

Interim Quarterly Report at the First Quarterly Meeting for 2013
by Patricia Affonso-Dass

Protocol having been established I would like to once again welcome you all this morning and thank you for coming and I certainly hope that you are having a productive and informative morning thus far. As this is the first of our quarterly meetings of 2013 and the first since our general election I would like to start by congratulating the Minister on his re-election as a Member of Parliament and once again as Minister of Tourism, but on this occasion with International Transport added to his portfolio. We will continue “working together in partnership for a better industry: with one voice and one vision for one success story.” And our critical support will extend to all ministries/departments which have some role to play in tourism’s success.

I also feel that this is a good time for us as an industry to reiterate those areas that are most important to us and which are critical to the industry’s success and by extension are critical to the financial wellbeing of our economy.

If we look at tourism’s recent history the decade of the 80’s was one of expansion for Barbados’ tourism industry. Of special significance was the period between 1986 - 1989, which recorded steady growth of approximately 5% per year culminating in the highest level of visitor traffic in the history of the country at that time (461,259 visitors in 1989).

The first few years of the 1990’s reflected a slide due to a worldwide recession, new destinations entering the tourism industry and the negative impact of currencies such as the peso against the US\$ which made places like Mexico, Cuba and the Dominican Republic very attractive to visitors from our traditional source markets, especially Canada.

The Terror attack in the USA on 9/11 in the early part of the new millennium slowed the growth of arrivals and it was only during the mid-2000’s that there was a return to a growth path with 2007 and 2008 producing our best visitor numbers prior to the economic crash the real impact of which began to be felt in Barbados in 2009.

Over the past 3 years Barbados has lost market share to other Caribbean destinations like St Lucia, Bahamas, Jamaica and most recently Mexico. In 2012 Caribbean tourism saw an improvement in both arrivals and revenues with a 5.4% increase in arrivals and a 3.6% increase in visitor spend over 2011 figures; in Barbados we closed 2012 6% behind 2011 and as at March 14th arrivals are down by 9.2% on 2012 figures.

Additionally, we have experienced taxes and input costs – particularly those related to utilities – increasing at a rate that outstrips the industry’s ability to increase rates, continued increases in APD making air travel from our major source market more and more expensive, reduced access to marketing funds for the destination resulting in significantly reduced visibility in our source markets

and continued complaints from tour operator partners and guests with regard to the diminishing quality of our hotel plant in comparison to the competition.

These issues, when coupled with the continued high levels of harassment on our beaches and in key tourism belts such as St. Lawrence Gap and Holetown and the very troubling and significant increases in crimes against visitors and crime in general on the island – most recently making the international press as a result of the vicious stabbing of the guests in Speightstown and the shooting of the two cruise ship passengers in Bridgetown – provide cause for serious concern and I believe that it is time for us to collectively look openly and critically at the issues that affect the industry and aggressively and expeditiously work together to put measures in place to change the direction in which we are headed.

At the present time, a number of factors combine to create an uncertain market posture for Barbados as a destination:

- An insufficiently strong image, profile and awareness in the marketplace especially among consumers;
- Lack of a sustained advertising and promotional theme which creates easy product identification for Barbados;
- No strong social media penetration;
- Shortage of marketing funds;
- Insufficient plant renewal and product innovation;
- Insufficient/Inconsistent airlift from key points such as Continental Europe, and the Scandinavian countries;
- Negative exposure in the international press in our key markets in relation to crime.

There is also a need for a clearly articulated policy for tourism. The completion of the Tourism Master Plan by year-end, complete with a defined implementation schedule, is critical, as is the implementation of the National Tourism Host Program – Barbados Together which has as its key components – the improvement of the knowledge base of the hosts through educational and awareness building capacity actions and the improvement of the institutional and policy framework with government in an effort to ensure the destinations retains and improves its competitive edge internationally and regionally.

The addition of International Transport to the Ministry of Tourism is a welcome development and should allow for an enhanced budget for the Barbados Tourism Authority (BTA) to be spent more effectively and efficiently especially in relation to airline contracts.

Marketing and Promotion

Of significant importance to our ability to change our present course is effective Marketing and Promotion of the destination.

The budget of the BTA has moved from about \$24 million in the early 1980's to \$90 – 101 million in the last 8 – 10 years. This is concomitant with the increased level of arrivals as well as more sophisticated

marketing methods such as the development of a website and other web-based initiatives, television and print advertising, and a more defined public relations strategy.

In addition to government funds, private sector tourism businesses allocate significant amounts to marketing and promoting their businesses and by extension Barbados. The most recent survey conducted by the Association indicated that some \$40m per annum is spent by its members on marketing and promotion – even at a time when as previously noted rate increases are difficult to achieve but when input costs keep rising.

These funds are spent in hard marketing and do not include administration costs. In the case of the BTA, a significant portion of their \$101.7m budget for 2013-2014 would be allocated to administrative costs rather than hard marketing.

Private sector funds are spent in a number of areas such as trade shows attended independently as well as in conjunction with the Barbados Tourism Authority; marketing offices and marketing representatives in our key source markets who are paid by performance, co-op marketing with various publications and media outlets in the source markets; production of brochures, websites, and ecommerce platforms and significant spend related to partnering with our national marketing agency in accommodating and providing for visiting travel agents, tour operator representatives and journalists. The BHTA, often in conjunction with other private sector partners in the Tourism Development Corporation, has spent and continues to spend significant amounts – millions of dollars – on both marketing and product development. From the management and execution of the product clubs (niche marketing sub groups previously under the auspices of the BTA National Marketing Committee), on the marketing front, to bins, cameras, salaries for some Immigration officers for a period of time, a Segway for patrolling the boardwalk, beach rehabilitation modelling, to name some.

The booking engine on the national marketing website, bookbarbadosnow.com, was funded and developed by the private sector and is a classic case of the collaboration that is so necessary to ensure a successful Tourism industry.

When compared to many of our Caribbean neighbours we have an enviable budget allocation for tourism – what is important is that it is spent wisely and that all activities are evaluated to ensure the greatest return on any investment.

Present marketing of Barbados requires greater focus and adjustment. Barbados has been missing from all media (television, print and radio) over the last 18 months and the decrease in arrivals has reflected this void.

In an effort to address the continuing decline in visitor to the numbers to the island and provide a compelling package aimed at attracting visitors to the island particularly over the usually lean summer and fall periods the BHTA has worked with the BTA to develop the Barbados Island Inclusive Package. The plan is for the package to be available in all of our major source markets (UK, Europe, USA, Canada,

Caribbean and Brazil) with travel dates being April 15 (approximately) – December 21, 2013. In addition to hotel offers in the market, each person booking a package will receive a Cash Coupon Booklet.

These cash coupons will be issued in Barbados Dollars and can be redeemed at participating attractions, activities and restaurants on island. The books will be distributed at the hotels and Packages will be sold through the major tour operators and travel agents in the markets or through bookbarbadosnow.com. It is critical that this program be finalised and the requisite funding for the program's cash component and necessary marketing be agreed by government so that it can be launched as soon as possible.

With an increase in budget for 2013/14, the BHTA would wish to see:

- A bigger split between the marketing/PR budget and administration
- Upgrading and expansion of the skilled personnel in the tourism areas of the public and private sector to equip them to meet the challenges of the industry
- Continued pooling of resources from the BHTA and the TDC with the BTA to fund marketing initiatives
- Creation of a 3 year marketing plan
- A more structured focus and a realistic budget and relevant manpower for Cruise to ensure that we optimize the value from this important sector. A clear marketing and development plan for this sector is critical as it impacts significantly on the sustainability of the attractions and business sectors e.g. Taxi drivers, duty free shops, restaurants, attractions, etc.
- Utilization of Rihanna and her image in a more sustainable manner;

PRODUCT DEVELOPMENT

Barbados is no longer a 'mature' destination, but an aging one. Much of the hotel plant appears tired since the sector has not managed to maintain the quality of the physical hotel plant to keep pace with the changing expectations of our visitors or with international competition. Ours' is a dynamic industry and to thrive it needs a legislative and regulatory environment that is nimble and responsive enough to keep up with the pace of change that is required to keep us relevant and competitive internationally.

It cannot take years to add items to the list of duty free imports or to update legislation necessary to encourage and facilitate regular upgrades and improvements. Customs and other regulatory bodies need to have a much more in depth understanding of how the industry works, what our competition is offering and what the industry needs so that they can help it thrive and by so doing increase tourism revenues. Over taxation, bureaucratic red tape and burdensome processes must be changed or we will continue to see our plant slip further in the wrong direction.

Newer destinations have entered the competition and have superior product at better prices. We have not been able to attract investment in new product and access to financing for existing property upgrades and renovation continues to be challenging in the current economic climate. While there has been some growth in the Villa and Condominium sector, investment in traditional hotels is important as this aspect of the industry provides for greater year round employment and revenue generation

possibilities than villas and condominiums. A similar scenario exists for the attractions. We would recommend that:

- An assessment of the physical plant of hotels and attractions should be undertaken to determine precise refurbishment and financing needs
- Projects should benefit from liberalization of incentives under a revised TDA2002 – this is urgent and critical!
- A major investment drive should be undertaken to attract overseas investors in new hotel plant and where possible the revitalization of the many currently closed hotel properties.
- Appropriate financing arrangements should be implemented which will allow easy access to financing under very concessionary terms and a moratorium on repayment of principal for refurbishment of plant
- The possibility of a bond issue be considered to finance hotel refurbishment
- Identify new sites/themes for attractions and support with the relevant financial assistance, incentives and legislation
- The urgent adoption of internationally recognized standards for the registration and categorization (e.g. AAA diamond standards) of accommodation and the creation and implementation of internationally recognized standards for attractions as it relates to guides, safety and general operating procedures.

INFRASTRUCTURE

While the general infrastructure of Barbados may be sound, there are areas which require urgent attention. The absence of adequate street lighting and road signage, overgrown verges on major roads and highways, lack of sidewalks and the accumulation of litter all contribute to making the island unsightly to both locals and visitors. With Historic Bridgetown being declared a World Heritage property, promotion of nature and heritage tourism should be intensified. A consistent effort should be made to:

- Beautify select areas
- Improve airport facilitation and experience e.g. opening of green line particularly during peak periods and the provision of trolleys as an option for incoming/departing passengers
- Upgrading of standards for taxis and ratification recommendation for increased taxi fares and legislation to stop the present practice of additional charges for air conditioning, baggage size, etc. all of which reduce the first impression of visitors
- Implement the existing legislation that allows for the metering for taxis
- Integrated use of Kensington Oval and other facilities for a well-executed sports – tourism programme
- A transparent system of tax concessions and incentives should be established for owners of listed heritage buildings with the requisite financing being readily available.

In recognition of the importance of the appearance of the destination and a sound product infrastructure to the visitor experience, the BHTA through its Tourism Fund has spent considerable amount of money on product development projects from Road signage and installation of garbage bins in Bridgetown and key tourism areas to larger projects such as the Hometown Bridge refurbishment and West Coast beach rehabilitation.

CRIME AND HARASSMENT

Crime against visitors – due to its international impact and visibility - while not diminishing in any way the importance or impact of crime in general, should be viewed as seriously as an act of economic terrorism, as removal of or damage to this most important brand element effectively can bring the entire industry down and by extension damage the livelihoods of the majority of Barbadians.

Visitor studies show that crime and harassment act as a deterrent to visitors. The level of crime is cause for concern insofar as it affects the life of all Barbadians and poses threats to the development and continuation of economic activity especially in the tourism and offshore business. The process of law should be modernized, where necessary, and accelerated and, if needed, a special court be convened to dispense of these cases swiftly.

The BHTA supports the Commissioner of Police in his call for stronger legislation regarding all persons/businesses trading in metals particularly Cash for Gold. We appeal to the Attorney General to give this matter his most urgent attention. Additionally we call for the harshest fines and penalties for any persons found to be operating outside of the legislation and significant jail terms for any persons who perpetrate crimes that can be damaging to Barbados' international reputation as a safe tourism destination.

In recognition of the importance of the issues of Health and Safety in general the BHTA maintains a highly active Safety and Security Committee that works closely with the Royal Barbados Police Force to ensure that all tourism related crimes and incidents are efficiently and accurately recorded and reported. Over the past 6 months the committee has re-implemented the crime report forms for members, is finalizing the redesign of the existing safety flyer for use in guest welcome packs and in guest rooms – this new form will include a caution to guests on exercising care in the wearing of jewelry in public places.

In addition the BHTA recently carried out training for some 120 Security Officers and a second round of training is slated to start after April. Other BHTA initiatives related to the improvement of Safety and Security and funded through the Tourism Fund have been the installation of CCTV cameras along the South Coast and the purchase of Segways for the Royal Barbados Police Force for patrol of the South Coast Boardwalk.

In addition we wish that government would:

- Fund the installation of CCTV on the west coast
- Constantly monitor equipment to ensure that the cameras are always in sound working condition
- Implement of a no tolerance approach and the aggressively enforce existing legislation to eradicate illegal vending, harassment, drug pushing, etc.
- Ensure closer co-operation between the National Conservation Commission and the Royal Barbados Police Force especially in relation to activity on the beaches

INVESTMENT/COMPETITIVENESS

The quality of the investment climate is critical to any private sector led expansion of the economy. With the financial crash of 2008 and more recently the events in Spain, Cyprus and Greece, investors have become extremely cautious about the jurisdictions in which they invest. There is also excess liquidity in the commercial banks but citizens are not keen to invest in local projects because of the uncertainty of the current investment climate.

While there has been some recent private sector tourism investment in the form of new product development e.g. Ocean Two, continuing development at the Crane, Courtyard by Marriott, Cin Cin and Waterside Restaurants; and some general upgrade and improvement of product, examples being, refurbishment and renovation projects by the Elegant Hotels Group, Fairmont Royal Pavilion, Rostrevor and Aquatica there is need for much more. We would recommend that Government consider undertaking the following measures in order to attract both local and foreign investors:

- The maintenance of a consistent fiscal policy which would include balanced budgets and careful examination of the need and efficacy for major capital projects;
- Divestment where possible of operations which could be more efficiently performed by the private sector, especially small businesses
- The creation of a 'one stop shop' to fast track all types of investment
- Removal of barriers including taxes on inputs to production in hotels and restaurants and agriculture
- Increased effectiveness in the delivery of government services and the utilization of more modern techniques in the legal, financial and international business sectors
- A registrant should be allowed to not only carry forward a refund to a subsequent VAT accounting period but also to offset any VAT refunds against any tax costs which the registrant has to settle such as corporation tax or income tax.
- The level of VAT charged for any approved tourism project or product under the TDA 2002 should be revisited with the aim of reducing the cost of tours to visitors and thus driving more business. Any approved tourism project or product should pay VAT at the rate of 8.75% on all sales or as an option a rebate could be given after the submission of the VAT return in the amount of 8.75%. This is an attempt to increase the competitiveness in the market place and increase visitor spend. If this is agreed, the industry should be informed in a timely manner so

that any agreements that are arranged with cruise lines and /or tour operators can reflect the change.

- The “bound” rates be revisited with the aim of reducing them in order for the food and beverage cost to the tourism sector may be lowered.
- Expand the role of the Barbados Tourism Investment Inc. to promote Barbados as an attractive place to invest as well as consider having the BTII work as the product development entity in conjunction with the BTA.
- Updating of relevant legislation e.g. TDA, Special Areas Act, Shipping Incentives Act
- Implementation of standards for various services across the country – attractions, restaurants, recreational areas, etc.

ENVIRONMENT

Much of Barbados’ earnings of foreign exchange (tourism, agriculture and offshore business) depend on the quality of the physical environment. We market Barbados as a highly desirable place to “live, work and play”. There is now a policy to ‘green’ Barbados, and while some incentives have already been created to meet these objectives, a lot more still needs to be done:

- The maintenance and conservation of adequate water supplies and sustained improvements in the distribution system
- The efficient and effective collection and disposal of garbage
- Penalties for littering and use of non-biodegradable materials
- Enhanced facilities for solid waste disposal
- Greater attention to the cleanliness of beaches which is one of Barbados’ key selling points as well as the marine environment – e.g. more connections to the sewerage treatment plant and the establishment of a west coast treatment plant

The BHTA has been a leader in this area with an active Environmental Committee that has continuously encouraged its members to adopt internationally recognized Green Certification and to develop and train green teams. Up until very recently Barbados was recognized as being the Caribbean island with the largest number of Green Globe certified Hotel Properties. The BHTA has also over the years annually conducted green initiatives e.g. Beach clean-up and green training for members.

Most recently through the CHENACT project 32 hotels have had full energy audits completed and an additional 30 hotels have had walk through audits. What is now required for the recommendations to be implemented is the ability for businesses to access the SMART fund.

HUMAN RESOURCE DEVELOPMENT

The BHTA has as its vision to be the private sector organisation providing national leadership for vibrant and sustainable tourism development. Its mission is to bring people, research, knowledge and technology together to resolve challenges of business; provide strong advocacy while fostering unity among our tourism partners.

A major part of our national leadership responsibility is to ensure the sustainability of this industry so that future generations can enjoy improved standards of living. We accept our responsibility to be an integral part of the educating of future generations in all aspects of awareness of the industry.

With this in mind, the BHTA launched its pilot Schools Tourism Education Programme (STEP) in September 2012 in 8 primary schools and 7 secondary schools. The major objective of the program is to create awareness in primary, secondary and tertiary institutions in Barbados through the establishment of formal relationships between the Barbados hotel and direct tourism services and schools to promote tourism awareness and forge closer community links between the industry and schools. This program generally seeks to provide some benefits for the schools, teachers & pupils and the businesses.

The program works along with our partners in Tourism and with the Ministry of Education and Human Resource Development to ensure that our children are properly educated in the dynamics of this main engine of economic growth and main support of the lifestyle that we enjoy as Barbadians.

The next phase of STEP is to expand the number of schools that will be a part of the programme to 30 this will be rolled out from September 2013.

In recognition of the need for there to be a strong and communicative relationship between labour and employers the BWU/BHTA have agreed to set up working committees as suggested by Sir Roy, in a number of areas so that moving forward all aspects of labour relations can be discussed on an ongoing basis as opposed to only meeting prior to the end of a contract period to deal with any changes to terms and conditions of employment. We see this as a very progressive step and one which should work to the mutual benefit of both parties.

Additionally we would wish to see -:

- Improved access to funding for training
- Training across all categories with special emphasis on middle management
- Productivity training- sue to flesh out
- Focus on and encouragement of our members to implement Health and wellness initiatives within their companies.

RESEARCH & DATA COLLECTION

We are constantly reminded of the importance of Tourism to the Caribbean in general and Barbados in particular. Both the private and public sectors appreciates the need to develop and enhance our tourism databases to better inform decision making.

TSA Tourism Satellite Accounting (TSA) is the universally recognised conceptual framework developed by the United Nations World Tourism Organization (UNWTO) for measuring the direct contribution of the tourism sector to the economy.

We all have a critical role to play in making sure that tourism growth in Barbados is balanced and sustainable for future generations. The TSA has now become one of the most sought after information systems used by tourism planners, investors and other tourism stakeholders globally. Initiatives such as this provide a platform for obtaining more timely, valuable and accurate data for strategic planning.

The CTO approached the Ministry of Tourism inviting Barbados to join with the Bahamas, Jamaica and Trinidad and Tobago to participate in the Regional Tourism Satellite Account Implementation an initiative funded by a grant from the Inter-American Development Bank and this initiative is now about to commence which the BHTA completely supports.

In the absence of TSA and full and accurate data collection on tourism, the Tourism Working Group (TWG) was created. THE TWG "Filling the information gaps in tourism" was a collaborative initiative which was catalysed by the BHTA. The members of the TWG include the BTA, the BHTA, Central Bank of Barbados, CTO, Ministry of Tourism and the Barbados Statistical Services. The existence of the TWG deepens the market intelligence of all member agencies, and by extension BHTA members. The current focus is on clarity, consistency, transparency and depth of data coverage. Over the past six months TWG been involved in a number of activities including improving its web presence, brainstorming ways to improve the mode of delivery of the quarterly TWG survey to share updates, conducted joint research between members of the Central Bank of Barbados and the Ministry of Tourism culminating a document entitled has Increased its presence on the Internet, though the: "An analysis of Behavioural Patterns of Inbound Tourists to Barbados, 2004 – 2011: Hotels vs. Non-traditional Accommodations"

As ever, data and information is critically important in order to make properly informed decisions, to plan and to lobby and I use this opportunity to again remind all members of the importance of providing information when requested and to regularly submitting information on occupancy and forecasting so that we can continue to assist and support you.

Ladies and gentlemen these are challenging times and there is clearly much that needs to be done. It will take strong will, determination, innovative thinking and collaboration between the private and public sectors as well as far greater involvement and investment in the success of the industry by all Barbadians if we are to turn the current situation around and return to a position of regional leadership but it is certainly not an impossible task.

As I do each time I speak about our industry I encourage you all to speak up for tourism, educate yourselves on the issues that affect it, encourage your staff, families and friends to improve their understanding of its impact on our collective fortunes and to consistently look for ways to improve the quality of your services, product and island. Working together with a clear vision and focus we can and we will succeed.

Thank you and have a wonderful day.