufacturing and handicraft. Tourism also has served as a catalyst for development in several other areas of the economy, including ancillary services and infrastructure - especially air and seaports and roads. In addition, tourism often has provided communities with economic rationale for the conservation and preservation of local heritage and culture and improvement of product and service standards, especially in the food services industry.

Tourism uses resources which the Region has both in abundance and a comparative advantage in production. The varied natural and man-made attractions, flora and fauna of each country allows the Region to market a diversified product range that appeals to ever increasing number of niche markets. These attributes together with the proximity of the islands has resulted in the Caribbean remaining a desired vacation and preferred cruise destination, even with the entry of newly competitive regions and destinations in the tourism market.

¹ UN World Tourism Organisation

Tourism is therefore the sector in which the Caribbean is not only truly globally competitive but which, with foresight and planning, the Region can provide industry leadership in terms of excellence and best practice.

However, the positive outlook for tourism in the Region must be tempered by certain concerns that must be successfully addressed to avoid them becoming constraints to the growth and further development of the sector. Among the main concerns are the following:

- (a) over time, the English-speaking sub-Region of the Caribbean has been losing market share in both long stay and cruise passenger arrivals;
- (b) the goal of dependable, affordable and adequate international and intra-Regional air services remains elusive, when airlift is the most critical prerequisite for the continued expansion of a financially viable and sustainable tourism industry;
- (c) if the Region is to offer value for money and remain competitive in the global tourism market, a perspective and balance must be maintained between the quality elements of the Caribbean tourism product (especially accommodation plant) and cost of the overall holiday experience;
- (d) no single Caribbean destination has been able to develop the benefits and contribution from cruise tourism to a level considered satisfactory and reflective of the importance of the segment in terms of passenger numbers;
- (e) crime and violence, especially associated with the illegal drugs trade, has the potential to severely affect both the image of the Region and demand for travel to the Caribbean. The continuing high annual murder rate in Jamaica and Trinidad and Tobago is a particular cause for concern, especially in

circumstances where certain elements of the consumer market view the Region as a single entity;

- (f) current global economic problems have reinforced the need to improve the Region's tourism research and intelligence capability;
- (g) current global economic problems also have highlighted the dangers of over dependency on a single major market and, conversely, the need to diversify the Region's visitor source markets;
- (h) in the absence of adequate systems for mobilizing investment resources, most large tourism projects continue to depend on extra-regional funding to support implementation;
- (i) sustainability should be a key objective of any planned actions in the tourism industry. This includes ensuring the economic, environmental and social benefits of output and activity in the sector can redound to the benefit of the sector over the long-term,;

b) Recent Sector Studies and Issues

Most tourism planners and decision makers will agree that, over the past decade, the quantum of research output has been inadequate given the dynamism and increasing complexity of issues confronting the sector. In addition, the practice of hoarding information and industry participants' unwillingness to contribute to surveys and participate in other information gathering exercises has become almost endemic in the industry. As a result, there is little sharing of country specific information and reports through a core coordinating entity such as the Caribbean Tourism Organisation (CTO).

To exacerbate the situation, CTO, in recent years, appears to have given increased priority to marketing and advocacy while placing less emphasis on research. At the same

time, it has given insufficient emphasis to publicising recent material which has become available to the organization.

Several useful reports and other outputs from projects have become available over the last three years and these are listed at Appendix 1. These reports cover a range of issues including the following:

- Natural Hazard Risk Management
- Good Practices in Community Based Tourism
- Developing Niche Tourism Markets
- Good Practices for Sustainable Tourism Development
- Good Practices in Tourism Awareness
- Hotel Taxation and Operating Costs
- Operations of national hotel associations
- Tourism Satellite Accounting
- Tourism Linkages
- Air Transportation
- Caribbean Handicraft
- Caribbean Sustainable Tourism Policy

There is an urgent need to improve the quantity and quality of research data available to the various tourism stakeholders of the Region. An improved research capability will support decision-making and activities in a number of critical areas, including the following:

- (a) Analysis and assessment;
- (b) Policy making and other government interventions;
- (c) Monitoring and management;
- (d) Marketing;
- (e) Financing;
- (f) Recording and sharing lessons learned; and
- (g) Improving efficiency;

The Caribbean generally can offer the rest of the world some examples of good tourism practices. However, in the area of tourism research, the Region would be well advised to consider the Strategic Intelligence Centre (SIC) of the Pacific Asia Travel Association (PATA)² as an institutional model to be emulated for the improvement of its research capacity and output. The SIC, one of core areas of PATA, produces a continuous stream of research materials in a range of areas, topics and media, including the following:

- Proceedings of Annual Conferences;
- Aviation & Tourism;
- Bibliographies and History;
- Business and Economics;
- Directories and Lists;
- Environment & Heritage;
- Human Resources;
- Market Intelligence/Research;
- Occasional Papers;
- Statistical Report;
- Reports of Task Forces;
- Technology;
- Videos

c) Impact of Tourism Legislation on Development Within the Sector

Legislation to Support Physical Development: Investment incentives legislation is the principal tool used by Governments of the Region to encourage tourism development and especially hotel development. Core elements of the legislation usually consists of a period of exemption (usually 10 or more years) from the payment of Corporation Taxes and the ability to purchase free of duty inputs used for the construction, furnishing and equipping of the hotel. Variations of investment incentive legislation include the

² www.pata.org

extension of benefits to non-hotel businesses in the tourism sector (Barbados) and the inclusion of other benefits as part of the incentive package e.g. duty concessions on vehicles (Trinidad and Tobago).

Some Governments have enacted legislation (Special Development Areas legislation) to encourage tourism development in specific geographic areas (Barbados) or in specific areas of tourism activity.

Also, recognition of the value of natural assets, especially flora and fauna, as part of the tourism product offer has prompted the enactment of Protected Areas legislation in some countries (Dominica). Similarly some countries recognizing the value of heritage structures have enacted legislation for the protection of such structures. Such legislation generally seeks to encourage renovation, restoration, redevelopment and use of these heritage structures as revenue generating tourism assets.

The business model for the financing of new types of accommodation product – villas, condominiums, timesharing and mix-use developments rely less on incentives as a determining factor for project success because the equity component of the financing package usually is higher, the repayment period for investment shorter and the period of exposure of investment risk considerably reduced.

For most countries, the critical issue relating to tourism investment incentives is not the range of incentives granted but arrangements which facilitate access to incentives. Several countries have sought to reduce steps in the process for accessing incentives by establishing a “one stop shop” model. However, in practice, administrative requirements, the number of institutions involved in the process and consequent tardiness in obtaining decisions on requests can often be frustrating and even discouraging to potential investors.

Legislation to Support Innovation and Entrepreneurship: Creativity in the handicraft sector needs to be encouraged in order to reduce imports of “country branded” souvenirs

and to encourage innovation, production and sale of authentic indigenous handicraft. This will require a broader focus on fostering entrepreneurship including the enactment and enforcement of legislation to protect intellectual property.

Development, Implementation and Enforcement of Standards: The Caribbean Regional Organisation for Standards and Quality (CROSQ) is developing a comprehensive set of Standards, Codes of Practice and Guidelines for various segments of the tourism industry including, accommodation, tour operators, tour guides, car hire, scuba diving to list a few. CROSQ is partnered in this initiative by the national standards institutions, (which themselves are members of CROSQ) and selected Regional tourism entities. Therefore, it is expected that eventually, the national standards institutions will be involved in establishing Standards, Codes of Practice and Guidelines for product quality monitoring in various segments of Barbados' tourism industry. However, monitoring will have to be conducted by a dedicated tourism agency at the destination level;

CARICOM Response to Potentially Negative External Legislation: There is an urgent need for the Region, through CTO, to lobby for the removal of the British Air Passenger Duty. This tax, imposed on persons travelling from the UK and based on the length of the journey and class of travel, penalizes long-haul travel to places like the Caribbean. It is a potential constraint to travel, especially in light of plans for its increase over the next few years

d) Trade Liberalization and Potential for Maximization of Opportunities for the Tourism Sector

Globalisation and especially the conclusion of the European Partnership Agreement (EPA) raises several issues for the Region, including the following:

- (a) possibility of more European companies entering the Caribbean as business partners and competitors;

- (b) possibility of attracting European investment and management into the tourism sector; and
- (c) potentially greater access for Caribbean tourism businesses and professionals into the European market;

e) **Pre-Requisites for Sector Growth and Development**

Plans to support growth and development of the Region's tourism industry must include the following actions:

- (a) governments provision of a supportive policy framework to help stimulate demand and ensure that travel and tourism continues to generate employment, foreign exchange and add value to other areas of economic enterprise;
- (b) improve tourism intelligence and research;
- (c) develop tourism training as an area of excellence for the Region;
- (d) institutionalise training and certification at all levels of the industry. In this regard, the adoption and use of National Vocational Qualifications (NVQ's), as mandated by CARICOM, should be part of this strategy;
- (e) provide incentives to attract the brightest brains into the industry e.g. scholarships for tertiary level training;
- (f) encourage and facilitate the development of multi-lingual skills in order to better position the Caribbean to deal with global markets;
- (g) lobby funding agencies to use of Regional professional expertise directly or in partnership with extra-regional consultants in the implementation of projects and conduct of studies;
- (h) encourage and facilitate creativity and entrepreneurship in the supply of products and services to the tourist industry;
- (i) provide incentives for the production of authentic handicraft products;

- (j) enact and enforce legislation to protect the intellectual property of innovators of products developed for sale to the industry;
- (k) establish within the framework of CSME arrangements to facilitate the movement of labour with the Regional tourism industry;
- (l) address the continued high requests for work permits by:
 - (i) linking the grant of permits to under-study arrangements (with periodic reporting on these);
 - (ii) identification and mentoring of talent;
 - (iii) implementation of structured apprenticeship programmes;
 - (iv) improving hospitality training, especially culinary skills,
- (m) revamp and use CHTA's annual "Taste of the Caribbean" competition to focus on skill development at the national level and to improve the level of expertise through competition; and
- (n) encourage the adoption and use of Information Technology and e-commerce as part of the business platform for improving product marketing and sales within the industry;

f) **Common Regional Policy Framework for Tourism**

In 2008, CTO completed a common policy framework for tourism in the Region. The ***“Caribbean Sustainable Tourism Policy Framework”*** was prepared through a process of wider consultations with various stakeholders across the Region. It is important that CTO take action to publicise and disseminate the Policy Framework, which can be found on CTO's website at:

<http://www.onecaribbean.org/programs/sustainabledevelopment/std.aspx>

g) **Challenges, Opportunities and Strategies for Developing the Sector**

Tourism planners and decision makers have the ability and responsibility to address endogenous challenges to the Caribbean tourism industry. However, industry dynamics

and resource constraints require a programme of redress that is constantly a work-in-progress. Among the most urgent challenges are the following:

- (a) the need for a coherent Regional market and planning focus, including the image we want to portray of the Caribbean, a re-definition of our (Caribbean) product, its components and how we can protect and improve them;
- (b) environmental – concerns about the impact on the environment of tourism development projects;
- (c) safety and security - rising crime and violence resulting in the issuance of travel advisories;
- (d) health and safety e.g. HIV/AIDS, illegal trafficking of persons;
- (e) adequacy and security of airlift capacity;
- (f) human resource development and training issues;
- (g) the need to continuously innovate in order to improve product and grow the industry;
- (h) the need to strengthen linkages between tourism and the rest of the economy;
- (i) greater emphasis on destination management, especially monitoring and management of product quality and service standards.

Suggested Responses to Local/Regional Challenges

Some strategies for addressing challenges and improving the sector include the following:

- (a) preparation of implementable Tourism Master Plans to guide the development of the sector;
- (b) integrated planning, including zoning, adoption of standards and inclusiveness of community consultation as part of the planning process;
- (c) more targeted research, proactive product development, planning and monitoring of physical developments in the industry;

- (d) public awareness and education, training of security personnel and dissemination of training procedures and manuals developed for the tourism and hospitality sector;
- (e) establish a regime to facilitate increased hospitality and tourism training, dissemination and adoption of HR best practices and to attract the best and brightest into the tourism and hospitality industry;
- (f) undertake airline capacity studies to ensure plans for aviation are in consonance with and support plans for expansion in the accommodation sub-sector;
- (g) increase focus on new technology, knowledge management and corporate social responsibility as components of tourism and hospitality business practice;
- (h) encourage the development of value-added products and initiatives e.g. promote the authentic Caribbean experience in all its elements – music, food, handicraft, furnishings to list a few; and
- (i) monitor and manage all elements of destination development, including product quality, service standards, product-market fit and efficiency in the use of resources.

Exogenous Challenges

Caribbean governments through advocacy and lobbying also can seek to persuade other governments to change legislation, policies or action, the implementation of which is inimical to the interest of the Region's tourism industry e.g. British Air Passenger Duty.

Through intervention initiatives, Governments also can seek to influence decision making by the private sector for purposes of ensuring that boardroom decisions (e.g. airline and cruise ship operators) are consistent with and supportive of tourism goals, objectives and plans of the Region.

The real challenges to the tourism sector relate to the several exogenous factors which have the potential to impact the performance of the sector, over which the Region's planners and decision makers have little or no control, but which require appropriate and often timely response in order to mitigate potential negative impact on the sector. These factors include one of the following:

- (a) environmental – climate change and sea level rise, bio-diversity loss, pollution of coastal zones, to list a few;
- (b) health – SARS, bird flu and occasional outbreaks of health threats;
- (c) economic – currency exchange movements, changes in macro-economic indicators of tourist generating countries;
- (d) corporate – failure of major partners/suppliers in the business chain – e.g. airlines, tour operators;

h) Opportunities and Strategies for Development

Strategic elements of a development plan for the Region should seek to realize the following objectives:

Product

- (a) promote the adoption of industry product and service standards.
- (b) take action at the national level to support work being done by CROSQ in the development of industry standards;
- (c) further diversify niche products, services and tourism segments – eco, adventure, sports, food, health; spiritual, meetings, incentives, convention, events, to list a few;
- (d) promote the Caribbean look and feel in architecture and other products;

Marketing

- (e) give further definition to the Caribbean brand;
- (f) pursue strategies to market the Caribbean as a single destination;
- (g) diversify into non-traditional markets – India, China, South America;

Research and Development

- (h) refocus on research with a view to offering Regional Governments analyses of issues and policy options for possible action;
- (i) encourage and assist countries in the implementation and use of Tourism Satellite Accounting as a tool to improve the measurement of tourism's contribution to national economic output;
- (j) CTO to give greater focus to market research and intelligence, sector and market analysis, trend assessments and advice regarding policy options in regard to emerging opportunities, threats, market developments, industry practices and models of best practice;
- (k) collaborate with UWI in carrying out industry research, recording industry best practices and serving as a repository for study reports and other industry publications;

Aviation

- (l) increase dialogue and collaborate with air transport partners for the purpose of securing efficient and adequate air access into the Region;
- (m) develop a regional air transport development strategy giving attention to airline capacity and appropriate route structures;

Financing

- (n) review and strengthen regulatory framework to support and encourage foreign direct investment in the industry;
- (o) use pension and NIS funds in the financing of the industry.
- (p) create vehicles and instruments for greater local participation in tourism investment;

Information Technology

- (q) promote the use of IT in marketing the Caribbean tourism product;
- (r) encourage the adoption and use of e-commerce as a vehicle for facilitating business transactions in tourism;

HR and Management

- (s) develop centres of excellence in hospitality training to improve service standards, opportunities for career advancement and for the promotion of tourism and hospitality training as an export service;
- (t) exploit opportunities for further development and promotion of Caribbean tourism brands and tourism marketing and management services;
- (u) facilitate regional planning and sharing of lessons, experiences and ideas by convening a suitable biennium forum for technical industry personnel.

Entrepreneurship

- (v) encourage enterprise and innovation – handicraft, culture

APPENDIX 1

CTO PUBLICATIONS

Tourism Executive Brief (Occasional publication)

Tourism Statistical Reports (NOTE: the content and timeliness of these reports has declined since 2004)

GOOD PRACTICES: MANUALS & REPORTS

Good Practices: Natural Hazard Risk Management in the Caribbean Tourism Sector

This report is an output of the 8th European Development Fund (EDF) Caribbean Regional Sustainable Tourism Development Programme (CRSTDP), which is a five-year (2003-2008) programme funded by the European Union.

Competing with the Best: Good Practices in Community Based Tourism in the Caribbean

This manual, an output of the CRSTDP has chapters on the following:

- Introduction, Objectives & Methodology; Defining community based tourism;
- Developments in Community based tourism; critical factors; lessons learnt; overview of critical factors;
- Case studies for Dominica, Dominican Republic, Jamaica, St. Lucia and Trinidad and Tobago

Making Tourism Count for the Local Economy in the Caribbean, Pro-Poor Tourism Partnership & CTO

This report has chapters on the following:

- Tourism and the local economy-building linkages; Bringing local producers into the supply chain; Building links with local farmers; Employing local staff

- Involving local people in products, tours & packages; Encouraging tourists to spend in the local economy; Building neighbourhood partnerships;
- Managing internal change for developing local linkages; Appendix

Developing a Niche Tourism Market Database for the Caribbean

This report presents detailed profiles of 20 niche tourism markets.

Guide to Good Practices for Sustainable Tourism Development in the Caribbean

This is "a regional database of sustainable tourism best practices among public and private sector actors in the region. This database includes but is not limited to national, regional and international projects, reports, dossiers and studies available on tourism and the environment in the Caribbean."

Good Practices in Tourism Awareness Programmes - Raising the Tourism Sector's Profile and Status in Caribbean Countries

This document provides information on successful national tourism awareness programmes being implemented in CTO member countries.

CTO PRESENTATIONS ON GOOD PRACTICES AVAILABLE FOR DOWNLOAD ON THE INTERNET

- **Historic Core Cottages in St. Eustatius Presentation**
- **Community Tourism In Dominica Presentation**
- **Mitigating the Impact of Natural Disasters - Grenada**
- **Best Practices in Tourism Management** - Presentation by McHale Andrew, CTO/CRSTDPA Advisor at the CTO/CRSTDPA Statistics and Information Management Workshop, October 2005.

OUTPUTS OF THE CARIBBEAN REGIONAL SUSTAINABLE TOURISM DEVELOPMENT PROGRAMME (CRSTDTP)

Taxation and Operating Costs for the Caribbean Hotel Sector

Soft Adventure Demand in the Caribbean, 2006

Good-Best Practices in Tourism Linkages – CD-Rom

Caribbean Air Transportation Study 2007

Operational Manual for Directors and Presidents of National Hotel Associations

Management and Operational Tools for Hotel Association Executives

Catalogue of Authentic Caribbean Craft – CD-Rom

Survey of Residents' Attitudes towards Tourism: Barbados, St. Lucia and Trinidad & Tobago, 2007

Final Draft Report of Study on Readiness Assessment & Implementation Plan for Tourism Satellite Accounts in the Caribbean

Caribbean Sustainable Tourism Policy Framework - April 2008 (CTO)

OTHER RECENT INDUSTRY REPORTS AND PUBLICATIONS

The Caribbean - The Impact of Travel & Tourism on Jobs and the Economy (2004)

World Travel and Tourism Council

The Caribbean Accommodation Sector as a Consumer of Locally Produced Goods and Services and Contributor to Government Revenues (Report of a ProInvest-funded study)

The views of the Caribbean Hotel Association on the CRNM report on "Tourism Services Negotiations-Implications for CARIFORUM"

CHA-CTO Position paper on global climate change and the Caribbean tourism industry

Multi-Hazard Contingency Planning Manual for the Caribbean Tourism Sector

Hotel Classification Systems - A Summary of articles and information