



CARIBBEAN
HOTEL & TOURISM
ASSOCIATION

CARIBBEAN HOTEL & TOURISM INVESTMENT CONFERENCE

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FORMER AMR/AMERICAN AIRLINES CEO, ROBERT CRANDALL, URGES UNITY, PRACTICAL GOVERNANCE AT CHTIC 2010

Provides Keynote Address At Official Caribbean Hotel & Tourism Investment Conference

SAN JUAN, PUERTO RICO (May 13, 2010) – The Official Caribbean Hotel & Tourism Investment Conference (CHTIC 2010), hosted by the Caribbean Hotel & Tourism Association (CHTA) and Caribbean Tourism Organization (CTO), concluded last week in Puerto Rico on an upbeat note despite the lingering economic situation. The highlight of the conference was a highly anticipated keynote address from Robert Crandall, former Chairman and CEO of AMR Corporation and American Airlines.

No stranger to the unique challenges and difficulties faced by the Caribbean, Crandall (pictured right) advocated for a new regional marketing campaign and the easing of on-island taxation of the hospitality and tourism sector.

“The term ‘important conference’ is not an empty phrase, for the Caribbean is uniquely dependent on tourism, which means that solid, well financed, carefully thought out planning to sustain and increase the region’s attractiveness is enormously significant,” opened Crandall during his keynote address.

“As everyone involved in travel and tourism knows, the industry is immensely important to the world economy, generating and supporting – either directly or indirectly – about one in 11 jobs worldwide. Here in the Caribbean, it is vastly more



important. On a number of islands, travel and tourism accounts for more than 50% of all employment, and on some for more than 75%. Overall, about 20% of all Caribbean employment is travel and tourism dependent – something on the order of 2.5 million jobs,” he noted.

Speaking strictly about the Caribbean, Crandall explained that “travel and tourism should be at the center of our collective consciousness since the Caribbean is more dependent on travel and tourism than almost any other region. Of the 10 countries in the world most dependent on tourism, seven are in the Caribbean,” said Crandall.

“2010 is well along, and there isn’t much we can agree on here that will have much impact this year, but there is lots that can and should be done to move 2011 and later years in the right direction – and lots of reasons why you should act promptly.

“Overall, I am a lot more pessimistic about 2011 than most popular forecasters seem to be and, while I’d like to be proven wrong, I think everyone should have a solid plan for what to do if substantial economic growth [in 2011] turns out to be an illusion,” he warned.

“The long and the short of the matter, ladies and gentlemen, is that much has been recommended but little has been done. Thus, if there is one thing that might be accomplished here, it is to make something happen.

“First and foremost, the region’s governments need to come together and reach agreement that they will act, collectively, to increase awareness across the region of just how important travel and tourism really is and to do the things necessary to support the industry’s continued growth.

“The 2004 World Travel & Tourism Council study found lots of evidence that despite the enormous impact of travel and tourism on area economies, many governments continue to give the industry less attention and priority than it deserves and many public officials simply do not understand its profound impact on construction, real estate, manufacturing, agriculture and other sectors of the economy. Moreover, because of both ignorance and bias, many public officials are unaware of the enormous benefits of increased tourism and of how its impact filters down through all levels of the community.

“In one way or another, perhaps coordinated by the CTO and the CHTA, every government should be provided with economic briefing tools to explain the economics of travel and tourism to every elected official and every department of every government. Encouragement

for travel and tourism should be reflected in governmental policies related to employment, trade, investment, education and environmental protection.

“This greater awareness, once established, will have profound impacts on public policy. An array of diverse subjects – environmental conservation policies, telephone and internet communication policies, public policy regarding infrastructure issues, public service policies of all types – impact on the attractiveness of the area from the tourist’s point of view. Unless that point of view is carefully considered, governments may well take policy positions antithetical to maximizing travel and tourism revenues.”

Having earned the conference delegates’ full attention with his frank and honest assessment of the issues facing the industry, Crandall went on to provide three explicit examples of things that are not being done very well:

“I often think, when I arrive on one or another Caribbean island, that the immigration folks would prefer that I had not come. There is a minimum amount of automation and a maximum amount of standing in the sun waiting for the completion of lengthy documents that are almost surely consigned immediately thereafter to file 13. It’s time for every Caribbean government to improve immigration processes, minimize time spent and forms completed, and provide a welcoming rather than a hostile interface.

“Second, every destination that hopes to attract tourism needs to come to grips with the reality that we live in a continuously connected world. Tourists will avoid, and in time reject altogether, anywhere that does not make continuous, high quality internet connectivity a reality. As you all know, there are many places in the Caribbean that now fall short of that standard.

“And finally, there is a minimum level of public services that tourists will accept. No one wants to pass by uncollected garbage – and those who do are unlikely to return. Again, there are many Caribbean destinations that now fall short of minimum public service levels.

“Additionally, every government should undertake a full scale public education campaign – in schools, job sites, community organizations and every other relevant venue – to be certain that every citizen understands that whether he or she works directly in travel and tourism or not, that every tourist represents a contribution to the economy and that tourist dollars will bring economic and social benefits to every level of society.

“The second priority, in my view, should be to overcome resistance to regional marketing. As long ago as 1992, at a meeting held in Kingston, Jamaica, the region’s heads of

government agreed to collaborate in a partnership with the private sector to organize and sustain – the key word is sustain – a regional marketing fund. Unhappily, despite substantial private sector contributions which led to a successful regional advertising program in 1992-93, and a second effort in 2002 which was also judged successful, the region's governments have never reached agreement on either the wisdom of regional advertising and promotion or a mechanism for creating a sustaining fund to support regional branding.

“The 2004 World Travel & Tourism Council study had this to say about the regional branding proposal: ‘there is insufficient consensus that regional marketing for Caribbean tourism is necessary, appropriate or feasible at this point in time, [but] there is still significant reluctance by a number of the more independent destinations to undertake a regional marketing effort,’” quoted Crandall.

“It strikes me that the time is ripe to think again,” continued Crandall. “In the face of intensifying competition from many areas around the globe, the probability of more difficult economic conditions in the years ahead and the diminishing availability of low cost air transport, it seems to me that collectively emphasizing your proximity, value and diversity to consumers in your primary markets could be extremely rewarding.

“Whether you choose to create and promote a regional brand is up to you and the many governments in the region – like all consultants and friends of the court, I am here today but will be gone tomorrow. But I recommend it to you – and hope you will embrace the idea,” remarked Crandall in a plea to Caribbean governments.

“Finally, I think it is time you stopped taxing your own exports. Travel and tourism, although sometimes not recognized as such, is an export product – as with other exports, you derive revenues from abroad in exchange for a domestic product or service. In most cases, exports are encouraged, not taxed – but here in the Caribbean – and in other travel venues around the world – governments tax the tourism product rather heavily, thereby reducing the quantity consumers are willing to buy. That just doesn't make much sense to me.

“I recognize, of course, that doing away with taxation overnight is simply not practical, since all governments need revenues with which to fulfill their service responsibilities. However, modifying taxation methodologies to recognize the importance of industry growth, and looking elsewhere for substitute revenues, should certainly be a high priority,” he explained.

“It is particularly egregious, it seems to me, to tax the most valuable customers the most heavily. I refer now, of course, to the continuing controversy regarding the taxation of cruise customers relative to the taxation of land side customers. While cruise customers are certainly to be valued, their stay is short and their average spend relatively modest.

“Land side visitors, on the other hand, typically stay for several days and nights and spend very substantial amounts. While I can certainly understand why individual destinations are reluctant to impose taxes not matched by competitive or neighboring destinations, it does seem to me that a regional agreement to impose reasonable taxes on cruise customers is an attractive way to mitigate the tax burden now borne by those you would like to have back next year.”

Having received several ovations throughout his address, Crandall concluded his remarks with a summary:

“First, I see hard times ahead, and I urge you to think now about how to deal with them. Second, I think you have many great advantages which, if used properly, will enable you to prosper despite the economic troubles I anticipate. Third, I think you should band together and create an effective organization to educate everyone in the area about how important travel and tourism is and how each individual – and every department of every government – can contribute to its greater success. Fourth, I think you should consider – once again – the wisdom of banding together to shape and promote brand Caribbean.

“And finally, I think you should stop taxing your most valuable export – or at the very least, minimize that activity,” urged Crandall, noting that his advice is “not much different than what every business and every government, everywhere in the world, ought to do if it wants to compete more successfully.”

Crandall was applauded continuously throughout his remarks as conference participants were extremely grateful for the wisdom he generously imparted on delegates attending the Official Caribbean Hotel & Tourism Investment Conference (CHTIC 2010), hosted May 4-6 by CHTA and CTO in conjunction with the Puerto Rico Tourism Company (PRTC), Puerto Rico Hotel & Tourism Association (PRHTA) and Puerto Rico Convention Bureau (PRCB).

Caribbean Hotel & Tourism Association

The Caribbean Hotel & Tourism Association (CHTA) facilitates the full potential of the Caribbean hotel and tourism industry by serving members’ needs and building partnerships in a

socially responsible and sustainable manner. CHTA was founded in 1962; it is the voice of the Caribbean hospitality industry for the development of the region in the highly competitive and sophisticated environment of international tourism. Today, tourism is widely recognized as a pivotal industry in the economy of the region – and CHTA functions as the common denominator for this industry in a region of diverse nationalities, languages and styles, identifying mutual problems and marshalling the resources of the active and allied members to devise solutions. CHTA represents all facets of the hospitality industry with more than 725 member hotels and 525 allied members.

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