CARIBBEAN
HOTEL
ASSOCIATION

THE VIEWS OF THE CARIBBEAN HOTEL ASSOCIATION (CHA) ON THE CRNM REPORT ON "TOURISM SERVICES NEGOTIATIONS: IMPLICATIONS FOR CARIFORUM".

Summary

CHA[1] welcomes the August 2003 CRNM report, and wishes to highlight several negotiating recommendations that are of particular importance to the tourism private sector. The following are issues for *external services trade negotiations* (e.g. WTO-GATS, FTAA, ACP-EU, CARICOM-Canada etc):

1. Using trade negotiations to attract additional foreign direct investment into the regional tourism sector
2. Using trade negotiations to lower the cost of tourism inputs of both goods and services
3. Securing Mutual Recognition Agreements for tourism qualifications and credentials with key tourism trading partners
4. Enhancing Mode 4 market access - temporary entry – to the EU, US, and Canadian markets for tourism professionals and hospitality students
5. A review of EU legislation relating to standards in the tourism sector that are applied to Caribbean hoteliers
6. Expanding the scope of bonding schemes within the EU to protect Caribbean suppliers (e.g. hoteliers), as well as European consumers
7. The re-classification of cruise ships as a tourism service in the GATS negotiations at the WTO
8. The introduction of competitive safeguards for tourism in all services trade negotiations
9. Technical and financial assistance to introduce Tourism Satellite Accounts (TSA)

The following are issues of major importance for the tourism private sector concerning the development of the *regional services market* within the CARICOM Single Market and Economy (CSME):

10. The development of a regional definition for tourism
11. The development of a regional cruise tourism policy
12. The development of a single regional tourism market
13. The preservation of some tourism-related activities for national and regional tourism services suppliers.

A short commentary on each of these issues follows.

Negotiating recommendations for external services trade negotiations

1) *Attracting foreign direct investment*. CHA is broadly pro-liberalisation and open markets. The tourism private sector has little choice on this because the industry is largely reliant on foreign capital for investment, particularly for larger hotels and infrastructure projects to support tourism development. CHA believes that any remaining market access or national treatment limitations should be removed for the development of larger hotels (of 75 rooms or more) so as to encourage additional foreign investment into this sub-sector.

(more)

[1] The Caribbean Hotel Association (CHA) represents more than 800 hotel members, 750 allied members and 35 National Hotel Associations in the Greater Caribbean region.

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2) *Lowering the costs of tourism inputs*. Tourism relies on a wide range of goods and services inputs. The price of these inputs in the Caribbean is high, which is worrying given the extreme price competitiveness of tourism. CHA would welcome any import tariff reductions of the following goods - furniture and linen, pasta, wines and spirits, kitchen equipment such as chillers and freezers, speciality meats, fish (e.g. smoked salmon) and
shellfish - or any further liberalisation through trade negotiations of the following services sectors – telecommunications, transport services and insurance services.

However, any benefits to the tourism industry from tariff reductions on the goods listed above will be lost if these are offset by increases in domestic taxes such as VAT to maintain revenue neutrality for governments. Reducing costs for the regional tourism industry must be one of the main objectives of external trade negotiations. Substituting one form of taxation for another will not achieve this objective, and is not acceptable to the tourism industry[2].

3) *Mutual Recognition Agreements*. CHA is in favour of negotiating Mutual Recognition Agreements with the EU, US and Canada for tourism qualifications and credentialing programmes. The CRNM report sets out the academic and vocational qualifications, and the credentialing programmes, for which recognition should be sought in these markets.

4) *Enhancing Mode 4 access*. Mode 4 is the most restricted Mode of Supply for tourism services in the EU, US and Canadian markets. CHA would welcome enhanced Mode 4 access for the temporary entry of tourism professionals of all levels to these markets, as well as for Caribbean hospitality students seeking temporary work experience.

5) *Reviewing EU legislation and standards for hotels*. The huge costs of compliance with tour operator standards – which are derived from national regulations implementing the EU Package Travel Directive - are a major issue for Caribbean hoteliers. A review of all the standards affecting Caribbean hoteliers could help to reduce the costs of compliance by avoiding any unnecessary alteration to Caribbean properties receiving European tourists. This review should take into account tourism health and safety standards developed within Caribbean, such as the *Quality Tourism for the Caribbean* (QTC) programme.

6) *Expanding the scope of EU bonding schemes to protect Caribbean suppliers*. Negotiators should propose the introduction of new measures in services trade agreements to protect Caribbean suppliers if an international tour operator or travel agent enters bankruptcy proceedings. In particular, the bonding schemes that protect consumers in markets such as the UK should be extended to cover tourism suppliers such as Caribbean hoteliers.

The example of MyTravel – which posted losses in December 2003 of £358.3million for the previous year – illustrates this point. MyTravel, like all tour operators in the UK, is by law covered financially in the event of it going bankrupt. MyTravel is bonded with both ATOL (the Air Travel Organisers' Licensing) and ABTA (Association of British Travel Agents). Therefore, consumers would be recompensed if MyTravel's financial position were to deteriorate further and lead to insolvency. However, Caribbean hotels, that have received advance bookings through MyTravel, would not be similarly protected. For a Caribbean hotel, such financial exposure could be terminal. This issue should be raised in the negotiations with the EU.

(more)

[2] This position is consistent with CHA's recent call for a review of all tourism-related taxation in the Caribbean.

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7) *The re-classification of cruise ships as a tourism service under the GATS*. Cruise ships are not currently defined as a tourism service at the WTO, but rather as a maritime transport service. CHA believes that this should be corrected at the WTO given the increasing importance of cruise ships to Caribbean tourism economies, and the impact of their activities on land-based tourism sub-sectors (e.g. hotels, tours, attractions, entertainment etc). Cruise ships compete directly with the land-based hotel and accommodation sub-sector. They also control access to the tourist for many services and goods suppliers in Caribbean states either by selling goods and services onboard, or by directing passengers to preferred retail outlets or service providers onshore. Clearly, cruise tourism is a key element of the Caribbean tourism economy. It should be recognised as such within external services trade negotiations, starting at the WTO.

8) *The introduction of competitive safeguards for tourism*. The potential for anti-competitive practices in the *cross-border trade* of tourism services, between companies in tourist-originating markets and suppliers in tourist-receiving countries, is increasing. This is a consequence of market consolidation that has concentrated the ownership of the distribution channels for the Caribbean tourism product in the hands of an ever-decreasing number of companies in Europe, the US and Canada. Caribbean suppliers are particularly vulnerable to anti-competitive behaviour on account of their weak bargaining power and small size. CHA therefore supports the negotiation of appropriate competitive safeguards for tourism in all external services trade negotiations, particularly concerning the cross-border trade of tourism services.

9) *Assistance to introduce Tourism Satellite Accounts (TSAs)*. One of the major constraints to formulating tourism policy, and developing trade negotiating positions on tourism, is the lack of accurate data regarding the contribution of the sector to Caribbean economies. The establishment of TSAs would ensure the availability of comprehensive and reliable information on the impact of tourism. This issue may be particularly relevant for the EU negotiations where EDF resources may be available.

Trade issues for the regional services market (CSME)

10) *A regional definition for tourism.* Tourism is currently narrowly defined at the WTO under the GATS, where "Tourism and Travel-Related Services" is composed of "Hotels and restaurants, including catering", "Travel agencies and tour operators services"; "Tourist guides services" and "Other". The development of a regional tourism definition is an essential first step to achieving a wider definition of tourism under the GATS and in all other services trade negotiations. CHA proposes that a regional tourism definition be enshrined within the CSME, due to enter into force on 1st January 2005. It is therefore essential that the region rapidly formalises a definition for its leading services sector to facilitate public policy planning, and to guide regional positions in services trade negotiations.

11) *A regional policy towards cruise tourism*. The general objective of this policy must be to maximise the benefits of cruise tourism to Caribbean economies. In particular, it should seek to: maximise the opportunities for local provisioning to cruise ships and trading opportunities for local retailers; achieve the optimal rate of development of cruise tourism and increase the conversion of cruise tourists to stay-over arrivals; minimise the adverse impacts of cruise tourism to the Caribbean socio-cultural and natural environment; increase the employment opportunities for Caribbean nationals on cruise ships; and, establish a regional scholarship fund for Caribbean tourism students.

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12) *The development of a single regional tourism market.* The CRNM report highlights the example of the ASEAN (Association of South East Asian Nations) Regional Tourism Agreement, adopted in November 2002. The ASEAN states are major competitors for Caribbean destinations. Their agreement extended visa-exemption arrangements, harmonised visa procedures for international travellers, and put in place a timetable for the phasing out of travel levies and taxes on ASEAN nationals visiting other ASEAN destinations. CHA believes regional policy makers should rapidly analyse the feasibility of developing a Caribbean Regional Tourism Agreement along similar lines – perhaps for incorporation within the CSME - to stimulate the further development of the sector.

13) *The preservation of some tourism-related activities for national and regional tourism suppliers.* All Caribbean governments preserve some tourism sub-sectors for national or regional companies, either under national legislation or as an unwritten rule. The services include tour guide services, ground transport and marine transport services, entertainment services, travel agency services, destination management companies, and hotel development services for hotels of 75 rooms or less. CHA proposes that a list of preserved tourism activities be drawn up to benefit national *and* regional interests. This would act as the foundation for intra-Caribbean business and linkages, and help to counter the onslaught of fully integrated international tour operators who control the travel agent, wholesale tour operator, air service, ground handling, tours-entertainment and the hotel room.

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