The View from Europe
By David Jessop

Strategic approach to tourism required

Caribbean nations have been relatively slow to recognise that long term structural changes taking place in tourism require a new and strategic vision for a sector that many industry professionals in the region regard as underperforming.

Over the last two decades competition for visitors has become global, the nature of the tourism demand and the product has diversified, and the Caribbean has become just one of many warm weather destinations. Moreover, the countries in the world that are growing fastest and whose citizens have the most disposable income include nations like Brazil, China, India, Russia, the Philippines and Indonesia, while those in relative decline are to be found in Europe.

Most nations in the world now see tourism and its development as a strategic issue requiring a clear policy within which the public and private sector can work together. They have come to accept that tourism has the unique capacity to bring about rapid growth and employment. Although it is fair to say that Caribbean Governments now genuinely recognise the importance of tourism, few have acknowledged the need for new thinking. Instead Governments seem intent on suppressing demand at a time of growing global competition by regarding the visitor as a source of tax revenue.

Although visitor numbers are improving from North America and some nations in the region are doing significantly better than others, overall arrivals and spend have yet to exceed those recorded before 2007.

Only belatedly have Caribbean governments, tourist boards and the industry begun to look at attracting visitors from Russia, Brazil and other parts of Latin America, and China while seeking to increase arrivals from all important traditional source markets – the United States, Canada, and Europe – which provide 81 per cent of the region's tourism income.

As a consequence Russia has become of growing importance to Jamaica, the Dominican Republic and Cuba, and a number of nations are looking closely at the possibility of developing the Brazilian market either through incentivising direct flights or by using Panama's Tocumen Airport as a hub.

Creating sustainable new markets for Caribbean tourism will, however, not be easy and in the case of China, may be unrealistic. What seems little understood is that Beijing is 17.5 hours or more flying time away from Montego Bay – assuming one could fly directly between the two points – or that the longest scheduled flight in the world today takes 16.5 hours on routes out of the US where demand and traffic levels are high. In comparison, Moscow is just under thirteen hours away, Rio seven hours and twenty five minutes and Bogota is just two hours distant, if Jamaica were to be the destination.

What the development of the Russian and Brazilian markets does however do is make the point that cold climate points of origin in the Eastern part of Europe, and more importantly in the long term, proximate parts of Latin America, offer the greatest possibilities as new feeder markets for the Caribbean, if airlift can be incentivised.

But there is much more that is fundamental that needs to be done.

In the last week the former Minister of Tourism of the Bahamas, Vincent Vanderpool-Wallace, wrote a challenging on-line commentary on why the region's tourism sector is underperforming.

He prefaced his remarks by noting that it does not take much to recognise that if hotel occupancy across the region presently averages 60 per cent annually, and tourism represents around 15 per cent of regional GDP, hotel occupancy stimulated to reach 90 per cent would cause tourism's contribution to GDP to rise to as much as 50 per cent. Such an approach, he observed, could bring economic recovery, growth and employment more rapidly than any other economic activity.

Mr Vanderpool-Wallace pointed out, however, that the Caribbean has for the most part done the opposite. Unlike the movement of goods – where nations large and small continue to aggressively negotiate away trade barriers to create growth – when it comes to tourism and the movement of people across borders, there has been, as he puts it, 'a veritable explosion' of increases in departure taxes, air passenger duties, security fees and passenger facility charges.

This means, he argued, that those coming from nearby feeder markets, who logically are more likely to visit, are actively discriminated against, as the overall price of their ticket contains the highest percentage of tax, as travel taxes are fixed for all.

The inadvertent effect is for the Caribbean to have a policy that dampens demand in its closest markets, damaging the opportunity the region might have to encourage travel from the points that are potentially easiest to grow.

Mr Vanderpool-Wallace offers two big ideas to address the malaise that the regional tourism industry is experiencing.

The first is to have Caribbean leaders agree a formula that rapidly removes all travel taxes and visas for travel within the region. This would, he suggests, stimulate travel, make the region more competitive as a destination and encourage airlines to increase airlift. There is already, he suggests, sufficient international evidence that any loss in revenue would be more than offset by an increase in travel and a general related increase in Governments' tax take as a result of increased visitor spend in market.

The second is to bring tourism into the ambit of external trade negotiations by the region becoming the first group of nations in the world to focus on the reciprocal elimination of departure and other taxes between it and its major source markets.

What Vincent Vanderpool-Wallace's recent commentary and others now appearing in the region suggest, is that it is time to think strategically about tourism and for Caribbean Governments and the industry to convene a high level discussion on competitiveness and future positioning, also involving those from outside able to put this in the context of global competition.

In the rush to find short term band-aid economic solutions it has been little recognised that taxing and restricting services, especially tourism – an export which is price, service and value for money sensitive – has the effect of degrading competitiveness at just the moment when other destinations have understood that the enhancement of comparative advantage is central to generating tourism's growth.

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