

TOURISM IN THE CARIBBEAN

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Tourism has been an important sector in many Caribbean economies since the advent of jet transportation in the 1960s. Of late, it has been hailed as the number one foreign exchange possibility for countries from Belize to Barbados and from Guyana to the Bahamas. This is a disquieting development. Is it that countries are out of alternative foreign exchange earners? Has the idea of economic diversification been abandoned? Moreover, for some countries, it is unrealistic to expect tourism to become a significant economic activity. We know that tourism is very subject to variations in the growth rates in the industrial world. Also tourism transforms the environment and the quality of the tourist product may be devalued if a certain threshold of tourist activity is passed.

Tourism does have the potential for fast growth and the Caribbean has many advantages which recommend it to the tourist markets of the industrial world. It may be an important part of a country's growth strategy, but we should not make it a monoculture. Tourism should be a plank in a development strategy which includes agriculture and manufacturing plus other primary activities.

The Advantages which the Caribbean Offers

The Caribbean region has a number of advantages which give it a headstart over the competition in the tourist markets of the industrial world. Caribbean countries have an equitable climate, fine beaches and breathtaking scenery. There is and remains a sense of history, and the region offers a variety of environments which would suit different tastes in vacations. There are possibilities for those who want to be especially active as well as those who want to relax and do very little.

The Caribbean also benefits from its proximity to the US market, the world's largest. Tourists can spend most of their vacation money on local amenities rather than on travel to and from the United States. The Caribbean is accessible for short-term vacations as well as for longer and more leisurely stays. Throughout the Caribbean there is a facility with the English language, even where it is not the native language of the population, and this offers comfort to North Americans.

The region's long standing contacts with North America are a further advantage. They make Caribbean people more familiar with North American culture. In fact we may argue that the Caribbean has adopted too many of North America's artifacts. The contacts have come through trade, migration, family ties and visits over many years.

Difficulties in the Way of Building on this Foundation

Notwithstanding the Caribbean's advantage, it is increasingly difficult to expand tourism on the established base. One difficulty is in establishing and maintaining quality service. This proves extraordinarily difficult where a tradition of high quality service does not already exist. A strong service tradition does not exist anywhere in the Caribbean although some countries are better in this respect than others. None can stand up to what are accepted as normal standards in countries such as Japan, Germany or Switzerland. The Caribbean can boast only occasional centres of excellence and there is little consistency from one period to the next. The problem is to be found in government circles, among immigration, customs and licensing officials, in hotels and restaurants, among retailers and among those who provide personal services which tourists see.

A second challenge for the tourist industry is to increase productivity. Raising productivity is extraordinarily difficult in service industries as opposed to manufacturing, where new technology can be used to provide an increase in productivity. Ultimately, the only way that tourism can maintain its place as a leading growth centre is by increasing productivity. In the initial period of expansion, productivity may not be that important. Tourism's contribution to national output may grow simply

by building more capacity, with workers not being paid very much. However, as time goes on there are fewer choice locations for hotels, restaurants and tourist facilities available at attractive prices. Workers' standards of living and aspirations rise and so does the real wage. The country begins to exhaust the supply of very wealthy tourists while newly established resorts elsewhere which are at the beginning of their expansion cycle begin to nudge the country out of its markets. The only way to remain competitive under these circumstances is to provide better service with fewer inputs to increase efficiency and productivity. Different Caribbean countries are at different points in the maturity of the tourist industry. Some have fallen back into a lower-cost-situation after some significant gains in real wages. However, eventually each one is headed towards the problem of increasing productivity as soon as the economy begins to pick up.

The development of large scale tourism transforms the physical environment and alters the shape of the society. For example, Heywoods a few years ago was a moonlight hideaway for lovers. It is now controlled, manicured and policed. Still a very appealing environment, but very different from what it used to be. The extent of transformation depends on size and on the speed of development; but no country is exempt. Thoughtless expansion risk

killing the goose that lays the golden egg. It destroys the charm and the relaxed atmosphere which very often is the initial source of attraction to the tourist. The country loses its individuality and can no longer advertise its special ambience. The society may be transformed, local leisure activities may be replaced by the imported variety and characteristic social ties displaced. A country may lose its reputation for friendliness and warmth. However, there are compensating advantages: tourism may act as a stimulus for the development of local skills, it may expose local people to creative ideas and the development of relationships with foreigners may be useful in areas which complement tourist activity.

As the numbers of tourists increase, a country tends to become devalued in the international markets. It loses its exclusiveness, its reputation for the exotic. This tendency may be aggravated by a loss of special character mentioned in the previous paragraph. As a result, the country attracts a less affluent tourist and the average spending by tourists declines.

Caribbean tourism is essentially a winter phenomenon. Tourism activities must maintain their profitability on the basis of their winter sales so that they can sell summer services at marginal costs, thereby maintaining job continuity and securing the upkeep of their

properties. The fixed cost of operations must therefore be spread over a very short period of about four months. This carries implications for the financial structure of hotels and tourist facilities, and the cost of finance to them. Tourism is also highly sensitive to changes in the international business cycle. When incomes slowdown in industrial countries a vacation overseas is one of the first items to be sacrificed.

Strategies for Addressing the Problems

Caribbean tourist industries must train workers to improve quality and increase productivity. Perhaps the best beginning is extensive studies and overseas attachments which could provide designs for local training. These studies would include formal training but they would mainly be investigations of actual operations, carried out in tourist destinations with an inpregnable reputation for quality. Switzerland is an obvious example. The Caribbean should also look to absorb experience from major hotel and restaurant chains which have established a reputation for consistent quality. Lessons could also be learned from other countries which are in the process of dealing with the question of quality but whose reputations are still to be developed. Reference could be made to institutions whose business it is to monitor the quality of tourism services around the world. From these studies one might begin to derive practical notions

or the programmes that seem to work and those that do not seem to have much usefulness. Training programmes for Caribbean people might then be adapted and developed in the light of these experiences.

The training should emphasise apprenticeship at all levels even for those who have specific technical training in the area of tourism services. However well-trained a technician may be, he needs to learn the culture of organisation and the needs of his market place in order to make himself a most useful supplier of services. I can speak most knowledgably about economists. Economists who graduate from our University with very fine degrees, spend a year or two at the Central Bank in a form of apprenticeship where they learn to apply these skills to ongoing analysis of the economy and to formulate policy recommendations in circumstances which often are less than ideal. They also begin to acquire the practical tools and techniques of empirical research, which involves frustrations and compromises which one only begins to appreciate when one is dealing with the real world. A similar tutelage is required in all service industries, including those run by Government. It should be part of the systems set up for all firms in the tourism sector.

Caribbean tourism sectors must also take measures that will enhance worker motivation. It is necessary to

instil instincts for high quality and for professional attitudes. They must be embedded in the hearts and minds of workers. We can recognise that professional attitude when we see it in action. It is a problem solving attitude and it is not dependent on the individual character or emotions. It is an attitude which is too seldom seen in the Caribbean. Management has a responsibility to provide incentives and conditions for the development of such an attitude, partly by setting the example. However, managers need to ask themselves whether they are sufficiently sensitive to the need to create this environment. It may be that our management training has not yielded adequate rewards in this regard. It may also be necessary to have new discussions with workers' representatives on incentives and rewards systems. Most reward systems in existence in the Caribbean are guaranteed to support a basic wage and are not linked to productivity or performance. In service industries these are admittedly difficult concepts to measure. We must come to an agreement between management and workers as to viable incentive schemes which will raise productivity. We should examine such schemes as have been implemented in service industries elsewhere and see what, if any results we can derive and that are useful to us.

Perhaps the Caribbean should embark on studies to evaluate alternative marketing strategies. Everybody has a

good idea about how to accelerate the growth of tourism. Suggestions include more visibility in markets, better choice of markets, more advertisements on television, emphasis on special interests such as sports, conventions, youth, senior citizens, blacks. Other ideas include market dispersion within North America, within Europe and Latin America, moving the tourist product up-market and marketing the region as a whole. There are too many possibilities and most countries are trying to move in all directions at once. There is a need for an overview of all the options, looking at the cost and the possible returns in dollar terms. This should enable countries to put together the package which seems to offer best returns on marketing expenditure within a given target budget. Such a programme might be put in place and its achievements monitored over a three-year period. During that period adjustments might be made, but the fundamental strategy would be kept intact to allow for sufficient time to assess its effectiveness. At the end of the period, an assessment would be made to determine whether a revised strategy is needed in the light of performance and expectations.

Caribbean countries have had great difficulties with the exchange rate in recent years. It is convenient to think of the exchange rate in terms of the US dollar and to look at two issues: (a) the value of local currency versus

the currency of rival destinations in US dollars and (b) the strength and weakness of the US dollar. Devaluing one's currency to stay competitive is a strategy of defeat. It is an admission of failure to enhance quality, to maintain customer loyalty to the country, to market the country's peculiar attractions and to seduce more affluent tourists. If devaluation succeeds, it offers shelter and comfort to the less efficient, the indolent and those who do not have sufficient drive, imagination or commitment to stay ahead in a competitive world. To the extent that devaluation succeeds it impoverishes the country by offering services in return for fewer of the rest of the world's goods. If every country tries to be as cheap as every other, all will be ruined in the end. Therefore, lowering the value of one's own currency in US dollar terms so as to stay in the game is ultimately a self-destructive strategy.

The gyrations of the US dollar create another problem: they alter the relative competitiveness among Caribbean countries and between Caribbean countries and rivals, depending on whether a country's exchange rate is fixed to the US dollar or not. They affect the flow of visitors from non-US destinations. I can think of no good ways to deal with this situation, only bad ones and less bad ones. The less bad alternative is an exchange rate subsidy to maintain one's own currency prices of travel packages from

non-US destinations. For example, a fund might be established to keep the sterling price of holiday packages from the UK unchanged when the US dollar strengthens. It is a bad policy because government has to find money for the subsidy and the fund may have to be large because of the wild fluctuations in the US dollar. However, it is a less bad alternative than linking the domestic currency to the SDR or to a basket of international currencies. The domestic currency still suffers the swings and dislocations of the US dollar, only slightly moderated. In addition, there is instability with respect to the United States dollar, which is the Caribbean's main tourist market. The SDR link or any other kind of non-US currency setting provides the worst of both worlds.

Countries also need to look at the financial structure of their tourism services. Should not firms providing tourism services have larger reserves and a greater proportion of equity because of the sector's high susceptibility to business cycle fluctuation? Hotels and restaurants falter each time tourism suffers a downturn, which can happen quite suddenly. Most of subsequent recovery period is spent trying to repair the damage to the balance sheet of firms which survive the downturn. Many restaurants do not survive, which may explain why they are so few in the Caribbean with a fine tradition. Only a small percentage of restaurants in any country are fine and only a small

proportion of those are financially sound enough to survive recession. What is needed in the tourism service industry is a built-in capacity to sustain shocks. Moreover, finance must be tailored to the seasonal fluctuations in tourism. Perhaps with advances during the summer against repayments in the winter, backed by adequate reserves.

Countries must try to establish marketing strategies which emphasise each country's unique characteristics. In that way, much joint marketing will be possible, giving higher visibility to all countries. This would not stand in the way of individual countries wooing their own special clientele. This strategy is being put in place in a few instances. It requires imagination, because all countries will try to capitalise on a good idea which is demonstrated by anyone. Examples include carnival type celebrations and sailing weeks. The most effective promotion will be grounded in a country's history, special talents, geographical uniqueness, special flora and fauna, and its continuing traditions.

The Prospects

The prospects for Caribbean tourism are not as encouraging as some would have us believe. Too large a proportion of the impetus for Caribbean economic growth is being sought from tourism. There are no convincing signs of the emergence of a culture of quality and professionalism

Very few countries are on a sustained expansion path in tourism, with continuing expansion over the last three to five years. There are few really prosperous tourism enterprises even in those countries which have had reasonable growth.

It is possible for tourism to play a crucial part in the ongoing economic growth in the Caribbean. In the near term it is the sole growth candidate for several countries, including Barbados. They should hope to turn receipts from tourism into a source of funds which may be used to develop complementarity and investment in other sectors so as to ensure economic diversification. However, in the areas where tourist performance needs to be strengthened and consolidated most of the running still has to be made.

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