



CARIBBEAN
HOTEL & TOURISM
ASSOCIATION

Remarks of Enrique De Marchena Kaluche, President of the Caribbean Hotel & Tourism Association (CHTA), at the Roundtable Discussion on the state of the tourism industry in the Caribbean held by the Bahamas Hotel Association (BHA) on December 5, 2008.

“The only thing certain on this conjuncture of the World is uncertainty and change.”

This World crisis began with the increase of oil prices from around US\$60 per gallon to more than double this figure.

That had an immediate effect on the airline industry that realized about 40% of its cost was being allocated to pay for fuel. Certainly, airlines that had an older fleet of planes were more affected as those planes were inefficient at times where COST was a major concern to every industry and corporation.

Mergers among airlines was a recipe to cut cost (among others labor) and look for synergies and efficiencies. Delta just announced precisely that, as it is implementing a merger with Northwest, with the understanding that airlift in the U.S. market will be cut by 8%-10% and 3%-5% in its international routes. It has announced that lay offs will come.

It is estimated that “from October to December this year, the number of available airline seats will have been reduced by 60

million compared with the same period in 2007". (Travel & Leisure magazine-December 08).

This oil crisis was followed by the mortgage crisis named "the Sub prime crisis" in the real estate industry, and that one was followed by the "financial crisis" as many financial institutions were selling and buying financial instruments based on those mortgages that now were undervalued and not paid.

How that affected us?

Well, to begin with the Caribbean region was already underperforming as before the crisis World Travel & Tourism was growing at an average of 5%-7% per year while Caribbean tourism increased by less than 2% each year.

Secondly, in many countries in the Caribbean, mega projects with extremely important real estate component as well as hotels, golf courses and so on were under construction and have been deeply affected as simply the finance component of the same in most cases disappeared and in others is suspended. This has had an immediate effect on the lay off of personal to the tune of at least several thousand in the Dominican Republic (Cap Cana alone-over 1,000); over a thousand in Bahamas (Atlantis alone-800), probably the same figure in Puerto Rico (Marriott cut over 200 employees as well as Wyndham Rio Mar, among others) and other islands.

Of course Villa construction also immediately suffers not to mention hotel development in the Caribbean.

The best scenario at this time is that financing may begin to be re-discussed by June 2009 which means that most of these constructions that were underway have been paralyzed or will soon be suspended.

As we can see our countries will suffer if they are not suffering already as the tourism industry represents between 22% of the GDP to 75% of the GDP to the countries of the Caribbean and it is the industry that has the larger impact in the construction industry, food supply, agricultural and cattle business, among others. All of them will suffer the crisis.

But what about the fact that at least the crisis was in autumn and we are just few weeks away from the high season?

Well, in any case this is the good news, no doubt about it. But what we can expect from this high season?

Advance bookings for the winter are definitely down ranging from 10% to 20% for some destinations, but MOST IMPORTANTLY, the booking pattern is much later this year.

The U.S. market looks warm, but what we can expect when in the third quarter of this year? According to revised figures issued by the Commerce Department a few days ago, personal consumption spending, after adjustment for inflation, fell at an annual rate of 2.7%, the biggest fall since the second quarter of 1980.

Overall, the U.S. economy contracted at a rate of 0.5% in the quarter and most economists say they think the current quarter will be much worse.

They may be right as ongoing job lay offs were just announced yesterday, where three companies combined job losses to the tune of 20,000 combined.

Fortunately, multigenerational travel is up, meaning people will be traveling with their family, which means demand for resorts villas, contiguous rooms, and certainly cruises.

The European market is apparently stabled compare to last year but there is no guarantee that it will stay in this way. Of urgent importance is the just announced proposed increases by the UK government on air passenger duty starting November 2009 where Caribbean bound passengers will pay a minimum of 50 sterling pounds per passenger for economy travel and double for any higher class of travel. Worst, these fees will increase in November 2010.

I urge a common effort by CTO and CHTA to immediately engage Caribbean governments on an effort to reverse this policy that constitutes a detriment factor for UK travel to the Caribbean.

Tour Operators are asking for discounts. This is the case for the Canadian market that is responding with reservations but the rate is a major component of that equation.

In any case what is clear is that there will be rooms available at hotels and resorts and forget past years with waiting list and so on. Also there will be more people traveling for less than the usual 7-10 days vacation and finally the traveler will be more oriented to a best value vacation.

What these bring to the Caribbean?

The economic impact of the reduced visitor numbers and staff reductions will trickle down to impact service, supplier companies, rental cars, tourism attractions and so forth. The bottom line will be less revenues and less flow through tax revenue to our governments which will carry economic and social distress.

This should bring us to the conclusion that we need to FACILITATE travel to and within the Caribbean region. Other regions are removing barriers to travel while the Caribbean is going in the other direction. As an example, and with my excuses, I paid US\$100.00 for a visa to be here today in Nassau, Bahamas. Outrageous! Forget about being extremely selective in the clientele you bring to the island, this is gone, passé!

In another instance, we need to shorten the gap between Caricom decision making and implementation as there are so many areas requiring regional co-operation. We need to

integrate our efforts in the Caribbean and we need to closely work together public and private sector. We need to develop a trust factor among us!

Finally, we need to protect our good workers and train them, maintain our product, enhance it and reposition the Caribbean; as the good news is that in this World everything is subject to change and hopefully this crisis will be surpassed sooner than later.

Thanks for the invitation to the Bahamas Hotel Association (BHM) and Mr. Minister, no, I am not expecting you to reimburse me the US\$100.00 expense on the visa. The kind attention I received since I landed at the airport as an ordinary unknown tourist up to my arrival to my room at the Sheraton Nassau is the best service my memory can remember in my trips this year in the Caribbean. That is worth millions!!!!!!!!!!

Thanks again and remember that Tourism is the business of All!!!!!!!!!!!!!!

Enrique E. De Marchena Kaluche
De Marchena Kaluche & Asociados – Central Law
Max Henríquez Ureña 34, Piantini, Santo Domingo Republica Dominicana
Tel.: 809-549-3446
Fax: 809-566-5075