Introduction

The two most critical issues confronting the CTO are finance - at all levels - and the meaningful engagement of our member countries. Urgency must be applied to finding solutions to the overall question of what is preventing some member countries from meeting their financial obligations.

For sure, the Caribbean continues to struggle under the weight of the global recession. Tourism arrivals, normally expected to be down at this time of the year, are further affected by the global economic downturn. But the news is not all gloomy. Economists in the US are now predicting a small rise in consumer spending in the second half of this year, and the major stock markets have begun to bounce back.

Most recently, it appears that the economies of Canada, France and Germany may have already emerged from recession, even though there is some distance to go before healthy, sustained growth occurs.

More good news came from an August report on the US housing market which showed home prices in most major cities rising for the first time in nearly four years. Concurrently, sales of new and existing homes were also up slightly for a fourth consecutive monthly gain. On the downside, the closely watched Conference Board Consumer Confidence Index retreated again with the worsening job market taking most of the blame. Consumers are also expressing concern over the Obama administration’s new health plan initiatives and spending programs. And even though the current US unemployment figures (at 9.7% in August) are slightly better than anticipated, nearly 50 percent of respondents to the Conference Board survey say that “jobs are hard to get” and “business conditions are still bad.” This continued job market uncertainty is not surprising as rehiring and new hires always lag in a stock market recovery.

Experts tell us that this lag-effect is evident in the tourism industry as well. A survey of the Caribbean’s major sources of business suggests that times are still very tough for our industry partners but the worst may be over. Agency managers tell us that clients are starting to call again, responding to increased levels of advertising and promotion. Advance bookings for both land-based and cruise vacations in the Caribbean are increasing slightly and the month-over-month declines from 2008 to date are now dropping to single digits. But while interest is on the increase again, there is for sure no major flood of bookings. Thankfully there has also been no serious natural or man-made disaster during this period, although concerns over the possible further spread of H1N1 persist as we enter the traditional flu season in temperate countries.

CTO continues to monitor the major sources of reliable information and to promptly get the details out to our members. We do so primarily via regular e-mails from our communications office, as well as in the monthly Tourism Executive Brief and the CTO Newsletter. We continue to provide the vital advocacy, training, research, technology, marketing and public relations services that are important to all members. For some member-countries those services not only supplement their own efforts but are the mainstay in some cases.
Program Highlights

Reporting on how we utilize our members’ resources is only one aspect of this document. The financial planning and work-plans for the upcoming year are integral parts of the presentation being made at our October business meetings.

Specifically, the document presented to the Board of Directors will describe the work of these CTO divisions: **Communications, Human Resource Development, Research & Information Management, Marketing and Finance**. Here are highlights under the following headings:

A. Communication
B. Personnel/Human Resources
C. Caribbean Regional Marketing Program
D. Caribbean Tourism Development Company
E. Research & Information Management
F. UK Air Passenger Duty
G. Finance
H. Conclusion

**A. Communication**

The CTO’s Communication Specialist is charged with the specific responsibility of equipping the organization and its members with the necessary tools for more effective communication; equal emphasis has been placed on getting the right information into the hands of our constituents AND helping our members to use it to their best advantage. We are pleased to report that the response to the media training conducted in a number of member-countries by our Communication Specialist has been extremely encouraging. Hence we will continue to meet the demand for this specialized training on **how to handle the media, who should and should not speak, how to spot the pitfalls, how best to package the delivery, how to measure your media effectiveness**, and so on.

We will continue to work closely with our own public relations agencies overseas or with our members’ agencies in order to bring marketplace-specificity to the training when necessary. CTO is uniquely equipped to tackle the important blend of journalism and public relations in ways that are useful and cost-effective for our members.

**B. Personnel/Human Resources**

During the period under review the CTO Council of Ministers concluded its search for a CTO Secretary General and made an appointment on a two-year contract, with effect from August 17th, 2009.
This cleared the way for a number of pending organizational and programming matters to be finalized so that CTO’s mandate can be properly fulfilled. Remaining vacancies within the organization will now be filled in accordance with the direction given by the CTO’s Executive Committee.

On the wider human resource mandate – training and education to meet the needs of the tourism industry throughout the Caribbean – the Human Resource Department has been stretched to the limit to manage the needs of our members by conducting training and certification sessions throughout the sector, while also administering the CTO Foundation, overseeing the work of the Sustainable Tourism Development department and managing internal HR needs.

One of the most exciting and significant aspects of the work of the Human Resource Department is the proposal to make tourism a subject at the level of the Caribbean Examinations Council. Progress in this regard will be reported in further detail at the Business Meetings.

C. Caribbean Regional Marketing Program and related matters

This program was mandated by the Twenty-ninth Meeting of the Conference of Heads of Government of the Caribbean Community which was held in Antigua in July 2008.

In July 2009 the Thirtieth Meeting of the Heads of Government was held in Georgetown, Guyana. At that meeting the Heads of Government entertained presentations by the Secretary General of the CTO and the Director General of the Caribbean Hotel and Tourism Association on issues relating specifically to the previously mandated Caribbean Regional Marketing Program. (Other matters covered in the presentation were approaches made to the US Government on specific issues and to the UK Government on the Air Passenger Duty.

As a result, the CARICOM Secretariat issued the following report on the decisions of the Heads of Government:

With regard to the Impact of the Economic and Financial Crisis on the Tourism Industry, the Conference “Agreed that the speedy implementation of the Regional Marketing Campaign would contribute to combating the current crisis facing Caribbean tourism”.

With regard to the Regional Marketing Campaign, the Conference:

Agreed that the Regional Marketing Campaign should include all members if it is to maintain its integrity;

Noted that there are currently two options for funding the Regional Marketing Campaign, viz Member States -
(i) levying of a $3.00 tax on airline tickets for passengers travelling into the Region, or as an alternative;

(ii) contributing from their own resources on the basis of an arrivals formula;

“Also agreed” that the formula used to calculate contributions to the Secretariat should be examined as an option for funding the Marketing Campaign;

“Further agreed” that the funding of the Regional Marketing Campaign must be submitted to the COFAP for determination.

With regard to Approaches to the United States Government, the Conference:

**Agreed** to pursue with the US Government the establishment of more pre-clearance facilities in the Caribbean;

**Also agreed** not to pursue, at this time, the issues of an increase in the duty-free allowance for persons travelling from the Caribbean, and a waiver of departure taxes for US citizens travelling to the Caribbean.

With regard to the Air Passenger Duty (APD), the Conference

**Agreed** to continue pursuing with the relevant UK authorities, the re-banding of the proposed APD as it applies to travel from the UK to the Caribbean and in that regard;

**Also agreed** to:

(i) encourage the Caribbean Diaspora in the UK to continue to pursue the matter with UK policymakers;

(ii) instruct the High Commissioners in London to increase their efforts to persuade the UK authorities until the matter is taken up in Parliament.”

The above CARICOM report was shared with the CHTA.

CTO’s responsibility on the Caribbean Regional Marketing Program is now to determine the positions of all its members – OECS, non-CARICOM and CARICOM - on the future of the program and to take direction from the Council of Ministers accordingly.

In the interim, CTO’s Directors of Marketing continue to utilize the regional marketing budget to deliver a range of public relations and publicity-generating special events in the key producing markets, as well as targeted trade shows and travel industry projects. (These are detailed separately in presentations by the Directors of Marketing). That budget also funds major advocacy efforts such as interactions with the US Government, the Annual Caribbean Tourism Summit, engaging the Caribbean Diaspora and agitating for changes in the UK’s Air Passenger Duty.
D. Caribbean Tourism Development Company

With the uncertainty surrounding the future of the proposed Caribbean Regional Marketing Program the future of the CTDC, the jointly owned marketing and business development unit of the CTO and CHTA, is in jeopardy. CTDC’s funding source has been the long-standing CTO regional marketing budget, a fund which had been envisaged to be replaced by the Caribbean Regional Marketing Program.

On August 14th the Chairman of CTO’s Council of Ministers, the Honorable John Maginley and the CTO’s Secretary General Hugh Riley met in Miami with a CHTA delegation comprised of their Chairman Peter Odle, President Enrique de Marchena, Director General Alec Sanguinetti and the Chairman of CAST Sir Royston Hopkin. (The Caribbean Alliance for Sustainable Tourism, CAST, is CHTA’s environmental arm).

Much of the agenda was focused on the CHTA’s continued involvement with the Caribbean Tourism Development Company and the plans for funding the CTDC in a sustainable manner. Following is a summary of that discussion.

1. CHTA is not on CTDC’s Board of Directors but remains a CTDC shareholder. There are only two shareholders: CTO and CHTA.
2. CHTA pointed out that even though the six CHTA members resigned from the CTDC’s Board, CHTA has the right to nominate any six persons to be on the Board.
3. Both CTO and CHTA agreed that CTDC needs to be adequately funded in a sustainable manner. Much of the discussion was centered on the next steps to deliver the mandate issued by the CARICOM Heads of Government to create a Caribbean Regional Marketing Program. That program would be administered by CTDC. In the absence of such a program, CTDC would continue to rely upon the current regional marketing budget, a poorly subscribed fund for which the governments of the Caribbean are billed annual amounts. Those funds are barely adequate for public relations programs and minimal event-marketing; they do not come close to being able to sustain a program to help pull the Caribbean out of the current arrivals slump.
4. CHTA and CTO agreed that a September meeting would be sought with Prime Minister Hubert Ingraham of The Bahamas, the CARICOM leader on tourism matters. The objective would be to seek PM Ingraham’s assistance in making the Caribbean Regional Marketing Program a reality. It was further agreed that meetings would also be sought with other Prime Ministers and that the OECS Secretariat would be asked to seek further clarity on St. Vincent’s involvement in the Caribbean Regional Marketing Program.
5. In regard to #4 above, it was agreed that CTO’s Secretary General would initiate arrangements for the meeting with The Bahamas PM, being careful to avoid September 12-24. The CTO Secretary General was also asked to contact the OECS Secretariat to ascertain what progress the OECS countries had made regarding implementation of the
US$3.00 ticket tax as their funding mechanism for the Caribbean Regional Marketing Program.

The Miami meeting then dealt with other agenda items regarding non-CTDC joint ventures between the CHTA and CTO which are proceeding; for example the planned Caribbean Hotel & Tourism Investment Conference co-hosted by CHTA and CTO, the CAST governing council, public sector participation in Caribbean Marketplace, and coordination of the two organizations’ calendars of events.

If the ongoing collaboration between CHTA and CTO on non-CTDC matters is any indication, it seems clear that the two organizations are continuing to focus on delivering the tourism objectives of the Caribbean, but with very limited resources. The biggest hindrance to full collaboration on CTDC appears to be the matter of how the company is to be funded and how that funding is managed. In the absence of adequate funding, CTDC’s operations will be one-sided and relegated to the limited activities of CTO’s marketing budget, thus excluding the wide range of branding, merchandizing, online and other major marketing proposals that are yet to be implemented.

As mentioned earlier in this document under C. Caribbean Regional Marketing Program and related matters above, CTO will seek the direction of the Council of Ministers in regard to the future of the Caribbean Regional Marketing Program.

Regardless of the program’s future, however, it is clear that the CTO and CHTA will continue to collaborate on a range of marketing and non-marketing matters that are central to the success of Caribbean tourism.

CTO’s Marketing Division has meanwhile continued to provide a useful and necessary function on behalf of our members, within the limits of the current budget.

**E. Research & Information Management**

The research and analysis conducted by this Division of CTO continues to be a platform upon which the organization and many of its members base their business decisions. Coupled with the research, there is the significant progress the Division has made toward vastly upgrading the usefulness of CTO’s membership website www.OneCaribbean.org as well as coordinating the functions of www.CaribbeanTravel.com which is jointly managed with the Caribbean Hotel and Tourism Association. The increasing emphasis on the role of technology in tourism has led to a decision that this Division’s name should more aptly reflect its changing role. Consequently the Division is being re-named Research & Information Technology.

During the period under review the Division has been applying some effort toward guiding member-countries in the more effective use of their visitor data; understanding and profiling current visitors is the key to ‘cloning’ and acquiring more of them.

Finally, the much needed Tourism Satellite Account system may now be a step closer to reality in more Caribbean countries. To that end the CTO’s Director of Research & Information Technology
has spearheaded a proposal to acquire funding from the Inter-American Development Bank under the Regional Public Goods initiative. If the proposal is successful the project should commence in the First Quarter of 2010.

**F. UK Air Passenger Duty**

The Caribbean receives about 1.4 million tourists from the UK annually, representing 25 percent of all European arrivals to the region or 6 percent of total arrivals. Many of our CTO member countries are highly dependent on the UK market in their tourism mix. For example, 39 percent of tourist arrivals to Barbados are from the UK. Other islands where UK tourists are a significant part of total arrivals include: Antigua (34%), Grenada (28%), St. Lucia (26%), St. Vincent & the Grenadines (18%), Bermuda (11%) and Jamaica (11%). Protecting this important market is therefore an obvious motivation for vigorously fighting the proposed increase in APD.

Perhaps a less obvious benefit of the APD fight is its ability to provide a rallying point for the large and potentially powerful Caribbean Diaspora in the UK. What started as an important rallying cry for a few destinations could evolve into a permanent force to be called out as and when the whole Caribbean needs it, as long as the region is able to keep the Diaspora engaged.

CTO has contracted the services of the Caribbean Council to lead the region’s fight against the increased APD. We have:

1. Mobilized our London office and our UK public relations agency to provide support
2. Published articles and conducted numerous interviews with the British media
3. Provided assistance to and joined Caribbean leaders at meetings with MPs and Peers
4. Organized meetings with the Caribbean Diaspora leaders and travel agents
5. Made presentations and submitted data to the Caribbean Diplomatic corps in London
6. Conducted and publicized research on the likely effects of the increased APD on Caribbean tourism
7. Collaborated with the Caribbean Hotel & Tourism Association on the effort
8. Joined a coalition of British travel industry partners in fighting the APD

On July 21 after a short formal debate in the House of Lords, the Finance Bill received Royal Assent. This means that the proposed ‘banding’ will come into force in November 1, 2009 with the Caribbean in Band C.

The battle is however far from over and there will be further opportunities over the next several months to try to have the banding modified so that from November 1, 2010 the Caribbean would have parity with the US which is in Band B. There will also be other industry wide opportunities to make clear to Government and Opposition in the UK that the whole measure is damaging and needs review.

In summary:
• The Caribbean has lost the first round but has jolted the Government who together with MPs have come to recognise that the banding for the Caribbean is potentially a UK election issue for the Caribbean Diaspora.

• The next opportunity to effect change will come in November in the pre-budget statement that sets the scene for next year’s budget and the 2010/11 Finance Bill. This will not only be an election oriented statement in which Government will seek to appeal to various interest groups, but will set the parameters for the future fiscal approach by the Conservatives and Liberal Democrats.

• The short term emphasis will be on trying to secure from the UK Government language in the Budget statement that proposes re-banding the Caribbean while also seeking a separate commitment from the Conservative and Liberal Democratic Parties to do the same if in a position of power, if the measure remains in force.

• Our national tourism offices (NTOs), Government and diplomatic representatives attending Party conferences and fringe meetings in the UK should raise the issue informally with MPs, Peers and party activists stressing the discriminatory nature of the banding, the concerns of the Caribbean Diaspora, and the economic damage to the Caribbean at a time of falling visitor arrivals.

• Letters should be written to those MPs and Peers with whom NTOs and individuals in the industry were previously in touch. Where relevant we should thank them for their support and/or make the case for a review of the banding for the Caribbean in the 2010/11 budget.

• There should be a continuing campaign with the Diaspora and Diaspora related travel agents making use of all the measures used to date but with a renewed and adjusted message.

• These activities should be co-ordinated with appropriate letters from Caribbean Governments to British Ministers enquiring about the possibility of a change in the banding in 2010 and the outcome of the promise made by the British Treasury Minister responsible, Sarah McCarthy-Fry, in July when she promised MPs in a debate in the House of Commons to instruct her officials to look further at the issue of the banding disparity between the US and the Caribbean.

• Our member-Governments should also consider writing to the leaders of the two main opposition parties to enquire what their policy is on APD and APD Banding while making all of the key points on APD including those about the economic effects and Diaspora concerns.

• Visiting Caribbean Ministers and Heads should continue to raise concerns and enquire about a solution for the region.

• The pre-budget report from the UK Chancellor is usually made in late November. This would also mean that APD related activity at and around the time of WTM in London would be possible. We will be recommending joint and separate representations by Ministers when they are in London for WTM.
• There are broader UK industry approaches being co-coordinated by the British Air Transport Association and Flying Matters. These aim to have APD rescinded and resist the Conservative alternative of a per plane tax. Our own national tourism offices in the UK will no doubt wish also to monitor these and, where relevant to Caribbean concerns, be associated with such approaches.

G. Finance

CTO’s financial situation needs the urgent consideration of our member countries. At the level of the secretariat the efforts to cut costs and increase revenue have continued. Across all offices the cost of utilities and general overhead has been reduced by approximately $1,700 per month so far in 2009.

Revenue-generating efforts have been increased; resource acquisition has been considerably stepped up to the point where we expect to acquire in excess of US $2 million in grant funding for various programs in 2010. This means that approximately 21% of the budget managed by CTO is acquired from sources other than our member countries!

However, it is important to note that while this donor-funding goes toward providing the research, training & education, sustainable development, quality standards, systems and technology needed by our member countries, none of it is able to be applied to the organization’s overhead costs. The cost of running the organization is financed by the membership dues. Those dues are now dangerously in arrears.

In accordance with the direction of the CTO’s Executive Committee, a Finance sub-committee has now been established as a liaison between the Secretariat and the Executive Committee which in turn reports to the Board of Directors. CTO will now turn initially to the Finance sub-Committee and to the Executive Committee for assistance in urging member countries to meet their financial obligations.

As always, a full financial report is being presented at the Business Meetings.

H. Conclusion

CTO has been focusing squarely on its relevance to our members and our ability to deliver programs and projects that are meaningful. Many of those programs involving hospitality training, education, quality standards, research/statistics, sustainable development, special events, media training, marketing, crisis communication, website development, social networking and new-media technologies, have over time become more and more essential to our members. But to maintain and expand those services requires funding.

At the June Business Meetings in New York we stated “The challenge for the CTO in 2009 has been no different from that of our member countries: Creating greater efficiencies in the face of
diminishing financial resources. And as tourism arrivals continue to decline in the remaining months of 2009 the financial challenge will intensify."

In short, it is impossible for CTO not to be feeling the pain of our members. However, what we are seeking is a realization that (a) The services we provide can really only be maintained and enhanced with the input of our members; and (b) those services are themselves essential to the ongoing development of the tourism product our members sell.

Over the past few months we have become aware that our organization needs to do a better job of engaging our members in the creation and implementation of CTO’s programs. We have made recommendations for that level of engagement to be substantially increased and we will continue to pursue that goal. More face-to-face in-country presentations, effective working committees, a fully functioning Vice-Chair system, and an operational ‘cabinet’ for the Council of Ministers are among the recommendations.

It seems clear that closer collaboration on important issues and an improvement in our members’ financial situation will result in a reduction in arrears and an increasing role for CTO in delivering the business objectives of our members. The organization aims to continue to be the region’s tourism development agency and the consistent purveyor of a positive image of the Caribbean.