



September 28, 2015

**STATEMENT TO THE COMMITTEE ON ECONOMIC DEVELOPMENT, AGRICULTURE
AND PLANNING ON THE IMPACT OF RE-OPENING OF CUBA**

The Honorable Senator Janette Millin-Young
Members of the Committee
Legislature of the Virgin Islands
St. Thomas, U.S. Virgin Islands 00804

Good Day Madame Chairman, Committee Members and fellow testifiers.

My name is Lisa Hamilton. I am President of the USVI Hotel and Tourism Association and appear today with the Past Chairman of the USVI HTA and current Chairman of the Caribbean Hotel & Tourism Association, Mr. Richard Doumeng, on behalf of our Board of Directors and the Membership. We would like to thank the Chairman and Committee Members for inviting us to participate in this discussion.

We have been in several discussions and strategy sessions since President Obama announced in December 2014 that the U.S. would resume relations with Cuba. Mr. Frank Comito, CEO and Director General for the Caribbean Hotel & Tourism Association addressed our membership in March at which time he discussed Cuba at length. CHTA has issued a white paper entitled "Cuba: The

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Great Disruption for the Good of the Caribbean.” We have attached the entire document to this testimony for your information.

We agree with CHTA’s position that the Caribbean has taken tourism for granted for far too long. It notes ironically that the country that many regard as the least capitalistic in the region, that is Cuba, is about to teach its neighbor governments, capitalists, and free market adherents a lesson.

The white paper stresses that, through the years, the Governments of the Caribbean have shown a preference for revenues from commodities and agriculture to revenues from tourism. Cuba has long recognized the great advantages of tourism: it not only brings much needed foreign exchange but also delivers broad-based employment, establishes linkages throughout the economy, and is sustainable over time.

The CHTA goal is to raise awareness about both the challenges and the opportunities to the region with the pending removal of travel barriers to Cuba. The paper stresses that the anticipated increase of U.S. visitors to Cuba should prompt the region’s public and private sector leaders to take positive steps to improve their global competitiveness or face negative economic and social consequences. The USVI Hotel and Tourism Association concurs with CHTA’s view and urges our public leaders to cooperate with the private sector to ensure that we are prepared for increased tourism to Cuba. As Mr. Comito noted in his presentation to HTA, we should view the prospective competition as an opportunity to press forward with enhancements to our tourism product. The

key is not to delay until Cuba has surpassed its neighbors, but to solidify our position at the top now.

CHTA President and St. Maarten hotelier Emil Lee states, “We want to be clear that the CHTA welcomes the lifting of the U.S. travel embargo and Cuba participating with the rest of the Caribbean as a tourism partner. This would eliminate a significant barrier to improving regional cooperation and integration.” The paper also describes trade and investment opportunities, how Cuba can learn from the region, and how the region can learn from Cuba about improving destination and regional competitiveness.

Lee went on to say, “Cuba should not be a point of fear for the region, rather it should be a rallying point for opportunity. Failure to act will result in a diversion of Americans and travelers curious to experience Cuba before it changes, many who would otherwise go elsewhere in the Caribbean.” He also noted, “We need to band together locally around common goals to improve the industry, better market our destination, and increase visitor arrivals.”

CHTA is calling for the resurrection of the Caribbean Basin Initiative, a regional policy advanced by the United States in the 1980’s, but this time focusing on tourism rather than manufacturing to strengthen the region’s economies and stimulate trade and investment within the Caribbean and with the United States.

In the USVI, we should be looking at ways to encourage expansion and updating of existing facilities, including hotels and attractions, and investment in new facilities. To that end, we must review the effectiveness of the current EDC program including EDC application requirements, the approval process and

challenges with staffing, extension of benefits and compliance reviews. As stated in the USVI Comprehensive Economic Development Strategy 2015, p 24: “Despite the strengths in tourism, the USVI has lost ground to newer and emerging competitive destinations in areas of hotel room growth, pricing, attractions, and amenities partly due to increasing homogeneity of tourist products, and insufficient capital investments in the tourism infrastructure....the Territory must stay ahead of the curve in tourism in order to maintain its competitive edge, and to capitalize current and future developments in tourism and trade.”

There are a number of USVI hotel projects that have been approved but have not yet gone forward or that have moved forward only after languishing for a long time. Can we blame this on something in particular? It is more important than ever that the USVI engage in effective public-private partnerships so that the Territory can remain competitive as a destination. Greater operational efficiency in the EDC and governmental recognition of the value that tourism-related investment brings to the community would enable all beneficiaries (particularly Category III companies) to focus time and energy on ongoing investment, rather than on EDC application and compliance reviews. Simplifying and speeding up the process is essential.

Investing in our transportation infrastructure is critical to our success going forward. Marine transportation in the Charlotte Amalie harbor was moving forward with the last administration but appears to have stalled. You only have to look at our neighbor St. Maarten for a best practice on water transportation.

Easing traffic congestion and doing a better job of maintaining roads would directly benefit not only visitors but the people of the Virgin Islands.

We need to clean up our islands. Both Public Works and Waste Management Authority receive \$300,000 each out of the Tourism Revolving Fund and yet the littering and strewn garbage is everywhere. We need more modern waste disposal locations to include recycling similar to the one that is being done by Mahogany Run. The private sector has been focused on the 3 R's – Reduce, Reuse, Recycle. However, we need the public sector to provide the facilities to maximize these efforts. We need more trash receptacles in the heavy pedestrian traffic areas for locals and visitors. These receptacles need to be emptied multiple times of the day as well as cleaned and maintained regularly. Enforcement is an important component. Officers need to start issuing tickets for littering to send a clear message that throwing your garbage on the streets is unacceptable.

The hotel sector is the “go to” when additional revenues are needed to make up for government shortfalls such as the 56% increase in Hotel Room tax over the past 5 years. All sectors of tourism need to share the burden of additional consumer taxation to ensure that we have adequate funds to market our destination aggressively. We are hopeful the Government will move forward with enforcement of the tax compliance on those villas and condos that are being marketed on sites like VRBO and AirBnB – many of which are not paying gross receipts or Government Room Tax.

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Lastly and most important is the rampant crime in the Territory that is spilling into our neighborhoods and streets. The State of Emergency to call in the National Guard over the terrible shootings a few weekends ago hit social media so fast it was out to the world in a matter of minutes. This is not the message we want to send to the masses. The fact that the USVI has been in the Top 10 in the WORLD for murders per capita for several years should be a wake-up call to us all. We don't have enough police so the existing force is stretched beyond its capacity to stop the violence. We are thrilled that Crime Stoppers was reinstated as we believe this is a proven and valuable tool to assist law enforcement. As you know, \$850,000 is allocated out of the TRF each year for the VIPD. We need to work together to ensure these funds are used for programs such as TOP Cop - Tourism Oriented Police initiative which was very active years ago but needs to be revived.

In closing I would like to share final comments from the CHTA Executives. According to Lee, "Cuba is already well established as a destination for many direct long-haul flights and shows great potential to be a regional air hub, much like San Juan. By example, we believe travel to the Caribbean could be stimulated significantly by adopting policies and practices which eliminate visa and travel barriers, reduce regional and U.S.-based high air travel related taxes and fees, speed up the traveler's clearance and processing time (something we know is a problem at Cyril E King airport), and support a more cooperative approach among industry stakeholders."

"The region can't blame Cuba for its success," said CHTA CEO Frank Comito, adding, "We need to look at those factors which have contributed to its success –

product diversity, infusing culture and history into the visitor experience, investments in education and training, competitive pricing, lower operating costs. We need policies and practices which drive business, and not drive away business.”

Comito continued, “There is a saying that ‘tourism is everybody’s business’. This is backed up by data showing the full impact of tourism on the lives and livelihoods of millions of people in the Caribbean. The CHTA believes that by working together, heads of government with heads of industry, hundreds of thousands of tourism-related jobs and hundreds of tourism-related businesses can be created. The indirect impact which tourism has on our broader economies cannot be understated. As tourism thrives, so do beauty parlors, banks, grocery stores, auto repair shops, contractors, street vendors and on and on.”

Thank you for your attention.

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