

Caribbean Tourism- The Way Forward

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CONTENTS

- ▶ 1. Global and Regional Tourism
 - Demand
 - Sustainable Tourism
- ▶ 2. The Way Forward
 - Data Collection and Analysis
 - Role for the Private Sector
 - Role for CARICOM
- ▶ 2. Conclusion

A key element of a successful tourism industry is the ability to recognise and deal with change across a wide range of behavioural, environmental and technological factors and the way they interact. The coming decade and a half should see major shifts in the leisure and tourism environment, reflecting changing consumer values, political forces, environmental changes and the explosive growth of information technology. No aspect of the industry will remain untouched.

The challenge for tourism stakeholders in both the private and public sectors is to account for these changes proactively to achieve and maintain competitive advantage for their organisations.

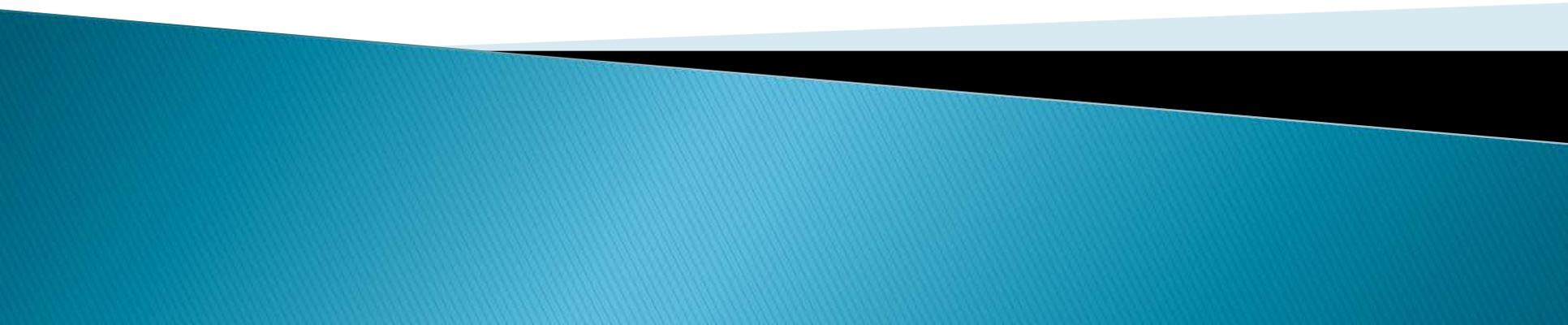
In light of this I want to explore the way in which some key drivers *could affect the local and international tourism industry*, to the year 2020. An exploration of these trends allows important change agents, on both the supply side and the demand side of tourism, to highlight and discuss, strategies for developing tourism in a sustainable way.

Thus in this discussion I want to:

- Identify global and regional tourism forecasts up to the year 2020
- Identify the major economic, political, social, environmental, and technological forces driving global tourism.
- Identify global, regional and national trends which have implications for Caribbean tourism destinations and the companies operating in this Region.
- Propose recommendations that policy makers, destination managers and tourism operators should consider in order to maintain competitive advantage

All of us recognise that the outcomes derived from tourism have implications for all citizens in the entire Caribbean Region, including tourism stakeholders in the private and public sectors. As such this is everybody's business.

So let me begin.....



1. Global and Regional Tourism



Demand
Sustainable Tourism

- ▶ According to the World Travel and Tourism Council (WTTC), globally Travel & Tourism is one of the world's largest industries accounting for 9% of global GDP. This is more than the automotive industry which accounts for 8.5%, and only slightly less than the banking sector which accounts for 11%.
- ▶ More significantly, while the last ten years have seen strong global growth helped by a rising share of the fast-growing high-tech industry, as well as rapid growth in service sectors such as banking and global finance, the next ten years are forecast to see a slower performance from these sectors. Continued growth in Travel & Tourism will therefore result in an increase in the sector's relative share of GDP. In short, Travel & Tourism will become more important to the global economy over the next ten years.
- ▶ The direct contribution of Travel & Tourism to global GDP is expected to rise by 54% in the next decade to over US\$2,860 billion by 2021, accounting for nearly 3% of global GDP.
 - The Travel & Tourism industry is expected to create an additional 21 million (net) direct jobs over the next decade, taking total direct employment to over 120 million (more than 3.5% of total employment).
 - Including the wider effects from investment, the supply chain and income impacts, the total contribution of Travel & Tourism is forecast to reach nearly 10% of global GDP (US\$9,227 billion) and 10% of global employment (325 million jobs) by 2021.

- ▶ In the Region, research by the WTTC in concert with the Caribbean Hotel & Tourism Association (CHTA) indicates that Travel & Tourism play a proportionately stronger role in both GDP and employment creation than in any other comparable region. In 2010, the researchers predicted that the direct Travel & Tourism industry would account for 3.7% of total GDP, whilst for the broader Travel & Tourism economy measure (which includes both direct and indirect effects along with the impact of investment, government collective consumption and merchandise exports related to Travel & Tourism) this has risen to 12.4%.
- ▶ Both of these figures are higher than any other region. A similar picture emerges when we consider employment. In 2010, the forecast was that direct employment in the industry would account for 3.5% of economy-wide jobs, a figure which rises to 10.9% for our broader Travel & Tourism economy measure.
- ▶ Of course, these average figures conceal a wide disparity between individual economies. Indeed, it is important to note that, as they are weighted averages, the figures are disproportionately impacted by the largest economies (Dominican Republic, Cuba, Puerto Rico) which happen to be relatively less Travel & Tourism intensive.
- ▶ Of course the data indicates that smaller Caribbean economies have direct industry and economy GDP shares in excess of 10% and 30% respectively, with a very similar pattern in terms of employment.

- ▶ In 2010, the direct Travel & Tourism industry was forecast to total US\$11.684bn or 3.7% of Caribbean GDP. Over the next ten years, the industry is projected to expand by 4.1% a year in real terms.
- ▶ Furthermore, it is estimated that the direct Travel & Tourism industry will account for 594,000 jobs or 3.5% of total employment in 2010. Over the next decade we expect average annual employment growth of 2.9%.
- ▶ In 2010, the researchers expected the Travel & Tourism economy to account for US\$39.512bn or 12.4% of GDP. Growth is forecasted to average 4.1% in real terms over the next 10 years. Moreover, we estimate that Travel & Tourism will contribute 1.845mn jobs or 10.9% of total employment. Employment growth is forecast to average 2.7% over the next 10 years.
- ▶ Investment in Travel & Tourism was expected to total US\$10.221bn in 2010, or 20.4% of total investment. Real investment growth is forecast to average 3.3% over the next 10 years.
- ▶ Travel & Tourism is expected to generate US\$23.612bn in export revenues in 2010 or 15.8% of total exports.
- ▶ Growth in visitor arrival is forecast to average 4.1% in real terms over the next 10 years.
- ▶ As we all know Travel & Tourism in the Caribbean was badly hit by the fall-out from the global financial crisis. Prompted by the deep US recession, overnight visitor arrivals fell sharply in 2009. We estimate that arrivals fell by 2.8% in the year as a whole, the worst performance since 2002, triggering a recession in the Travel & Tourism economy.

- ▶ The US President has just announced the rebranding of the United States to attract 100 Million visitors by 2021, who will spend US\$250 Billion and increase employment. To that end they are putting together a marketing fund, revising visa rules, and undertaking a massive research programme to position their product.

 - ▶ The UK Prime Minister has also announced a similar programme for the period 2012–15, to start just after the Olympics. The objectives over the next four years are:
 - 4.6 million visitors
 - £2.3 billion visitor spend
 - 57,000 job opportunities
 - £460 million in tax revenues

 - ▶ And lest we forget, Cuba is just north of us and they have already attracted 2 Million visitors annually and Americans cannot travel to Cuba at this time. This will not last forever.
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Demand

- According to CTO, in 2011 the Caribbean welcomed:
 - 23.8 million stopover visitors
 - 20.6 million cruise passengers
- This represents 2.3% share of World Tourism arrivals
- This represents 50% of world cruise tourism arrivals

Are we ready to welcome 4.1% on this number over the next 10 years?

According to this, Stopover arrivals, will move from:

24,777,000 in 2012 to 34,169,000 in 2020.

Cruise arrivals, again according to the forecasts, will move from:

21,444,000 in 2012 to 29,574,000 in 2020.

- ▶ **Are we planning for this level of tourism demand?**
 - ▶ **Do we know what we must do to make this happen?**
 - ▶ **Are our citizens and our countries ready to benefit from this demand?**
 - ▶ **Are we ready to face the competition and prevail?**
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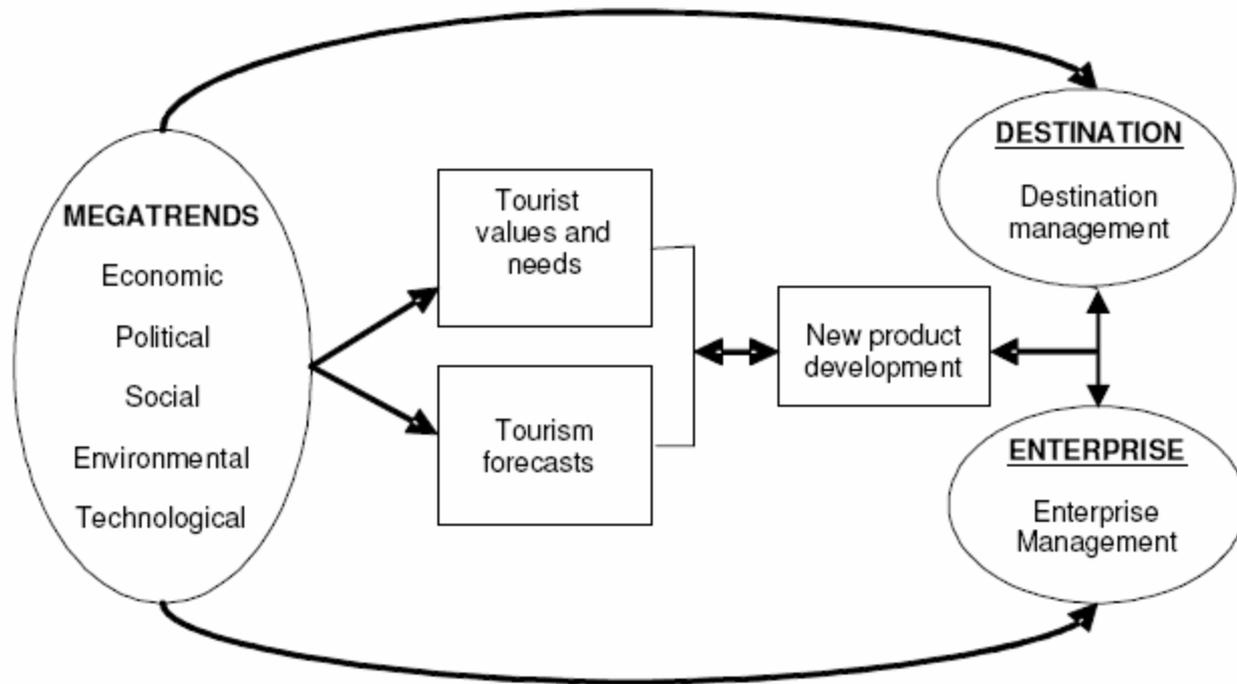
Sustainable Tourism

The United Nations World Tourism Organisation (UNWTO) (2002: 25) has listed the major determinants and influences affecting tourism to 2020 under 11 headings:

1. Economy
2. Technology
3. Facilitation
4. Safety
5. Demography
6. Globalisation
7. Localisation
8. Social–environmental awareness
9. Living and working environments
10. ‘Experience’ economy
11. Marketing

Only by discussing reliable trend forecasts will the tourism industry be able to avoid bad decisions. For the purposes of this discussion we will focus on the megatrends – social, economic, political, technological and environmental issues – which affect the industry.

Both destination and enterprise management take place in a remote environment dominated by global trends, largely beyond the control of management but must nonetheless set the context for the development of strategy to achieve competitive advantage over rivals.



i. *Economic Issues*

- ▶ By 2020, the world economy is projected to be about 80% larger than it was in 2000, and average per capita income will be roughly 50% higher. Most countries around the world, both developed and developing, will benefit from gains in the world economy.
 - ▶ If the Caribbean Region is to benefit from this expansion, what is required?
 - ▶ The Region must find ways to grow our economies by growing tourism. This means improving the linkages between tourism and other sectors to reduce the leakages which now exist. The approach must address small, medium and large enterprises, as well as individuals seeking employment.
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FOR EXAMPLE: THE LINKS BETWEEN TOURISM AND AGRICULTURE.

- ▶ In addition to being of relatively low quality, Jamaica's pork production has been on a cyclical decline. The number of pigs slaughtered each year is in decline. In the absence of adequate local supplies, local processors have had to turn to importing pork cuts from Canada. It is estimated that some sixty percent (60%) of pork legs, seventy nine percent (79%) of bellies and seventy percent (70%) of the ribs used by local pork processors, are imported.
- ▶ This despite the fact that 23 Million visitors come to the Caribbean each year and in the main have bacon and sausages for breakfast.
- ▶ The time seems right for the Agriculture and Tourism sectors across the region to get together and assess the demand for pork products and make a plan to invest in the business in order to benefit. ***Canadian farmers are on it!***
- ▶ If we are serious about improving the lives of the average citizen in our countries and facilitating the improvement of businesses that employ people, what are we doing to make this happen?

ii. *Political Issues*

- ▶ The concept paper on a strategic plan on tourism services in the CARICOM Single Market And Economy (CSME) prepared by Cecil A. Miller in 2009 recognized many of the political issues which need to be addressed if tourism is to be successful in the Region. Among the critical issues Mr. Miller lists are:
 - The need for dependable, affordable intra-regional transportation
 - The need to provide quality accommodation at affordable prices
 - The need to work together when approaching the Cruise lines as the Region is not benefiting as it should

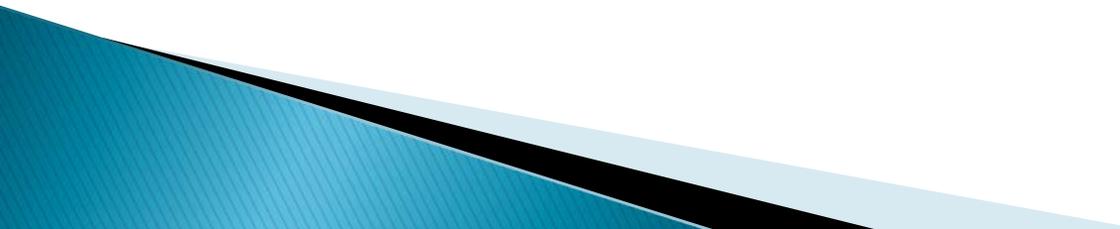
- ▶ These are issues that must be resolved at the Regional level. It is therefore necessary for stakeholders across the Region in the private and public sectors to find a way to collaborate.
 - ▶ Efforts to remove barriers to international travel by means of the ongoing liberalisation of transport and other forms of deregulation must continue.
 - ▶ Though regional airlift issues are grave, international problems also loom. The Region needs to address the impact of the APD out of the UK and make representation to have the Caribbean re-banded.
 - ▶ If we are serious about bringing professionals together to do business in the Region, then issues related to the right of establishment have to be addressed.
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FOR EXAMPLE: AIRLIFT

- ▶ Truth: The absence of affordable , reliable airlift within the Region hampers international and regional tourism.
 - ▶ Truth: In the fall of 2008 American Airlines gave notice to all its destinations in the Caribbean that owing to high fuel cost the carrier was forced to cut routes. International tourism was severely hampered because America is a major source market and has coast to coast penetration into the American Markets, and the ability to connect with international flights from South America, United Kingdom, the Far East, and Continental Europe.
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- ▶ Further, a 2006 World Bank Report on this subject suggested that the:
 - Caribbean Region is falling behind worldwide tourism growth, largely due to poor airlift and high fares.
 - Liberalization and fair competition in the market is essential.
 - State owned airlines must operate commercially
 - Caribbean should adopt 'Public Service Obligation' routes, where countries wanting commercially unviable routes would subsidise them directly through revenue guarantees or seat support – removing the burden on airlines and the states that own them.

 - ▶ Truth: The Region has not yet come up with a response.

 - ▶ If we are serious about improving the lives of the average citizen in our countries and facilitating the improvement of airlift that we all agree facilitates arrivals and results in the employment of people, what are we doing to make this happen?
- 

iii. *Social Issues*

- ▶ The social factors likely to influence tourism and travel in the coming years can be divided into three subcategories:
 - values,
 - lifestyles and
 - demographics
- ▶ Unprecedented social and demographic shifts are having profound effects on virtually every social institution. These variables include:

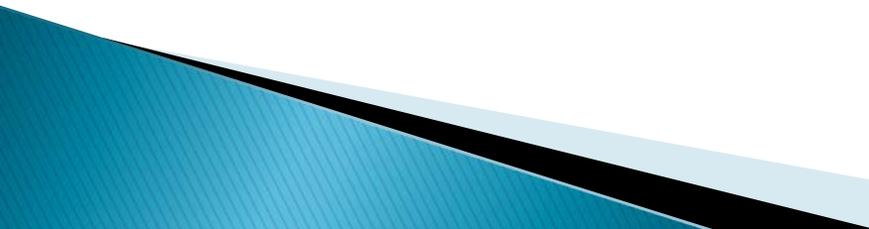
- Population and ageing
- Urbanisation
- Changing social structures
- Health
- Aspirations and expectations
- Values and lifestyles
- Changing work patterns
- Gender
- Education

The factors that influence visitors are closely interconnected with cultural ones, since individuals are part of larger social groups that influence their behaviour, which in turn are part of and affected by the surrounding culture, set of beliefs, values, attitudes, habits and forms of behaviour that are shared by a society and transmitted from generation to generation” (Bennett & Kassasjin 1982 cited in Mill & Morrison 2002: 244).

These changes will affect who will come what services they will require of us.

- ▶ Visitors will also be affected by the realities of the social realities in our countries and our cultures.
 - ▶ For example, issues of 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.
 - ▶ Our countries are also challenged to provide adequate health resources to serve our populations as well as visitors, and by the impact of global health problems like HIV/AIDS.
 - ▶ We are also challenged by a paucity of trained and experienced people to do critical jobs.
 - ▶ On the other hand the opportunity to benefit from the opportunity to translate our unique cultures and tradition in handicraft offer important business opportunities.
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FOR EXAMPLE: CRAFT DEVELOPMENT

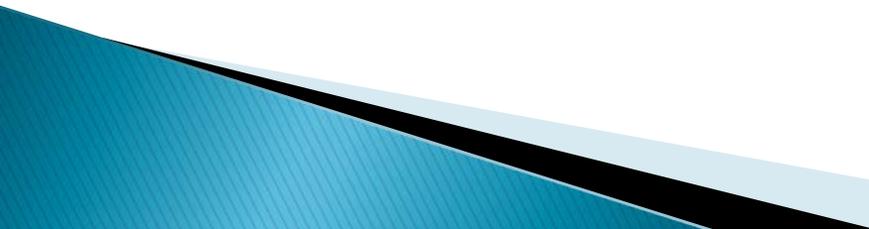
- ▶ In Jamaica's tourism has traditionally been complemented by a thriving craft industry that has provided livelihoods for thousands of Jamaicans, strengthened inter-industry linkages and added value to the local tourism product.
 - ▶ In recent decades, however, the craft industry has declined not only in terms of product quality, but also its economic contribution and its role in tourism.
 - ▶ Indeed, we are the only region in the world without a very substantial craft development programme. We don't even have a UNESCO programme!!!
 - ▶ Our craft traders are selling items from Asia to our visitors!
 - ▶ If we are serious about improving the lives of the average citizen in our countries and facilitating the improvement of craft development that we all agree provides employment, what are we doing to make this happen?
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iv. *Technological Issues*

- ▶ Knowledge is increasingly recognised to be essential to competitive advantage of any organisation. In the future, knowledge will become an even more important asset in economies and businesses. Those countries, businesses and people that manage it cleverly will do better than those who do not. And new technologies are coming.....
- ▶ Fifteen years ago, few predicted the profound impact of the revolution in information technology. Looking ahead another 10 years, the world will encounter more quantum leaps in information and communication technology (ICT) and in other areas of science and technology.
- ▶ Virtually all aspects of tourism and hospitality organisations in all sectors are being changed significantly by new technology. Historically, the tourism industry tended not to take an active role in developing or adapting new technology. Despite the proliferation of new technology, the industry is sometimes reluctant to adopt new methods and tools. Tourism and hospitality firms must meet the challenges and opportunities offered by technological advances if they are to achieve and maintain competitive advantage.

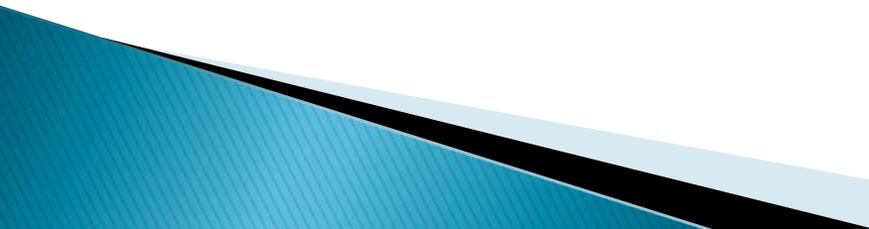
- ▶ Technology is thus the foremost management tool in achieving results and competitiveness in this business operating environment.

 - ▶ At the very least, new technologies mean:
 - easier access to new domestic and foreign markets and customers with global networks of people, businesses, governments and other organisations crossing linguistic and geographic boundaries
 - speedier business transactions
 - reduced operating and communication costs

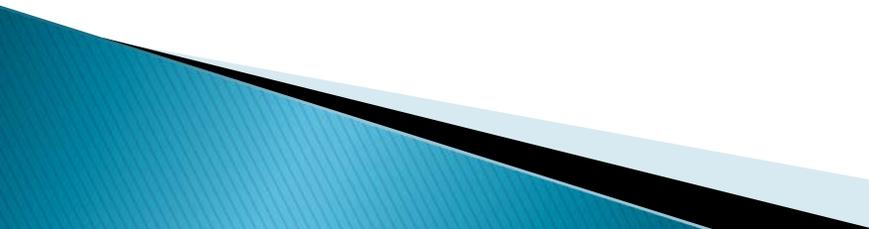
 - ▶ But will the island countries in the Region be able to benefit from these technologies?
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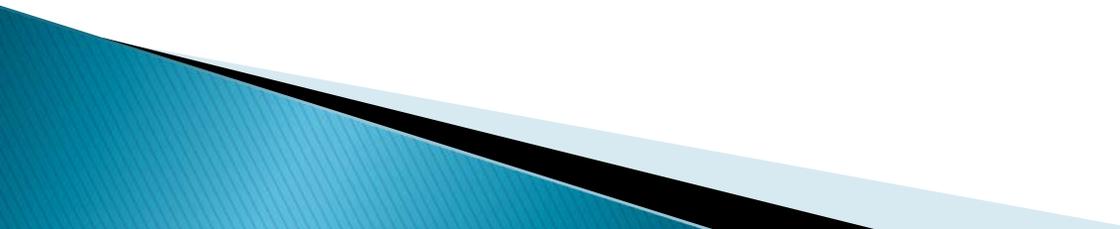
FOR EXAMPLE: MARKETING

- ▶ In the next few years, the visitor profile will change.
 - He/She is likely to be coming from one of the BRIC countries.
 - He/She is likely to be older.
 - He/She is likely to want an experience.
 - Do we understand what these visitors require?
 - Do we know how to reach them?
 - Have we assessed the cost of achieving this goal?
 - Have we been thinking about ways of working together on how to sell the range of what we have and collaborating on how to do so?

 - ▶ If we are serious about improving the lives of the average citizen in our countries and facilitating the growth of tourism that we all agree is critical, what are we doing to collaborate on marketing our services?
- 

V. *Environmental Issues*

- ▶ According to the WTTC, the responsible management of Travel & Tourism, is a task that needs to be shared by the public and private sectors. Effective management of the relationship between tourism and the environment is pivotal to the development and long-term success of the Travel & Tourism industry – especially in our region with so many island nations.
 - ▶ In areas in which this relationship is planned, effectively executed and monitored, a balance can be struck between the sustainability of the environment and the development of tourism. However, if this relationship is not managed appropriately, the environmental footprint of Travel & Tourism activities can be detrimental to sustainable growth.
 - ▶ Furthermore, the rise in ‘green consumerism’ – increased environmental awareness and concern about issues such as climate change – has led to a greater focus among consumers on authenticity in destinations, products and travel experiences.
 - ▶ Indeed, when we sell Travel and Tourism, we are selling the environment. So travel and Tourism stakeholders should be the driving force behind the conservation of fragile ecosystems on land and in the sea and the protection of the natural environment.
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- ▶ This involves investing in new technologies, changing or improving new and existing infrastructure, and implementing different policies and measures to increase the sustainability of their supply chains and the products and services they offer to customers.
 - ▶ The challenge is the cost of making these changes. How are these technologies and programmes to retrofit properties to be financed?
 - ▶ It should also be stated that environmental awareness and response is an active undertaking. Properties are to be certified—that is to say, examined, asked to make changes, monitored and certified. In other words, environmental correctness is a matter on public display.
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FOR EXAMPLE: CORAL REEF PROTECTION

- ▶ An excellent report by UNEP–CEP (*Coastal Tourism in the Wider Caribbean Region: Impacts and Best Management Practices, 1997*) considered tourism's most *detrimental* practices to be physical damage or change to habitats, sewage disposal, solid waste disposal, and unnecessary wastage of water.
- ▶ Tourism impacts on coral reefs can be devastating. Coral reefs require very precise conditions to thrive: a low level of nutrients, normal saline conditions, clear water and non-disturbance from visitors. Once dead, the reefs break apart, leading to increased coastal erosion, reduced fish catch, and reduced tourist earnings from diving and snorkelling activities.
- ▶ In most islands, sewage is the largest single source of pollution. It is estimated that 80 to 90 percent of the sewage generated across the region is disposed of in near-shore coastal waters without adequate treatment.
- ▶ While some hotels are connected to central sewage systems, many dispose of sewage effluent through sub-surface means. Disposal of sewage and sewage effluent in the coastal area may contaminate surface and ground water resources. In many cases, contamination of the marine environment is immediate, as disposal takes place directly to the sea. Given the permeable nature of many soils in the Caribbean, sub-surface disposal often is not effective in removing nutrients before eventual discharge to the sea.

- ▶ It can't be that we are unaware that continuing these practices will destroy the very industry that we hope will bring prosperity to our nations and people.
 - Do we agree that this is a problem?
 - Is there any discussion of this problem?
 - Is there any proposal out there about how to solve this problem?
 - ▶ The fact is that there are solutions out there, but first it is necessary to agree that this is a problem and then to pursue solutions.
 - ▶ If we are serious about improving the lives of the average citizen in our countries and facilitating the growth of tourism that we all agree is critical, what are we doing to collaborate on solving these environmental problems and dealing with the issue of cost?
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2. The Way Forward



Data Collection and Analysis
Role for the Private Sector
Role for CARICOM

- ▶ Despite the impact of the “Great Recession” the data indicates that leisure travel remains surprisingly resilient. Americans for example seem to view vacation travel as a birthright and are not prepared to relinquish that sacred time away from work each year. In fact, American travelers took an average of four trips for leisure purposes.
 - ▶ As America is still the major source market for leisure travel these are important indicators.
 - ▶ So there is opportunity.
 - ▶ This is a good thing, as Travel and Tourism are the most important economic activities in the Caribbean, and is the key to the forecast of overall macroeconomic performance in these countries.
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- ▶ Do we know how price elasticity affects the decision to travel to one of our countries or to another in another region or elsewhere?

Competitiveness

- ▶ Do we know what items are required to satisfy visitors and the size of the demand for each item?

Demand

- ▶ Do we understand what visitors will pay for -- that is the mix of products that will attract the best prices?

Supply

- ▶ Does the Government of each country know which sub-sector of the tourism market in his/her country needs support?

Potential

- ▶ What do we know about the size and qualifications of the labour force required to deliver on this demand?

Human Resources

- ▶ How does tourism demand affect tax policy, incentives and other financial considerations that could affect the development of the sector?

Taxation Policy

1. Data Collection and Analysis

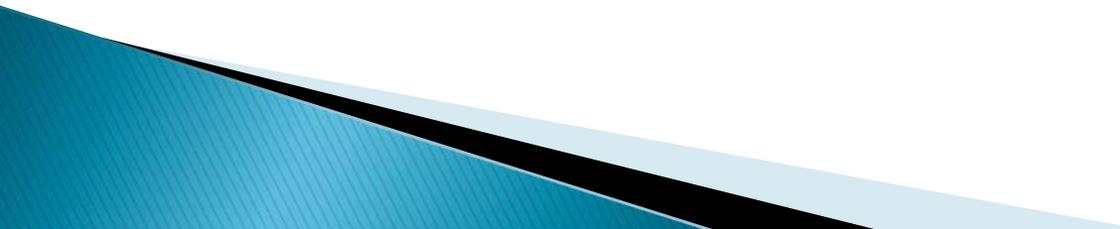
- ▶ **Despite the fact that tourism penetration level in the Caribbean are the highest in the world, there is no sound economic definition of the sector, because the ability to measure results is limited & sketchy.**

- ▶ **Private and public sector stakeholders make decisions without:**
 - reliable, thorough and internationally uniform statistical data
 - data to measure the full economic impact of tourism
 - analyses of arrivals
 - estimates of expenditure
 - in-depth analysis of Tourism's economic impact

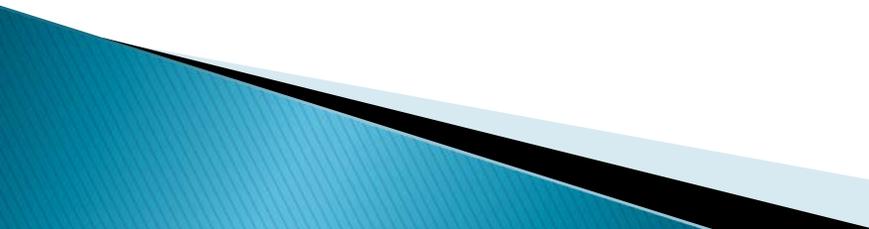
▶ The Caribbean Tourism Organization (CTO) agrees that key Tourism Statistics and Analyses that are desperately needed include:

- Visitor Arrival figures
- Tourism expenditure estimates
- Visitor Surveys on expenditure, motivation, satisfaction etc.
- Accommodation and Tourism Establishment Surveys
- Tourism Satellite Accounts (TSA's)

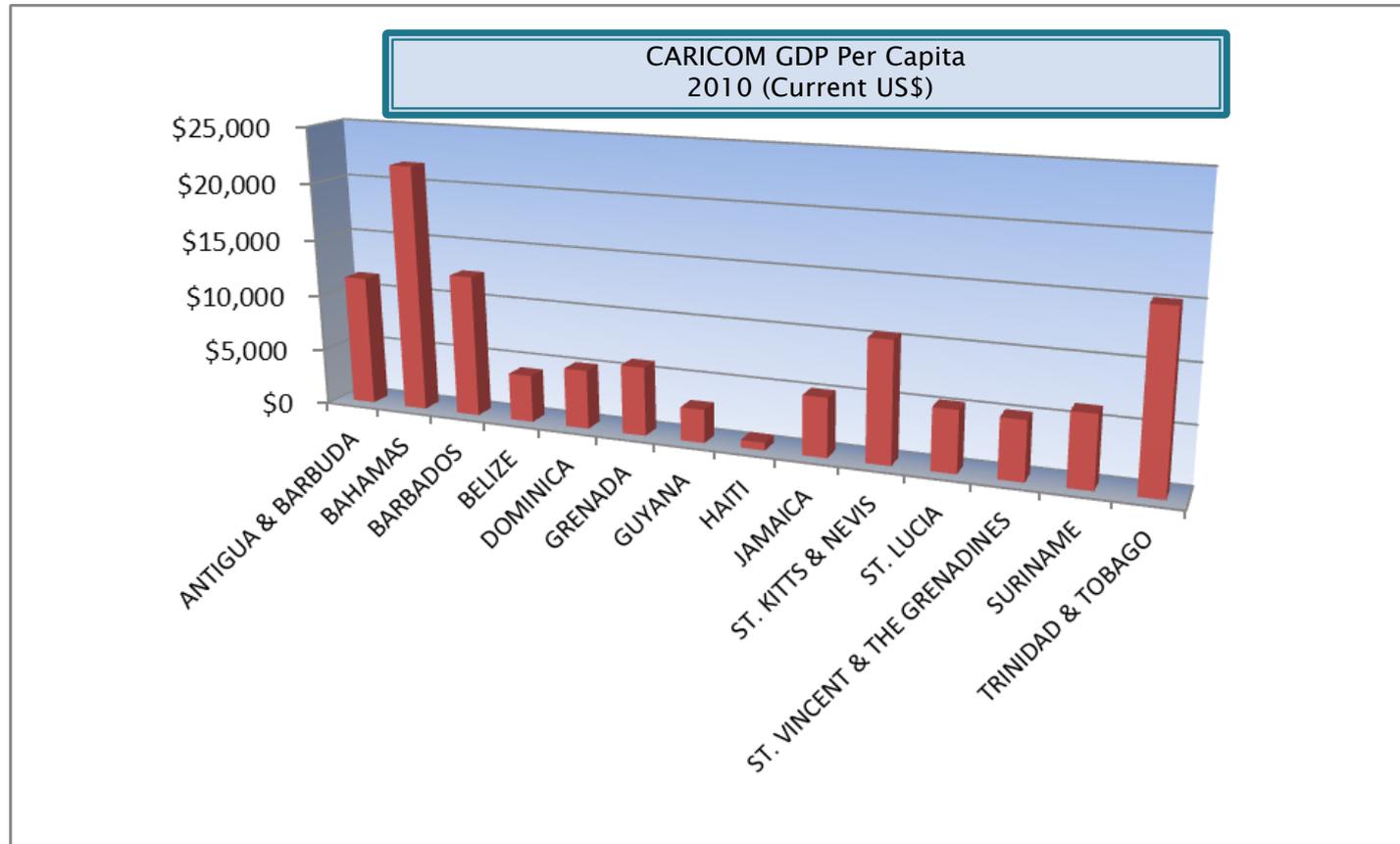
- ▶ TSA's are the most critical as they:
 - Measure the relationship between the demand for goods and services generated by tourists and non-tourists on one hand and, on the other hand, the overall supply of these goods and services
 - Categorizes distinct sections from national accounts and restructures them separately to measure total economic and employment impact of expenditure, investment and revenue from tourism
 - Reconciles supply and demand for tourism-related products

 - ▶ But cost effective completion of TSA's requires regional collaboration, Credible National Statistical Systems, financial, administrative & highly skilled human resources, political as well as administrative commitment
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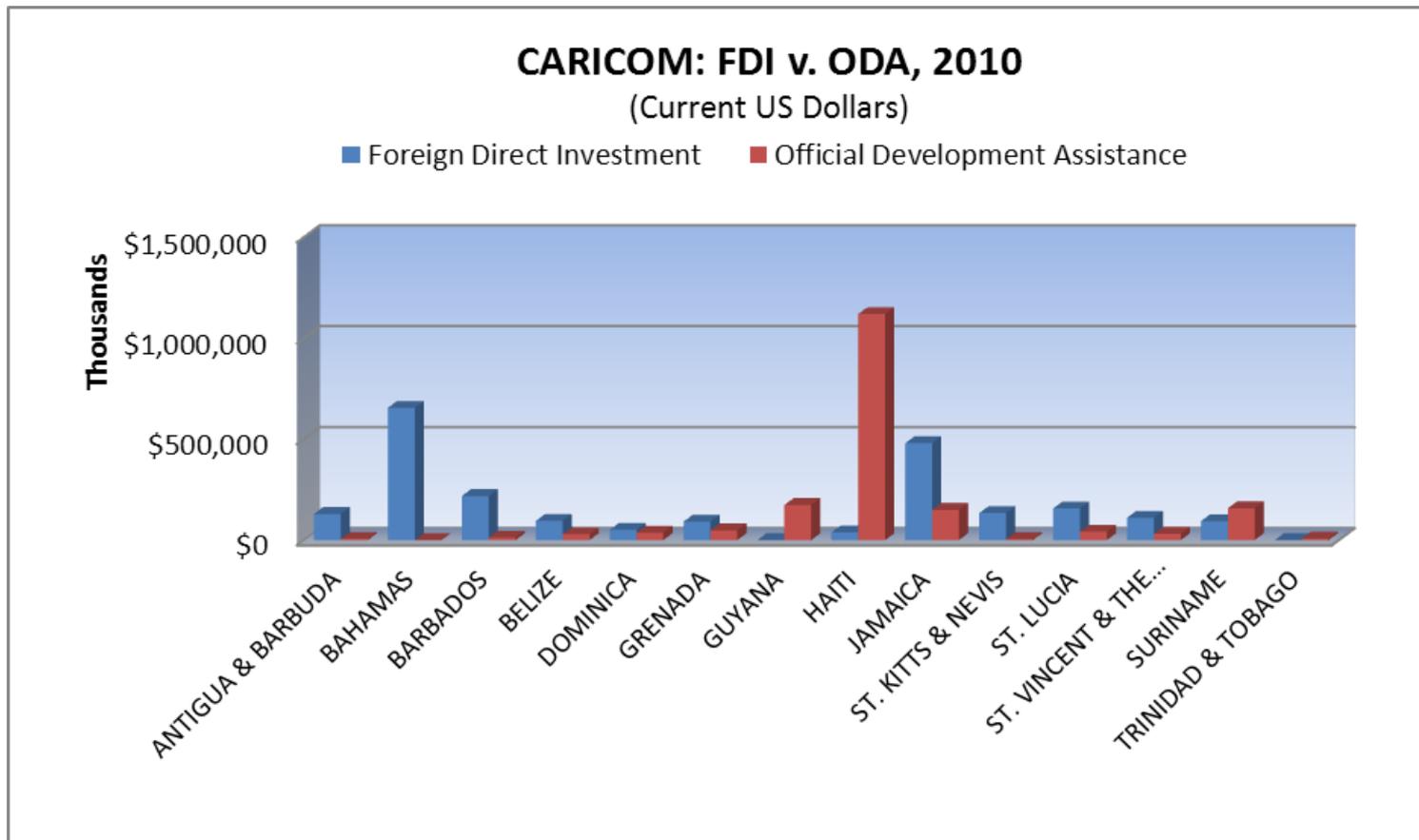
2.1 Role for the Private Sector

- ▶ Private sector partners develop the product, in collaboration with public sector.
 - ▶ Tourism and Travel are subject to regulations, developed and implemented by public sector in collaboration with private sector interests.
 - ▶ Data collection and analysis requires cooperation between the private and public sector stakeholders if the sector is to collect the accurate predictive data required to make appropriate decisions.
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The welfare of citizens is a joint responsibility -- dependent on job creation, and ultimately the payment of taxes. This is where we are on income.



Finding investment and development assistance are the work of the public sector. This is where we are.



2.2 Role for CARICOM

- ▶ CARICOM must take steps to promote the 2008, CTO “*Caribbean Sustainable Tourism Policy Framework*” which was prepared through a process of wider consultations with various stakeholders across the Region.
 - ▶ CARICOM must facilitate the completion of the critical research and analysis tool, the TSA, required to make decisions about tourism in the Caribbean. The costs must be shared, and special arrangements made for smallest states.
 - ▶ CARICOM must work toward the completion of a Regional Tax Regime to facilitate investment and development of the sector.
 - ▶ CARICOM must move toward a joint position on cruise tourism. As the region which attracts 50% of cruise visitors, it is inconceivable that regional leaders do not speak with one voice, and complain that they are not benefitting as much from the sector as they should.
 - ▶ CARICOM needs to implement the rules of establishment so that countries can attract the technical and financial resources required to facilitate Agricultural production, manufacturing, creativity in the handicraft sector needed if the region is to reduce imports and plug the leakages.
 - ▶ CARICOM needs to move toward supporting the training and certification of tourism workers at all levels of the industry.
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▶ 2.3 Conclusion

.....to be delivered

