

CTO Media Conference

Feb. 8, 2010, 9AM EST

Caribbean Tourism Overview – 2009

1. Wider Caribbean Region

Tourists arrivals in the Caribbean are on the rebound. Although aggregate tourist arrivals to the wider Caribbean (ie all 33 CTO member countries) declined by 3.6% in 2009, quarterly data show successive improvements during the year.

- Further redeeming feature is that tourism activity is still significantly high recording 22.1 million down from 22.9 in 2008 – This is also consistent with the decline in global tourism as recorded by UNWTO.

In total, quarterly arrivals reveal a scenario of hope. Arrival activity showed signs of rapid recovery after double digit declines in the troughs of the global economic crisis

- First quarter 6.6% decline
- Second quarter a fall of 6.0%
- Third quarter down 2.0%
- Fourth quarter actually rose 1.0%

2. Sub-regions

The OECS was hardest hit by reduced arrivals showing an overall 12.3% decline in 2009

- except for St. Lucia and Dominica all others in the OECS showed double digit declines in arrivals

Barbados and the larger CARICOM countries fared relatively better than the smaller ones. Together these countries recorded a 3.6% decrease in traffic.

- Jamaica and Guyana showed moderate increases
- Most countries in this group managed to maintain single digit declines

Dutch Caribbean Territories show the share a similar experience to the larger CARICOM countries recording 3.7% fall-off.

For the other countries Cuba had a moderate increase (3.5%) while and Dominican Republic showed a slight rise (0.3%). Puerto Rico and USVI both fell approximately 3%.

When main markets from which the region's business is drawn are considered

- Canada has remained robust despite some weakening in that economy with and increased

Arrivals increased by 8.6% for the year

- First quarter 8.2% decline
- Second quarter a fall of 6.0%
- Third quarter down 7.9%
- Fourth quarter actually rose 1.0%

US arrivals while down 4.4 % over the year displayed consistent improvement when the four consecutive quarters of the year are examined

- First quarter 10.1% decline
- Second quarter a fall of 7.1%
- Third quarter went up 1.1%
- Fourth quarter rose 1.0%

European arrivals while down 8.9 % over the year displayed a worsening performance over the first nine months of the year. This situation improved at the last quarter when Continental European arrivals picked up somewhat.

- First quarter 7.6% decline
 - Second quarter a fall of 10.6%
 - Third quarter down 11.1%
 - Fourth quarter down 6.4%
- Overall Arrivals from the UK fell by 5.6% in 2008 and a further 11.8% in 2009 to reach the level of approximately 1143.7 thousand tourists. British visitors to the Eastern Caribbean comprising the destinations of Antigua & Barbuda, Barbados, Dominica, Grenada, Montserrat, Saint Lucia & St. Vincent & Grenadines dropped off by 13.1 % in 2009. Although the evidence is not yet fully this situation is expected to have been precipitated by the introduction of the first increase in the ADP in the November last year.

3. Cruise Tourism

Cruise visitor arrivals to the region as a whole increased 1.4% after the 3% decline in the previous year. This increase was associated with the aggressive marketing drive of the cruise line along with price specials.

4. Accommodation Performance

Consistent with the fall-off in arrivals was a weakening in hotels performance across the region

- Occupancy went down 4.1% averaging 61.6% for the year
- Average Daily Room Rate fell by 13.5% below 2008.
- Revenue Per Available Room fell by 17.1% reflecting the smaller arrival numbers and the discounting necessary to attract a sustainable level of business

Examining the end of quarter positions for occupancy

- First quarter 7.5% decline
- Second quarter a fall of 6.4%
- Third quarter down 0.7%
- Fourth quarter actually rose 1.0%

Examining the end of quarter positions for Revenue Per Available Room

- First quarter 26.1% decline
- Second quarter a fall of 18.4%
- Third quarter down 12.0%
- Fourth quarter actually rose 1.2%

5. Airlines Operations

Major airlines have experienced considerable challenges sustaining an acceptable level of profitability. Airlift has been juggled and adjusted in an effort to balance supply and demand. The coming of the low cost carrier Jet Blue has also added much welcomed seating capacity.

6. Visitor Spending

Although we are in possession of very little hard information on visitor spending across the Caribbean, what we do have indicates that visitors have been exercising considerable prudence in their spending. This has resulted in a fall in average spending which coupled with less arrivals has manifested itself in lower foreign exchange earnings in the region.

7. Air Passenger Duty

Airline Passenger Duty (APD) refers to the tax introduced in the 1980s by the British Government originally as a *green tax*.

It was recently decided by the British Parliament that a new system based on banding, determined by distance from London to the capital city of an individual country would be instituted. The four bands are:

Band & approx Distance in miles from	In the lowest class of travel (Reduced rate)		In other than the lowest class of travel* (Standard rate)	
	2009-10	2010-11	2009-10	2010-11
Band A (0-2000)	£11	£12	£22	£24
Band B (2001-4000)	£45	£60	£90	£120
Band C (4001-6000)	£50	£75	£100	£150
Band D (over 6000)	£55	£85	£110	£170

The Caribbean is placed in Band C because capitals are between 4001 and 6000 miles from London while the entire USA (includes Alaska (4456 miles away), California (5371) and Hawaii (7239) is based on the distance to Washington which is 3674 miles away from London. This means that a traveller from London to Hawaii which is 3000 plus miles further than from London than the Caribbean, will pay less APD than one travelling to the Caribbean. In our estimation this provides an unfair advantage to our US competitors.

Our research has revealed that when the fares are raised progressively there is a sharp negative reaction after reaching £500 in the UK market. Relatively small increases result in relatively greater fall-offs in travel. Those UK visitors not

interested in travel at these increased fares quickly move from 5% to 20% as the fare moved from £500 - £800 marking an average decline in visitation of 14.8% over the range. Indications of fairly high elasticity of demand for air travel. This reality points towards the need for us to do all that is necessary to keep airfares down.

8. Projections

All available evidence suggests that visitor arrivals have recovered much ground over the past 12 months. The outlook for this year is promising despite treats of some negative fall-out from increases in ADP which will impact disproportionately on some sections of the region.

The US economy has recently shown good signs of recovery.

Unemployment has decline to single digits.

Consumer confidence has improved.

This reality coupled with the fact that the Caribbean will be hosting a major international event in the ICC twenty-20 cricket tournament this year is expected to account for some increased summer traffic to the region.

Conservatively we would expect a 2%-3% improvement in arrivals.