



# The Caribbean Accommodation Sector as a Consumer of Locally Produced Goods and Services and Contributor to Government Revenues

Prepared by Tourism Global Inc. on the Behalf of the Caribbean Hotel Association



CARIBBEAN  
HOTEL  
ASSOCIATION



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# FOREWORD

Although the Caribbean is a renowned tourist destination, industry players acknowledge that there is a major statistical deficit in the region which makes it difficult to accurately measure the contribution of the tourism sector to regional economies. This deficiency complicates public policy planning at both national and regional levels, and often leads policy makers and the private sector to underestimate the impact of tourism on the economic development of the region. Consequently, public sector officials, the private sector and civil society representatives are often unaware of the true contribution of the tourism to national economic growth. Without the relevant statistical information, efforts to promote the region as the tourist destination of choice as well as create a supportive and enabling environment for sustainable development will remain at sub-optimal levels.

This report, *The Accommodation Sector as a Consumer of Locally Produced Goods and Services, and as a Contributor to Government Revenues*, is an intervention to address this problem. It was prepared by Tourism Global Inc. (TG) for the Caribbean Hotel Association (CHA) under a technical assistance grant. The grant was provided to the Caribbean Hotel Association (CHA), by the Pro€invest Management Unit (PRIMS) - CDE (Centre for the Development of Enterprise), a joint agency of the European Union and ACP states.

The estimated timeframe for the completion of this assignment was from November 21st, 2005 until September 30, 2006. This report was submitted to the CHA on August 31st, 2006 and the final report was tendered on September 30th.

The objective of this intervention is to quantify the importance of the hotel and accommodation sector as a consumer of locally produced goods and services, and as a contributor to government revenues. This exercise required intensive and extensive collection of primary data, which is assessed within a suitable statistical framework. The output of the assignment will include collected data and supporting analysis. The terms of reference required the Consultants to

- CONDUCT STAKEHOLDER INTERVIEWS WITH KEY STAKEHOLDERS;
- REVIEW GLOBAL AND REGIONAL TRENDS;
- PREPARATION OF SWOT ANALYSIS;
- PROPOSE SPECIFIC DEVELOPMENT OF STRATEGIES FOR SECTOR DEVELOPMENT;
- PROPOSE SPECIFIC DEVELOPMENT ACTION/ IMPLEMENTATION PROGRAMME;
- PREPARE AND CIRCULATE DRAFT REPORT;
- PRESENT THE CONCLUSIONS OF THE ANALYSIS TO STAKEHOLDERS
- PUBLISH FINAL REPORT

The findings have been presented to stakeholders, both public and private at a workshop scheduled in September 2006 in Barbados under the aegis of the CHA, CTO, Caribbean Regional Sustainable Tourism Development Programme (CRSTDP), Pro€invest/CDE and Caribbean Society of Hotel Association Executives and IICA,(Inter-American Institute for Cooperation in Agriculture). Other stakeholder organizations were also invited such as heads of the Chamber of Commerce and trades associations.

It is anticipated the study will benefit the Region in several ways. These include making available a:

- TOOL TO SUPPORT ADVOCACY
- TOOL TO GUIDE POLICY DEVELOPMENT
- TOOL TO OPTIMIZE RESOURCE ALLOCATION
- TOOL TO FOSTER INDUSTRY/COMMUNITY RELATIONS
- TOOL TO ASSIST WITH FURTHER LINKAGE DEVELOPMENT
- TOOL TO IMPROVE VENDOR/INDUSTRY RELATIONSHIPS

TG consultant, Dr. Hudson Husbands served as the principal consultant for this project. Editorially it is important to highlight the fact that based on recent studies carried out in the Caribbean region in the tourism sector, that there is a pervading culture of hoarding information. Generally the hotel sector continues to cooperate mainly in the default when it comes to collecting data on the sector that will provide the tools for improved decision making and ultimately improvement of the doing business climate about which the laments by hoteliers are equally pervasive.

There is however a very bright spark of hope as demonstrated by the vibrant and positive support for this study provided mainly by the single non-CARIFORUM country included in the study at its own expense. The Unites States Virgin Islands and Trinidad & Tobago excelled in the level of assistance provided in obtaining response results with survey questionnaires. A number of National Hotels Associations also stood out in this respect. This only shows that the information hoarding culture can be transformed.

This opportunity is also taken to express thanks to all the hotels, national hotels associations, national tourism organizations and other stakeholders and suppliers who collaborated and bucked the prevailing trend. The survey team led by consultant Clarisse Bourne was exceptional. Many thanks to all.

# EXECUTIVE SUMMARY

## INTRODUCTION

The nature of tourism and hospitality as an industry, is that first and foremost it is a consumer industry but with strong export characteristics. By this we mean that principally this industry and the hotel sector in particular utilizes as its inputs mainly finished goods and services. In fact that basket or perhaps that container load of products and services consumed by the hotel sector are no different to those consumed by a domestic household. In real terms therefore since the tourist population can be multiples of the host population in most Caribbean countries, the sector serves as a sizeable extension to the local market and therefore economy. The items consumed can range from finished buildings, appliances, drapes, beds, lamps, furniture, toiletries, food, beverage, legal services, priests, insurance, public services and so on.

THE DEFINING EXPORT CHARACTERISTIC HOWEVER IS THAT THE CONSUMER MUST TRAVEL FROM A FOREIGN COUNTRY, AND MAKE A TRANSFER OF FOREIGN CURRENCY TO PAY FOR AND CONSUME THIS VERY WIDE RANGE OF GOODS AND SERVICES IN THE LOCAL ENVIRONMENT. THIS IS THE IDEAL FORM OF EXPORT SINCE IT CARRIES NO OUTLAY OR RISK FOR TRANSPORTATION AND RELATED SHIPPING COSTS.

This is particularly beneficial to a country that is producing these goods and services locally. Even for items imported and passing through the local supply chain there is an element of value added and re-export that is not normally considered as part of the contribution of the tourism or hotel sector, not to mention the multiplier aspects of this process. The latter are not explored in this study

## GENERAL

1. The 9 participating CARIFORUM countries are **Antigua and Barbuda, Bahamas, Barbados, Dominican Republic, Dominica, Jamaica, St. Lucia, St. Kitts & Nevis and Trinidad & Tobago**. Guyana declined participation and was replaced by Trinidad & Tobago. **United States Virgin Islands** participated at its own expense.

2. The survey was conducted among the membership hotels of the CHA within the ten countries identified. All of the 604 hotels comprising 78,034 rooms were circulated with the survey instrument. 54 hotels or 8.9% of the population representing 11.5% of the rooms or 8,991 rooms responded and were interviewed or supervised in completing the survey. 32 stakeholder and supplier interviews were conducted across the sample countries and form the basis for the Appended Stakeholder's Report. The sample size overall was however, sufficiently large for us to make generalizations for the entire sample population with a level of precision of  $\pm 5$  percent at a 95% level of confidence.

3. The principal determinants of hotel expenditures in the CARIFORUM territories and by extension the Caribbean are:

- a. The number of hotels present
- b. The number of hotel rooms
- c. The level of utilization of the hotel capacity that is occupancy levels

Simply put, the more bodies to house, feed, water, entertain, transport and sell other goods and services, the more the volume of expenditures.

4. One of the major determinants of the hotel sector's ability to procure locally, naturally has to do with local supply chain elements such as availability, quality, price, reliability and logistics and convenience.

5. Another determinant of the hotel sector's ability to procure locally has to do with historical and traditional structures of production, shipping and marketing for certain products in the region. For example traditional commercial agricultural production has principally been dedicated for export to the distant North Atlantic countries with the attendant bent in mindsets and supply chain structures. This can have the effect of blindness on markets that are non-traditional and nearby such as tourism. Traditional procurement patterns of the hotel sector also impact the extent of local procurement.

6. The local economic impact characteristics of the hotel sector is further sharpened by the fact that it is best situated to utilize local inputs. But more than this even where there are imported inputs, the tourism enterprise has the opportunity to create value added and mark-up as these imports are weaved into the final product thus potentially trading profitably on those imported inputs, reducing the notion of leakage.

# THE SAMPLE

1. 52 % of the responses came from hotels with room sizes of 75 rooms or less. This grouping is normally referred to as the small hotels sector in the CHA. Hotels between 76 and 150 rooms as well as 151 and 225 rooms provided 13% each of the responses while the over 300 rooms category was responsible for 9% of the responses. This sample mirrors the general distribution of the Caribbean Hotel Association's members and particularly the claim that 60% of its hotel membership are below 75 rooms in size.
2. 47.8% of responses came from hotels with less than 100 staff underlining the importance of the small and medium size nature of the hotel sector in the Caribbean.
3. Conventional hotels made up the majority of the survey sample with 57% of all properties responding. All inclusive hotels are second in importance with 28% and self catering facilities 9.3%.
4. On the extreme end of the spectrum 5-star and 1 and 2 star properties account for 20.4% and 11.1% respectively. The largest categories responding are 3 and 4 star responsible for 37.5% and 31.5% respectively
5. Of the hotels surveyed 52.8% are owned by principals living in the country where the hotel is located and a further 9.4% live elsewhere in the Caribbean. 30.2% are from outside the region and 7.5% live between the region and extra-regional countries.
6. There is also a close relationship between the preponderance of small hotels within the sample (52%) and the percentage of locally owned establishments (52.8%). These establishments on account of limited size and resources are more likely to rely on locally produced goods and services
7. In 2005, 55.1% of the hotels in the survey recorded average annual occupancy of 61% to 80%. According to the CTO, Caribbean hotel occupancies in 2004 averaged 65%, no figures were available for 2005. The PKF Hospitality Research found within its sample that average occupancies for 2005 in the Caribbean were 71%.
8. The overall estimated average daily rate (ADR) for the sample was \$151.72.

\* All figures are stated in \$US dollars.



# HOTEL EXPENDITURES ON GOODS AND SERVICES

## LOCAL UTILITIES SECTOR

### Main Successes

1. Hotels in the sample purchased 93% of their utilities in the local economy. This statistic was 100% for electricity and water, 91% for telecommunications
2. This area of expenses accounted for between 4% and 20% of operating costs of hotels in the sample
3. On average across the sample, hotels spent \$14.9 per hotel room per day on electricity by far the largest utility expenditure. Next in magnitude is telecommunication at \$3.9 and water at \$2.3 per room per day. This points to a huge opportunity for energy conservation in the sector
4. Overall the hotel sector is highly integrated with the utilities sector purchasing 93% of its requirements locally.

SUMMARY - THE HOTEL SECTOR IS ALMOST FULLY EXTENDED AT 93% IN ITS PURCHASES OF UTILITIES IN THE LOCAL ECONOMY. THERE IS MINIMAL OPPORTUNITY TO FURTHER INCREASE LINKAGES EXCEPT IN RELATION TO SUPPORTIVE PARTNERSHIP ARRANGEMENTS BETWEEN THE TWO SECTORS TO HELP BUILD EACH OTHERS BUSINESS.

# FRESH FOOD SECTOR (AGRICULTURE)

### Main Successes

1. The single largest agricultural product group sourced locally is vegetables with 74% of all supplies used by the hotel sector produced locally, 11% are from regional sources
2. The second largest product group is dairy, with 67% sourced locally. A further 10% is sourced regionally and 23% extra-regionally
3. The meats sub-sector is third in contribution with 63% of purchases by hotels being supplied locally

### Main Opportunities

4. The hotels in the sample from a region famous for fresh and delightful fish stocks source only 20% locally and 8% regionally
5. The hotels in the sample countries known as traditional exporters of fresh fruit, purchase only 16% of its fresh fruit locally and 7% regionally.
6. Only 10% of eggs purchased by hotels in the sample are sourced locally and zero regionally.
7. The two largest expenditures by hotels in the fresh food agricultural sector are fresh fish at \$9.4 per day per room and fresh meat at \$8.0 per day per room. The next level of expenditures is quite reduced at \$2.3 and \$2.2 per room per day for fresh vegetables and fruit respectively

SUMMARY - OVERALL THE STATEMENT CAN BE MADE THAT THE LEVEL OF LINKAGE BETWEEN THE HOTEL SECTOR AND THE AGRICULTURAL FRESH PRODUCE SECTOR IS MIXED WITH 42% SOURCED LOCALLY AND 7% REGIONALLY. TWO-THIRDS OF REQUIREMENTS ARE SOURCED LOCALLY IN THE AREAS OF VEGETABLES, MEATS AND DAIRY, BUT LESS THAN ONE-FIFTH IN THE AREAS OF FRUIT, FISH AND EGGS. THERE ARE SUPPLY-CHAIN AND OTHER FACTORS OPERATING THAT MUST BE FIRST UNDERSTOOD BEFORE EXPLOITING OBVIOUS FURTHER OPPORTUNITIES FOR PENETRATION OF THIS SECTOR.

# LIGHT MANUFACTURING SECTOR

### Main Successes

1. Overall the hotel sector is sourcing just under one-half (47%) of its requirements for light manufacturing locally. The average conceals the fact that hotels are purchasing between 25 to 80% depending on the item.
2. The light manufacturing sub-sector is the most successful in terms of intra-regional sourcing of inputs with an average of 13% (ranging from 9 to 19%) depending on the item.
3. The leading product of some 13 product groups surveyed is bakery at 80% with the other four top products being non-alcoholic beverages 66%, uniforms 60% printing and stationery 56% and cleaning chemicals 52%.

### Main Opportunities

1. Hotels are today sourcing categories of products locally which do not form part of the traditional productive sectors such as guest toiletries, spa products and linens. These locally produced product groups are accounting for 39%, 27% and 25% of hotel purchases respectively.

**SUMMARY - THE HOTEL SECTOR APPEARS TO BE RESPONDING WELL TO A THRIVING LIGHT MANUFACTURING INDUSTRY IN THE REGION AND AGAINST FIERCE INTERNATIONAL COMPETITION IS PURCHASING ON AVERAGE 47% OF ITS REQUIREMENTS FROM THE LOCAL MANUFACTURING INDUSTRY. THE FACT THAT ONE PRODUCT ACHIEVED AN 80% PENETRATION MAY SUGGEST THAT THERE ARE OPPORTUNITIES TO MOVE TO TWO-THIRDS OVERALL AS A COLLABORATIVE STRATEGY BETWEEN THE TWO SECTORS**

## CONSTRUCTION SECTOR

### Main successes

1. Expenditures on construction and fitting out of hotel plant are sourced locally to the tune of 39% and regionally 8%.

### Main opportunities

1. Increasingly there are opportunities to target the production of non-traditional or other construction and FF&E inputs to the construction process within the region. This will be principally the challenge of the construction and manufacturing sector to increase its local value added component.

**SUMMARY - THE HOTEL SECTOR IS PRESENTLY SOURCING APPROXIMATELY 39% OF ITS REQUIREMENTS IN THE CONSTRUCTION SECTOR LOCALLY, BUT THIS CONSTRAINED BY THE HIGH IMPORT CONTENT GENERALLY FELT TO BE CHARACTERISTIC OF THE CONSTRUCTION SECTOR. UNLESS AND UNTIL THIS IS ADDRESSED BY BOTH THE CONSTRUCTION AND MANUFACTURING SECTORS IT IS UNLIKELY THAT THIS WILL CHANGE SIGNIFICANTLY IN THE NEAR FUTURE**

## SERVICES SECTOR

### Main successes

1. The hotel sector and the services sector manifest a high level of integration with 84% of services required by the hotel sector being purchased locally.

2. The wide range of services covering information technology, professional, transportation, maintenance, security and so on augurs well for a broad based services sector.

3. The predominance of expenditures in the two related areas of marketing and information technology reflects a positive engagement of the industry in modernization to update itself and promotion to ensure market success.

### Main opportunities

1. Except for the areas of marketing and interior design there are only limited incremental opportunities for further penetration. *It is to be noted that nearly 79% of the hotels surveyed indicated a willingness to purchase more inputs locally, but cited namely availability issues, price and quality as the most important barriers preventing them from so doing.*

**SUMMARY - THE HOTEL SECTOR IS HIGHLY INTEGRATED WITH THE SERVICES SECTOR SOURCING SOME 84% OF ITS REQUIREMENTS LOCALLY. THERE ARE LIMITED OPPORTUNITIES FOR FURTHER PENETRATION MAINLY IN THE MARKETING AND INTERIOR DECORATING FIELDS WHICH THROUGH LOCAL/FOREIGN JOINT VENTURES COULD REALIZE FURTHER GAINS**

## CONTRIBUTION TO INVESTMENT

The hotel sector contributes to investment in the local economy first through the initial investment in plant and equipment. 63% of hotels surveyed invested between \$1 to \$10 million initially in their property. Secondly, the continuing refurbishment, upgrade and expansion of facilities is characteristic of the industry with 96.2% of respondents indicated they spent between \$1 and \$10 million in this area in 2005.

**SUMMARY - THE HOTEL SECTOR ACCOUNTS ACCORDING TO THE WTTTC FOR 21% OF INVESTMENT IN THE CARIBBEAN AND IS AS MUCH AS 70% IN ONE OF THE COUNTRIES IN THE SAMPLE, PROVIDING A CONTINUOUS FLOW OF INVESTMENT CAPITAL TO LOCAL ECONOMIES.**

## CONTRIBUTION IN PROVIDING JOBS AND BENEFITS



1. Overall the hotel sector creates employment at the rate of 2.3 employees per room. On average, five star hotels employ 2.8 per room, four star 1.4, three star 1.3 and one and two stars 0.7 employees per room

2. Overall the hotels in the sample spent in 2005 \$61.1 per room per day in payroll and related costs.

**SUMMARY - THE HOTEL SECTOR IS LABOUR INTENSIVE AND MAKES A MAJOR CONTRIBUTION THROUGH PROVIDING A WIDE RANGE OF QUALITY, PERMANENT AND SEASONAL JOBS, TO PREDOMINANTLY LOCAL CITIZENS CONTRIBUTING MEANINGFULLY TO THEIR OVERALL QUALITY OF LIFE AND UPLIFTMENT.**

## CONTRIBUTION IN PROMOTING TOURS, SHOPPING, ATTRACTIONS, DINING ETC.

Hotels provided data that showed that the average guest undertook 2.3 taxi trips during their stay, visited 1.3 attractions in the destination, 1.5 restaurants outside of the hotel and 1.7 shopping trips, most of this is facilitated by hotels and benefits businesses or business outside the hotel mainly.

**SUMMARY - THE HOTEL SECTOR IS ABLE TO EXTEND ITS IMPACT ON EXPENDITURES IN THE LOCAL ECONOMY BY ENCOURAGING AND FACILITATING GUESTS TO VISIT ATTRACTIONS, SHOPPING, DINING AND ENTERTAINMENT AS PART OF THEIR BUSINESS MODEL THEREBY ASSISTING WITH DISTRIBUTION OF TOURIST SPENDING.**

## CONTRIBUTION IN PROVIDING BUSINESS OPPORTUNITIES FOR ENTREPRENEURS

**SUMMARY - THE HOTEL SECTOR IN ADDITION TO ITS DIRECT AND INDIRECT EXPENDITURES IN THE LOCAL ECONOMY ACTUALLY PROVIDES DIRECT ENTREPRENEURIAL OPPORTUNITIES IN AT LEAST 14 AREAS IDENTIFIED IN THE SURVEY. THESE INVOLVE TAXI CONCESSIONS, WATER SPORTS, SPAS AND BEAUTY SALON, GIFT AND CRAFT SHOPS AND RESTAURANTS AS SOME OF THE MAIN AREAS. IN ADDITION THEY FACILITATE ON PROPERTY SALE OF THESE ACTIVITIES**

## CONTRIBUTION TO GOVERNMENT REVENUES

**SUMMARY - BASED ON SURVEY RESPONSES HOTELS PAID AN OVERALL 18.83% OF THEIR ANNUAL TURNOVER IN TAXES OF ONE KIND OR OTHER DURING 2005. THIS WORKS OUT AT \$15.1 PER ROOM PER DAY.**

## EXPENDITURE ON FINANCIAL SERVICES

**SUMMARY - HOTELS ARE CURRENTLY SPENDING AN AVERAGE OF 3.0% OF THEIR ANNUAL REVENUE TURNOVER ON INTEREST AND FINANCIAL EXPENSES OR \$11.6 PER ROOM PER DAY.**

## GENERAL & ADDITIONAL RESEARCH OPPORTUNITIES

The findings related to this study represent a new area of research in approach and results. The results provide valuable insights into the various impacts of the hotel sector in the context of expenditures and other contributions in local economies. They create a basis for the understanding of how the hotel sector works, its economic relationships with other economic sectors, clear successes in linkage and integration, but also opportunities for deepening this process and ultimately optimizing the economic benefits of the hotel sector. There is clearly more work that must be done but in the meantime much can be made of the study results. A programme of action to enhance, modernise and strengthen supply chains, supportive policy formulation and awareness building of the value of the tourism and hotel sectors could be well served from the information provided.

Some of the important concepts that require in depth analysis which are perhaps outside of the scope of this particular study, except to make recommendations for further investigation are:

1. The concept of economic leakage and how it relates to the hotel sector
2. Backward and forward linkages of other sectors with the hotel sector
3. Multiplier effects arising from hotel sector expenditures
4. Hotel and other economic sectors' supply chain policies and management issues
5. Ownership and control of hotel enterprises and the domicile of profits and professional fees and similar charges

It would be good to understand the comparative contributions of the hotel sector and other productive sectors in the economy to properly appreciate the relative importance of this sub-sector

The opportunity to explore supplier partnerships with those suppliers and sectors for which the hotel sector is a major client for quality and mutual collaboration is an unexplored opportunity.



# SECTION ONE

## Methodology

This study was designed as conclusive research, using a descriptive research design to quantify the importance of the hotel and accommodation sector as a consumer of locally produced goods and services, and as a contributor to government revenues and income within the Caribbean.

The population for this study consisted of all ACP countries within the remit of Caribbean Hotel Association (CHA). A total of fifteen (15) countries were identified for inclusion into the study, fourteen (14) of which were CARIFORM countries while one country was outside of CARIFORM. The countries identified in collaboration with the CHA included from a rooms inventory standpoint three large tourism destination countries, 3 medium size and 4 smaller island destinations.

To investigate the importance of the accommodation sector as a consumer of locally produced goods and services, and as a contributor to government revenues and income within the Caribbean a data collection instrument was designed to obtain the primary data necessary to address the issue under study. A self-administered survey was determined as the most efficient method to collect the required data on the accommodation sector. The survey comprised four main sections. The first section consisted of dimensions that sought to obtain demographic information for the accommodation establishments included in the study.

Information on the establishment's contribution towards providing jobs and benefits in addition to promoting local business comprised section two. Dimensions that sought to obtain information on the establishments' contribution in purchasing locally produced goods and services formed section three while section four of the survey instrument sought to obtain information of the establishment's contribution towards government revenues.

The survey form was distributed via the CHA and National Hotel Associations (NHA's) and interviews were also conducted by the consultants with the selected hotels. A total of 86 questionnaires were returned. Fifty-four (54) questionnaires were returned and completed by accommodation establishments, 23 by Caribbean tourism sector stakeholders and 9 by leading suppliers in the sub-region. On receipt of all the completed questionnaires, the responses were analyzed using mainly descriptive statistics in the form of frequency counts, percentages and comparison of means. Hotel spending on the various areas of expenditures has been reduced to a per room unit expenditure basis in order to permit estimations of the total population first within the CARIFORUM region and then within the member countries making up the Caribbean Hotel Sector. Important qualitative analysis of the responses of the stakeholders and suppliers has been undertaken to provide useful insights and motivations on the subject matter of the research.





# SECTION TWO

## Sample Profile

Under the Terms of Reference of this Study, 9 CARIFORUM countries were required to comprise the sample. The project sponsor however, the Caribbean Hotel Association with 36 countries in its membership and in response to expressions of interest opened up participation to non-CARIFORUM members who were prepared to pay the economic cost of their inclusion in the Study. The 9 participating CARIFORUM countries are Antigua and Barbuda, Bahamas, Barbados, Dominican Republic, Dominica, Jamaica, St. Lucia, St. Kitts & Nevis and Trinidad & Tobago. Guyana declined participation and was replaced by Trinidad & Tobago. The only non CARIFORUM country participating was United States Virgin Islands, making a total of 10 countries in the sample.

All responses were requested in respect of the fiscal year 2005 and are quoted in the study in United States Dollars.

The response rate for the 54 hotel surveys returned was 8.9% of the total CHA- member hotels in the population and 11.5% of the total rooms. *(see chart below)*

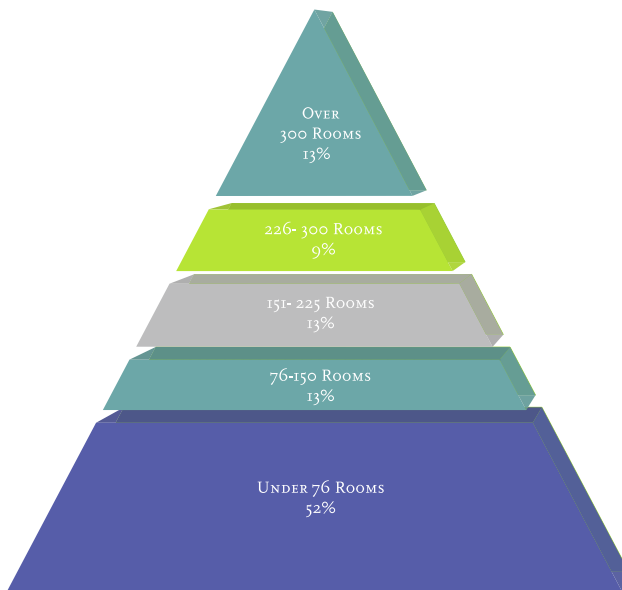
The sample size overall was sufficiently large for us to make generalizations for the entire sample population with a level of precision of  $\pm 5$  percent at a 95% level of confidence. Naturally it must be stressed that the value of this study rests in the aggregated broad results and findings. It is the intention of many of the territories to drill down to country level studies. Additional data would have to be collected for some countries in the sample if this is to be done.



Country	CHA EXPENDITURE SURVEY SAMPLE		RESPONSES			
	Hotel	Rooms	Sample Size Obtained		Sample Size Obtained	
	Hotel	Rooms	Hotel	Rooms	%Hotels	%Rooms
St. Lucia	44	3,597	1	71	2.3%	2.0%
Antigua	25	2,461	5	501	20.0%	20.4%
Dominica	8	195	4	141	50.0%	72.3%
St. Kitts & Nevis	20	1,321	3	134	15.0%	10.1%
Jamaica	112	13,191	4	1445	3.6%	11.0%
US Virgin Island	63	4,181	11	2019	17.5%	48.3%
Bahamas	95	9,001	6	2705	6.3%	30.1%
Dominican Republic	117	37,690	4	958	3.4%	2.5%
Barbados	76	4,342	6	542	7.9%	12.5%
Trinidad & Tobago	44	2,055	10	475	22.7%	23.1%
<b>TOTAL</b>	<b>604</b>	<b>78,034</b>	<b>54</b>	<b>8991</b>	<b>8.9%</b>	<b>11.5%</b>

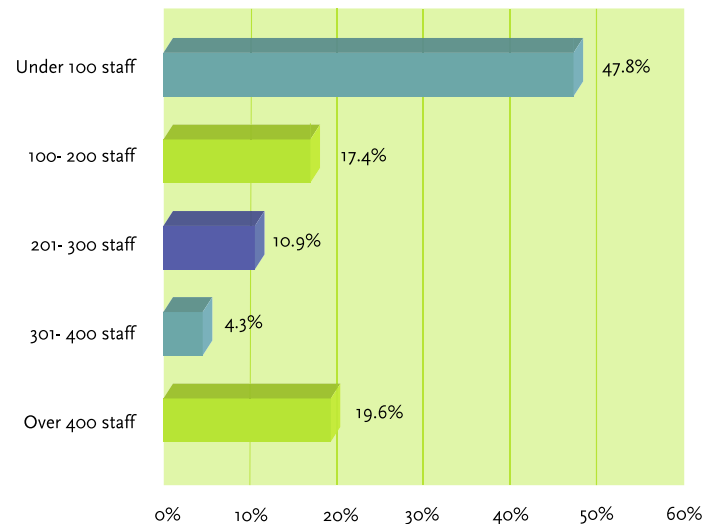
## DISTRIBUTION OF RESPONSES BY HOTEL SIZE

52 % of the responses came from hotels with room sizes of 75 rooms or less. This grouping is normally referred to as the small hotels sector in the CHA. Hotels between 76 and 150 rooms as well as 151 and 225 rooms provided 13% each of the responses while the over 300 rooms category was responsible for 9% of the responses. This sample mirrors the general distribution of the Caribbean Hotel Association’s members and particularly the claim that 60% of its hotel membership is below 75 rooms in size. This overall point holds strong implications for the dependability of the outcomes of the study.



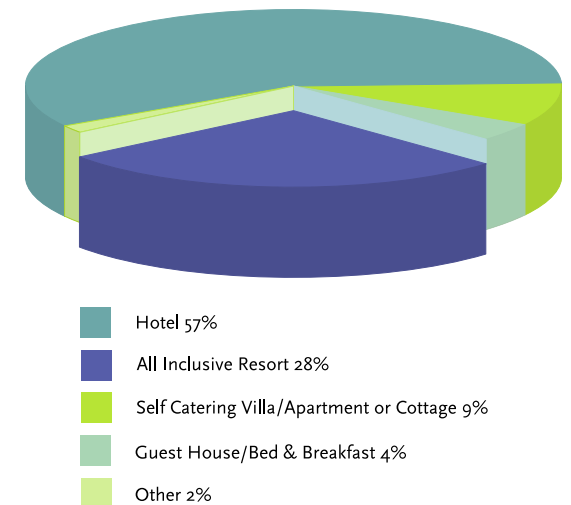
## DISTRIBUTION OF RESPONSES BY HOTEL STAFF COMPLEMENT

47.8% of responses came from hotels with less than 100 staff underlining the importance of the small and medium size nature of the hotel sector in the Caribbean. 19.6 % and 17.4% of responses in the sample are from hotels with over 400 staff and 100-200 staff respectively.



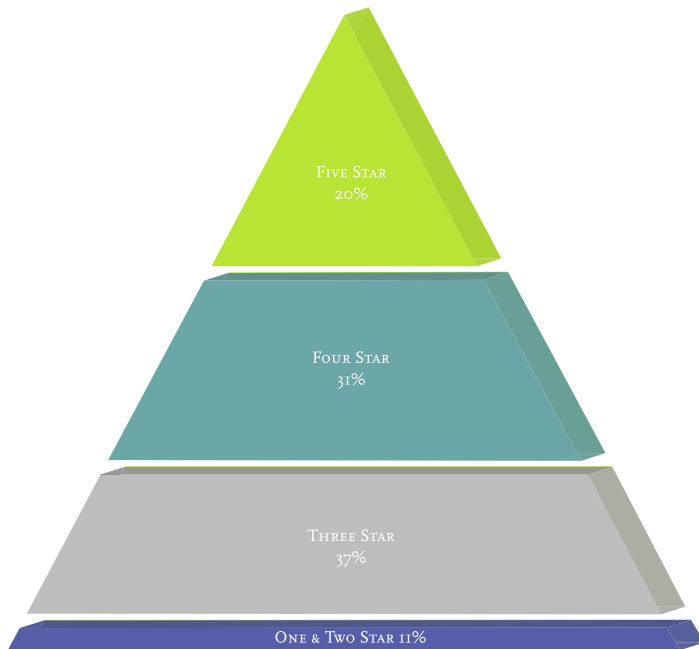
## DISTRIBUTION OF RESPONSES BY ACCOMMODATION TYPE

Conventional hotels made up the majority of the survey sample with 57% of all properties responding. All inclusive hotels are second in importance with 28% and self catering facilities 9.3%. Guest houses and bed and breakfasts accounted for 4% of the responding accommodations.



## DISTRIBUTION OF RESPONSES BY ACCOMMODATION STANDARD

The distribution of hotels in the sample in terms of their quality standard rating appears normal. On the extreme end of the spectrum 5-star and 1 and 2-star properties account for 20.4% and 11.1% respectively. The largest categories responding are 3 and 4 star responsible for 37.5% and 31.5% respectively. This statistic may have some significance in terms of other aspects of the survey in relation to what may be the relative contribution of varying standards of hotels to the local economies. This will bear examination especially in relation to the question of how do we optimize economic benefits of the hotel industry. It nonetheless falls outside of the present scope.

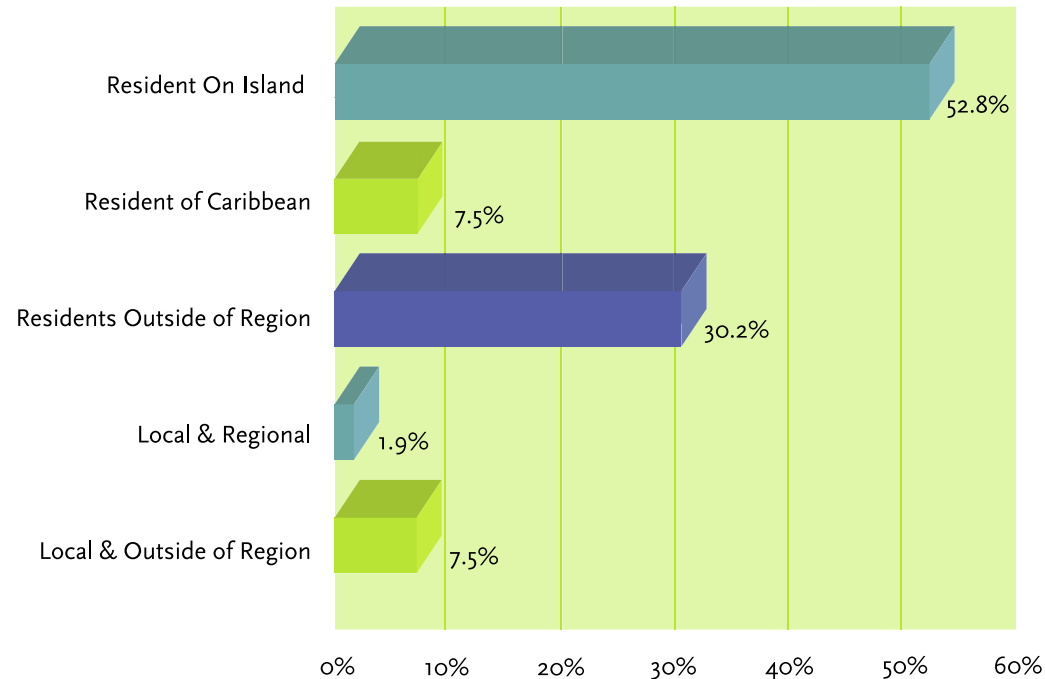


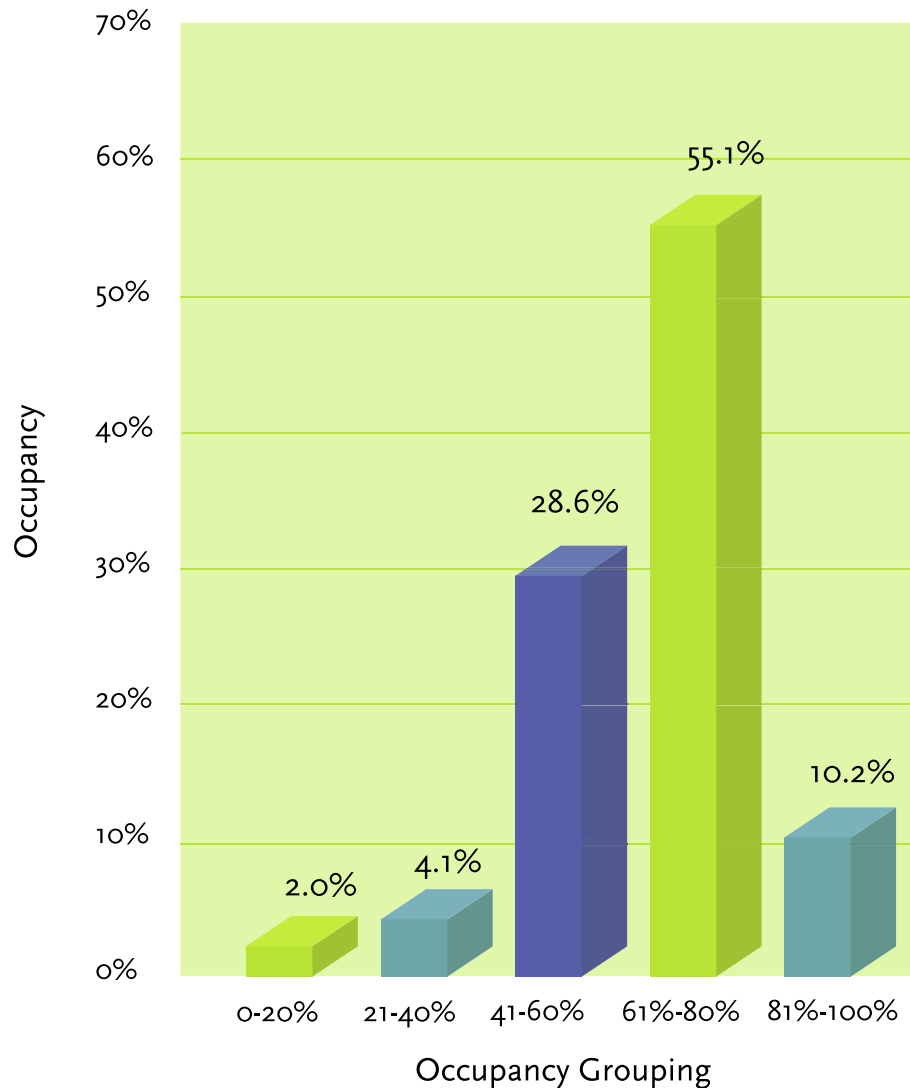
## DISTRIBUTION OF RESPONSES BY HOTEL OWNERSHIP

Of the hotels surveyed 52.8% are owned by principals living in the country where the hotel is located and a further 9.4% live elsewhere in the Caribbean. 30.2% are from outside the region and 7.5% live between the region and extra-regional countries. This statistic also holds significant implications for the assessment of economic and other contributions of the Caribbean Hotel Sector to local economies. The question of retention of profits and commitments to local and regional development are important questions to be raised and studied. With over 60% of the ownership resident in the region augurs well in this respect.

There is also a close relationship between the preponderance of small hotels within the sample (52%) and the percentage of locally owned establishments (52.8%). These establishments on account of limited size and resources are more likely to rely on locally produced goods and services.

Naturally the foreign direct investment component of 30.2% helping to fuel hotel and other tourism capacity developments in the region is an important lesson to contemplate here. Further, how the mainly CARIFORUM countries compare with other sub-regions in terms of local versus foreign ownership of the hotel sector is worthy of investigation.





### DISTRIBUTION OF RESPONSES BY OCCUPANCY PERFORMANCE

In 2005, 55.1% of the hotels in the survey recorded average annual occupancy of 61% to 80%. According to the CTO, Caribbean hotel occupancies in 2004 averaged 65%, no figures are available for 2005 when this study was conducted. The PKF Hospitality Research found within its sample that average occupancies for 2005 in the Caribbean were 71%. A further 10% in this study ran at nearly full occupancy between 80 and 100%. The second largest group of respondents (28.6%) recorded occupancies between 41 and 60%.

Based on occupancy alone and using an aggregate assessment, the performance was reasonably positive. It is instructive for regional tourism planners that there are tourism destinations that perform as a matter of course in the 80th and 90th percentiles of hotel occupancy. The implications for further economic contribution to regional economies is an opportunity that can result from improved occupancy performance.

There are important questions that relate to the distribution of occupancy among categories of hotels; conventional versus all-inclusive; 5 star, 4 star and 3 star hotels 75 rooms and under, mid size and large hotels. This will yield important lessons on the economic contribution question.

The ultimate question relates to what is the major driver of hotel spending in the host economies of which they are a part. The unequivocal answer is the hotel room capacity and the utilization levels of that capacity. In other words the more accommodation there is the more capacity for business and growth. Second, the more occupancy the more bodies to house, feed, water, entertain, transport and sell other goods and services, much of which are purchased in the local economy.



## SAMPLE AVERAGE DAILY ROOM RATES BY ACCOMMODATION TYPE & STANDARD

Average daily rates (ADR) achieved during 2005 across the sample of 54 hotels stratified according to standard and hotel type are instructive. Five star villas earned top ADR in the sample averaging \$625 per room night. All inclusive five star hotels were next in line with \$480 and conventional five star hotels \$407.40

For four star properties on the other hand, conventional hotels led ADR with \$257.41 while all inclusions achieved \$214.64, there were no responses in other categories of accommodations. In the three star category villas led ADR with \$235 followed by conventional hotels \$145.83, all inclusions \$141.48 and guest houses \$46. In the lowest categories of one and two star properties, all inclusions led with \$139 and the only other category reporting was self catering with \$80.

The overall estimated ADR for the sample was \$151.72.

Accommodation Standard	Accommodation Type				
	All Inclusive Resort	Hotel	Guest House/ Bed & Breakfast	Self Catering Villa Apartment or Cottage	Other
Five Star	480.00	407.40	-	625.00	-
Four Star	214.64	257.41	-	-	-
Three Star	141.48	145.83	46.00	235.00	-
One & Two Star	139.00	-	-	80.00	-



# SECTION THREE

## Hotel Expenditures in Local Caribbean Economies

The nature of tourism and hospitality as an industry, is that first and foremost the industry is a consumer industry but with very strong export characteristics. By this we mean that principally this industry and the hotel sector in particular utilizes as its inputs mainly finished goods and services. In fact that basket or perhaps that container load of products and services consumed by the hotel sector are no different to those consumed by a domestic household. These items can range from finished buildings, appliances, drapes, beds, lamps, furniture, toiletries, food, beverage, legal services, priests, insurance, public services, etc.

THE DEFINING EXPORT CHARACTERISTIC HOWEVER IS THAT THE CONSUMER MUST TRAVEL FROM A FOREIGN COUNTRY, AND MAKE A TRANSFER OF FOREIGN CURRENCY TO PAY FOR AND CONSUME THIS VERY WIDE RANGE OF GOODS AND SERVICES IN THE LOCAL ENVIRONMENT. THIS IS THE IDEAL FORM OF EXPORT SINCE IT CARRIES NO OUTLAY OR RISK FOR TRANSPORTATION AND RELATED SHIPPING COSTS.

This is particularly beneficial to a country that is producing these goods and services locally. Even for items imported and passing through the local supply chain there is an element of

value added and re-export that is not normally considered as part of the contribution of the tourism or hotel sector, not to mention the multiplier aspects of this process.

Some of the important concepts that require in depth analysis which are perhaps outside of the scope of this particular study, except to make recommendations for further investigation are:

1. The concept of economic leakage
2. Backward and forward linkages of other sectors with the hotel sector

3. Multiplier effects arising from hotel sector expenditures
4. Hotel supply chain policies and management issues
5. Ownership and control of hotel enterprises and the domicile of profits and professional fees and similar charges

The CTO reported recently that 18.5 million stay over tourists visited the Caribbean Region in 2005 for 28 destinations submitting data. Of these, 9.0 million or 50% visited the 10 destination countries surveyed as follows:

TABLE I TOURIST (STOP-OVER) ARRIVALS IN 2005

Destination	Period	Tourists	% Change		
		Arrivals	Overall	Winter #	Summer #
Antigua & Barbuda*	Jan - Dec	245,384	-0.2	3.2	-2.4
Bahamas*	Jan - Dec	1,514,532	4.4	-5.8	11.1
Barbados	Jan - Dec	547,534	-0.7	1.3	-1.8
Dominican Republic*	Jan - Dec	3,690,692	7.2	6.8	7.4
Dominica+		80,000			
Jamaica	Jan - Dec	1,478,663	4.5	4.3	4.6
St. Lucia	Jan - Dec	317,939	6.5	19.6	-0.3
St. Kitts & Nevis+		80,000			
Trinidad & Tobago	Jan - Oct	379,968	5.8	7.4	4.6
US Virgin Island	Jan - Dec	697,033	5.8	10.5	3.0
		9,031,745			

\* Non- Resident Air Arrivals  
(P) Preliminary Figures

\*\* Non- Resident Hotel registrations only  
+ Not Reported by CTO Consultants est.

N.B. Figures are subject to revision by reporting countries.

SOURCE CTO - Data supplied by member countries and available as of July 14, 2006.

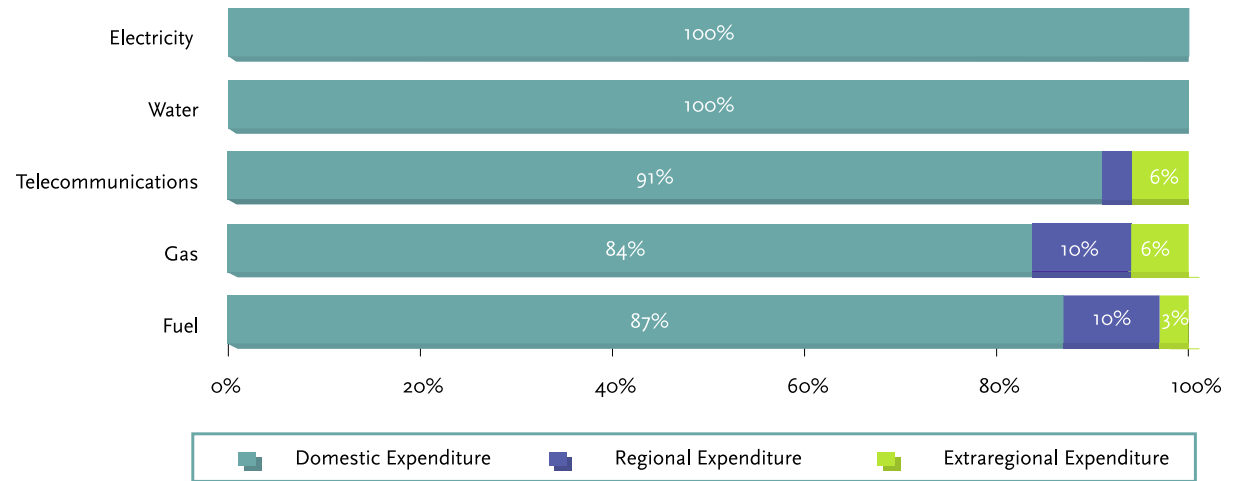
Total hotel accommodations, CHA and non-CHA provided by these 10 countries according to CTO estimates are 125,268.

Sample Room Stock	
Antigua	3,305
Bahamas	15,393
Barbados	8,000
Dominican Republic	56,378
Dominica	889
Jamaica	24,625
St. Kitts	1,754
St. Lucia	4,500
Trinidad & Tobago	5,379
US Virgin Islands	5,045
Total	125,268

It is against this background that the study provides the first level enquiry to quantify the expenditures of hotels in a diverse number of areas.

## EXPENDITURE ON UTILITIES

Hotel expenditures on utilities are usually a very substantial expenditure as a proportion of the total operating costs of hotels. Back in 2004, PKF Consulting produced a report showing that this accounted for 8.7% of costs in the regional hotel sector. The most recent PKF Hospitality Research report pegs this at 6.3%. This at a time when energy costs are spiraling. This may reflect efficiencies in the PKF sample comprising larger better resourced chain hotels in the region. Recently completed CHA study Analysis of Taxation and Operating Costs for the Caribbean Hotel Sector, without providing overall numbers show that hotels in the 9 CARIFORUM countries recorded energy costs of between 4% and 20% with the majority falling closer to 20%.



This study points to the fact that a large majority of these resources are locally produced and sourced. For electricity the sector sources 100% locally as it does for water. For telecommunications the sector sources 91% locally, 3% regionally and 6% extra-regionally. 84% of all gas expenditures is sourced locally, 10% regionally and 6% extra-regionally.

**Overall 92.4% of all utilities are purchased locally.**

Fuel purchased by the hotel sector is sourced locally to the tune of 87%, 10% regionally and 3% extra-regionally. This is very much expected since the structure of production for heavy utility supplies is based in local monopolistic or oligopolistic concerns with little or no alternative supply opportunities. This highlights the utilities sub-sector as a major beneficiary of hotel purchases. **Put differently the hotel sector relies almost exclusively (93%) for its utility needs in the local utilities sector.**

A focus within this study will be to highlight the regional opportunity in terms of the intra-regional supply of goods and

services. In the context of both the now fledgling Caribbean Single Market, where such opportunities will become more stark and secondly the Caribbean region boasts two substantial energy producing countries which could figure in the future in these procurement patterns.

## EXPENDITURE ON FRESH FOODS

Perhaps the area receiving the most focus and many times speculation regionally regarding hotels and their support for local suppliers is that of agriculture. The findings of this study point to very revealing if not controversial patterns of expenditures. Let us deal with the positive results first. The single largest agricultural product group sourced locally is vegetables with 74% of all supplies used by the hotel sector produced locally, 11% is from regional sources and 15% extra-regionally.

The second largest product group is dairy, with 67% sourced locally. A further 10% is sourced regionally and 23% extra-regionally. The meats sub-sector is third in contribution with

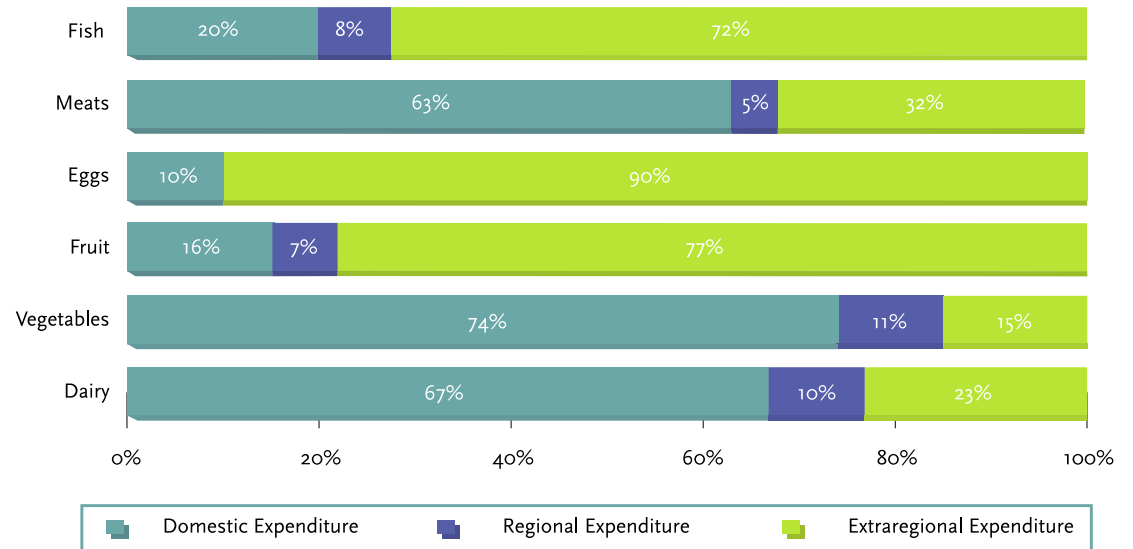
63% of purchases by hotels being supplied locally. These are the main successes and show significant penetration.

On the other hand there are a number of paradoxes. Caribbean countries which are famous for fresh and delightful fish stocks and where fish is a strong traditional mainstay among the local populations, seem not to be making an impact on the purchases of hotels to the same extent. According to the survey, a mere 20% of fish purchased by the hotel sector is sourced locally. A miniscule 8% is sourced regionally and a massive 72% is purchased from extra-regional sources. This would be a finding that requires serious investigation to ascertain the reasons, given its paradoxical nature.

The second striking paradox relates to the purchase of local fresh fruit by the hotel sector which according to the survey stood at 16% in 2005. A further 7% was purchased from the region and 77% from outside of the region. Once again it would be instructive to investigate the causes for this in a region that is traditionally agricultural, as well as an exporter of certain fresh fruit as well as a producer of one of the widest ranges of exotic tropical fruit, an idea that lives in the fantasies of many potential visitors outside of the Caribbean.

A third paradox is the usage of eggs, where 10% is sourced locally and 90% extra-regionally. It is felt that this may be a reflection of the predominant use of processed eggs in the hotel sector, for which there is no regional production taking place.

While the study has highlighted these glaring situations it is not for the purpose of speculation but for further study given that these areas would represent major opportunities to grow the economic contribution of the hotel sector to the local economies and inversely new market opportunities for potential suppliers. We say further study because the consultants are aware that traditional marketing structures for



locally produced goods, traditional global hotel purveying practices and existing hotel supply chain structures may often inadvertently conspire to produce these types of paradoxes. These must be understood in order to transform and re-engineer supply chains and behaviours to turn the tide where possible.

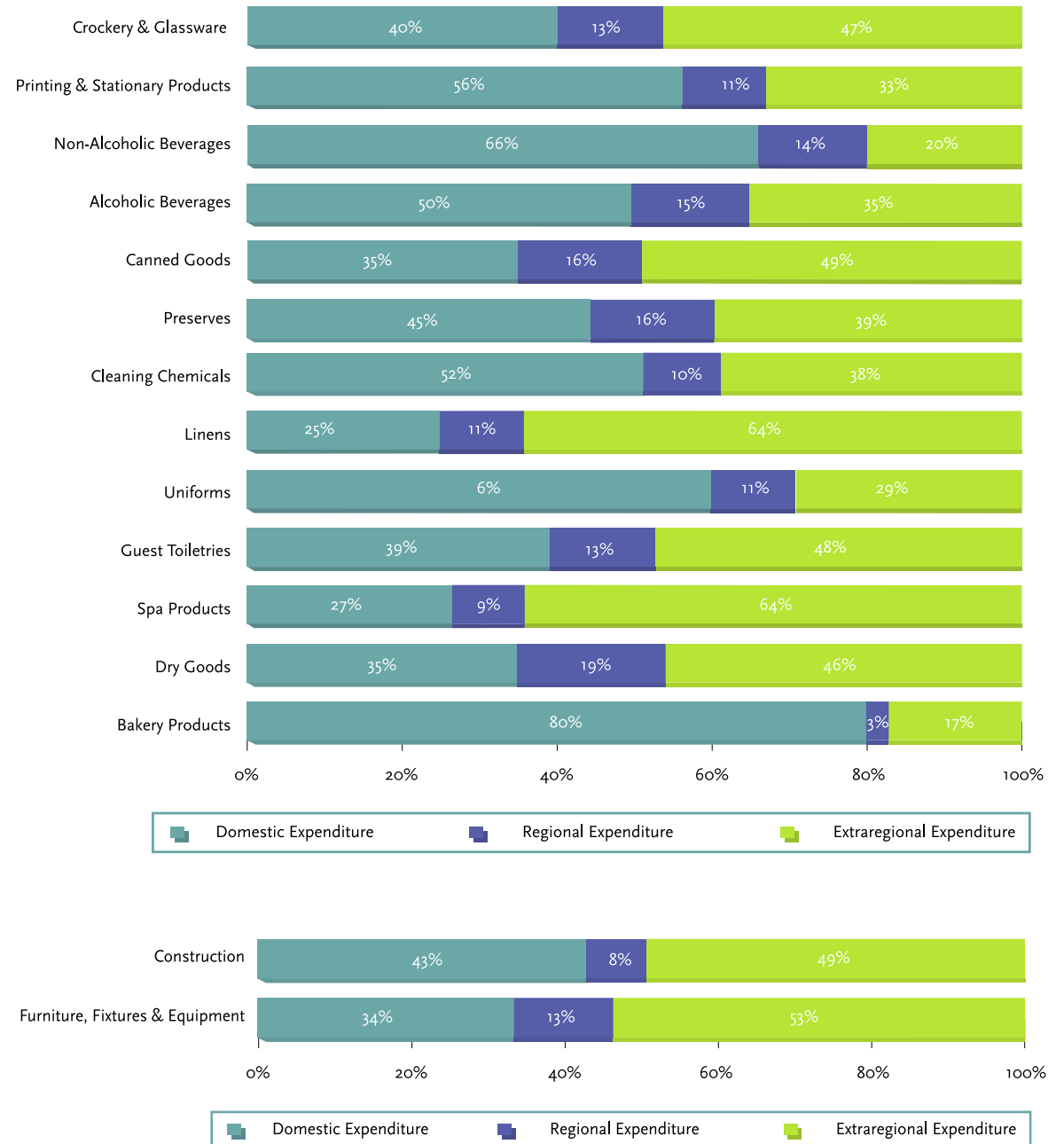
Overall the statement can be made that the level of linkage between the hotel sector and the agricultural fresh produce sector is mixed with 42% sourced locally and 7% regionally. Two-thirds of requirements are sourced locally in the areas of vegetables, meats and dairy, but less than one-fifth in the areas of fruit, fish and eggs.

## EXPENDITURE ON LIGHT MANUFACTURING PRODUCTS

When one looks at the overall findings in respect of a very diverse light manufacturing sub-sector across the region, one could conclude that there is the appearance of a competitive battle taking place between local and extra-regional suppliers. Hotels are presently sourcing between 25% and 80% of their purchases for light manufactured goods depending on the item locally, but there is a similarly proportioned pattern for products sourced extra-regionally. Of all the categories of products and services surveyed, the light manufacturing sub-sector has made the largest foray into the intra-regional sourcing of products by hotels, accounting for between 9% and 19% depending on the product.

Leading the charge overall is bakery products which is now satisfying 80% of the requirements of hotel purchases. Second in line is non-alcoholic beverages with 66% sourced locally, 14% regionally and 20% extra-regionally. Next is uniforms with 60% locally, 11% regionally and 29% outside the region. Printing and stationery is third with 56%, 11% and 33% respectively. Cleaning chemicals are at 52%, 10% and 38%. Locally produced alcoholic beverages account for 50% of hotel purchases, while regional sources provide 15% and extra-regional 35%. Locally produced crockery and glassware account for 40% of hotel purchases in this area, with 13% regionally and 47% extra-regionally. Preserves and canned goods which are agro-processed supplies account for 45% and 35% sourced locally, 16% each regionally and 39% and 49% sourced extra-regionally. This is partly an encouraging reprieve for the low penetration in the fresh fruit area.

It is encouraging to note that hotels are today sourcing categories of products locally which do not form part of the traditional productive sectors such as guest toiletries, spa products and linens. These locally produced product groups are accounting for 39%, 27% and 25% of hotel purchases. A further 13%, 9% and 11% are sourced regionally. This is an encouraging statistic.



Overall the hotel sector is sourcing just under one-half (47%) of its requirements for light manufacturers locally with another approximately 13% regionally.

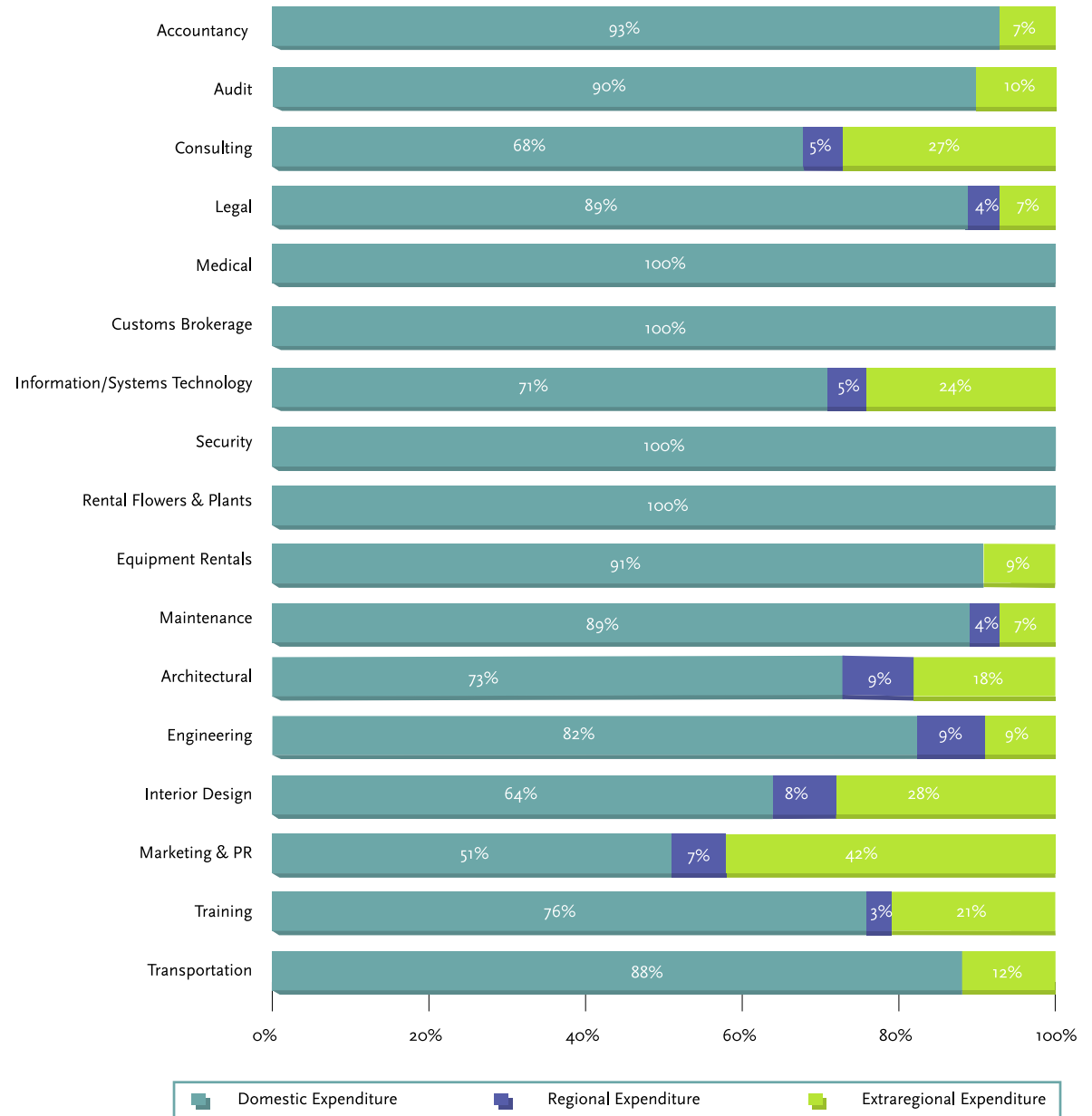
## EXPENDITURE ON CONSTRUCTION & FURNITURE / FIXTURES / EQUIPMENT

Expenditures on construction and fitting out of hotel plant are sourced locally to the tune of 43%, regionally 8% and 49% extra-regionally. This reflects no doubt the large value added component arising from local labour and professional inputs together with basic construction materials that go into the construction of hotel plant. As with most other construction in the local economies of the Caribbean with few exceptions there is a sizeable imported component. This finding positions the amount sourced locally at just over one-third (39%) of the construction and furniture, fittings and fixtures expenditures. 10% is sourced regionally.

## EXPENDITURE ON SERVICES

The overall observation from the survey is that the hotel sector sources 84% of its requirements locally. Surprisingly the services sector is the least engaged in intra-regional supply arrangements at 2.8% of hotel requirements.

There are four local service groupings that are relied on 100% by the hotel sector, these are medical, customs brokerage, security and rental of plants & flowers another agriculture related area. Other groupings relied on 85% or more are the accounting and audit services, legal, equipment rental, maintenance and transportation. Naturally there are several other services which could not have been included in the survey for practical reasons.







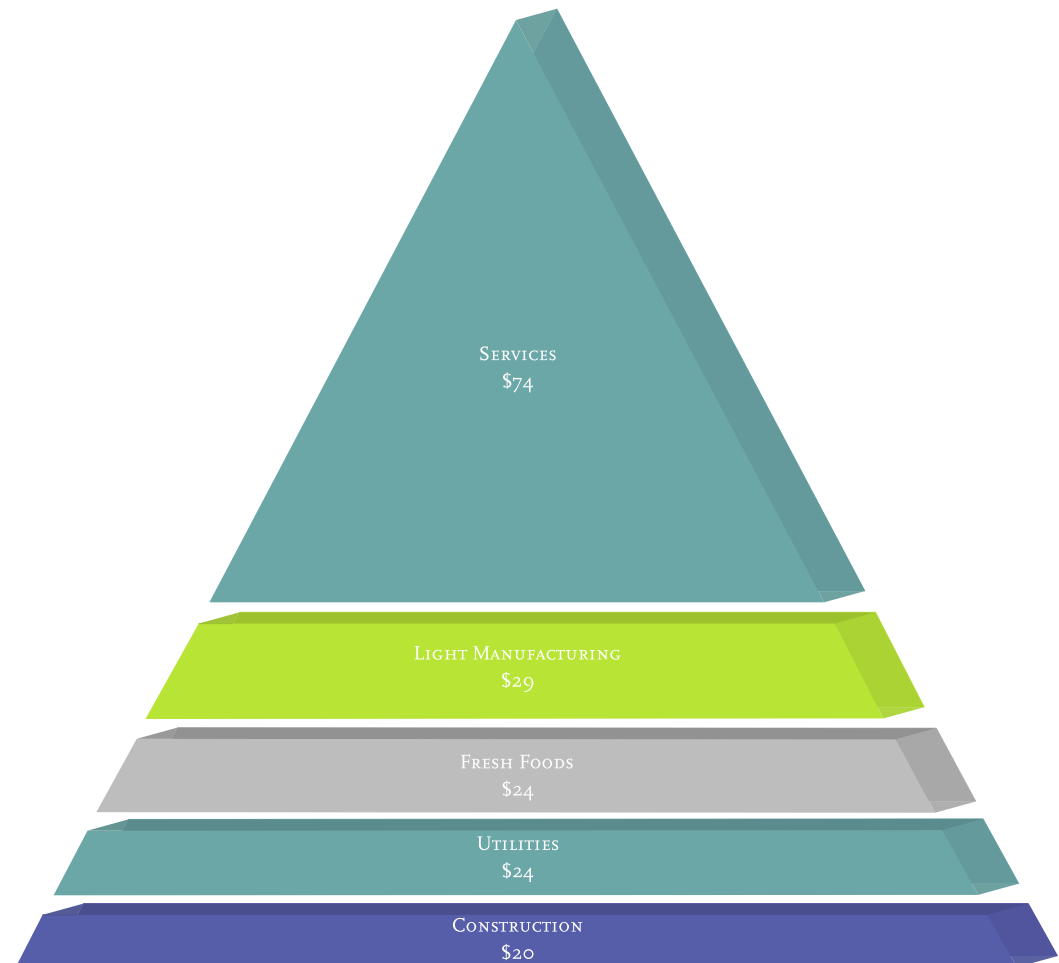
# SECTION FOUR

## Average Daily Hotel Expenditure per Room on Goods and Services

It is interesting to examine the distribution of hotel expenditures overall in the local host economies particularly on a per room basis, since this brings into more concrete focus the economic impact of the hotel sector on the closest unit of analysis to an ordinary household.

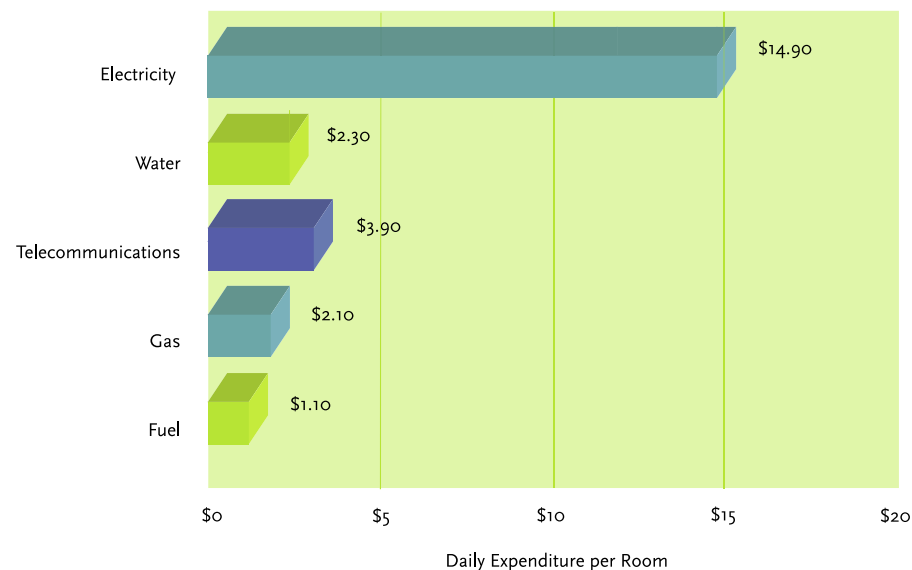
Based on our sample across the 10 countries, hotel expenditures on products and services are almost three to one on services in the five economic sectors investigated. This level of expenditure of \$74 per day per room is of special significance since as the earlier finding on hotel expenditures on services identified hotels in the region source as much as 84% of their requirements for services locally and another 3% intra-regionally. The area of services is characterized by extremely high, certainly approaching 100% local value added and therefore speaks to the very high quality of the economic contribution to the local host economies. This point is further emphasized when it is recognized that 43.3% of all hotel expenditures on goods and services not including labour is in the area of services as earlier defined.

The second most significant daily expenditure of hotels is in respect of light manufacturing at \$29 per room. This represents 17% of all hotel expenditures on goods and services. At this level of spending on light manufacturing, we recognize that this reflects approximately half of the sector's requirements for these services and points to the opportunity for further integration linkage development of the hotel and light manufacturing sectors.



Spending in both the fresh food and utilities sectors is the same at \$24 per day per room, representing 41.2% of the fresh food needs and 92.4% of energy needs. They both individually represent 14.1 % of all expenditures on products and services. The area of construction though many times figuring prominently in GDP performance analyses in these economies, is the smallest category of expenditures by hotels in the local economies. Hotels spend \$20 per room per day in construction comprising either refurbishing, upgrading or expansion activities as intricate aspects of their business. This accounts for 11.7% of hotel expenditures on goods and services. Just under half of this is supplied locally.

## AVERAGE DAILY HOTEL EXPENDITURES PER ROOM ON UTILITIES



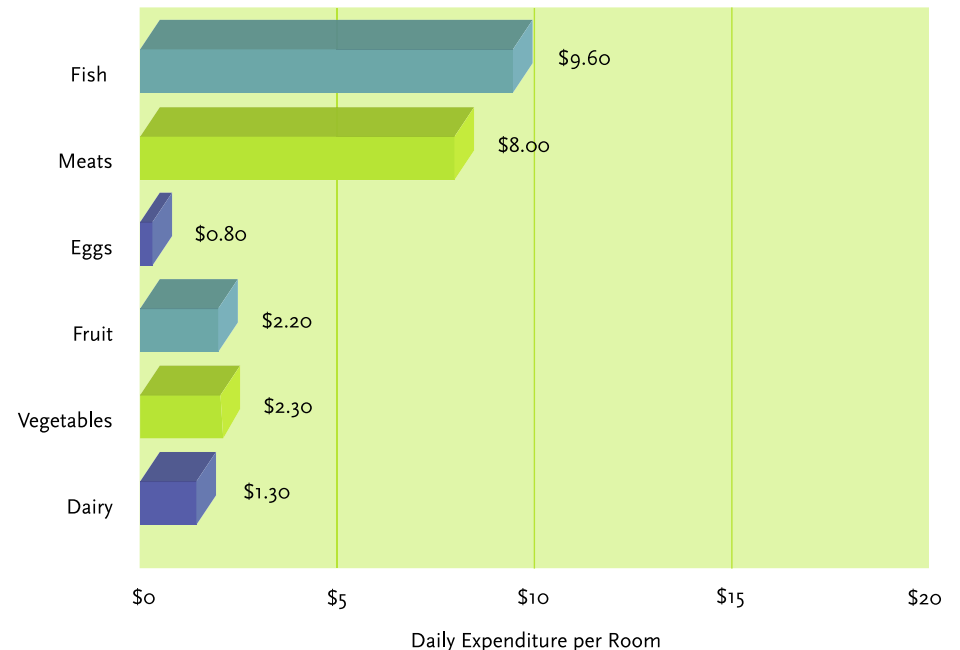
Average Daily Hotel Expenditures Per Room on Utilities

It has already been established that the utilities sub-sector is a major beneficiary of hotel sector spending. A better understanding is obtained when spending on a unit basis on the various energy groups is examined. Hotel spending on a daily basis for a single room is \$14.9, which is approaching 4 times the average spent on any other group. This is significant in many ways. One is the sheer magnitude of the expenditure on a single item and second the fullest integration of these two sectors where the hotel sector is sourcing 100% of its needs through the local supplier. The additional point to be noted here and it is recognized that it could bear further investigation is that when the daily expenditure is extrapolated to a monthly per room expenditure it becomes somewhat staggering at \$447 per room, when compared with the monthly expenditures for a single household which would in rare circumstances exceed half of this amount.

An important and obvious issue that emerges here is the level of benefit derived by the electricity sub-sector versus its contribution to the development of perhaps its largest customer. Further what is the pricing policy for this export industry given its volume of consumption and complete reliance on the supplier.

The opportunity for conservation and alternative and more affordable sources of energy for the hotel sector comes into sharp focus.

The second major beneficiary of hotel spending on utilities is telecommunications with \$3.9 being spent per room per day. This is just over one quarter of what is spent on electricity but still represents a major economic contribution. Water is third in line at \$2.3, gas \$2.1 and fuel \$1.1 per room per day.



Average Daily Hotel Expenditure Per Room on Fresh Food

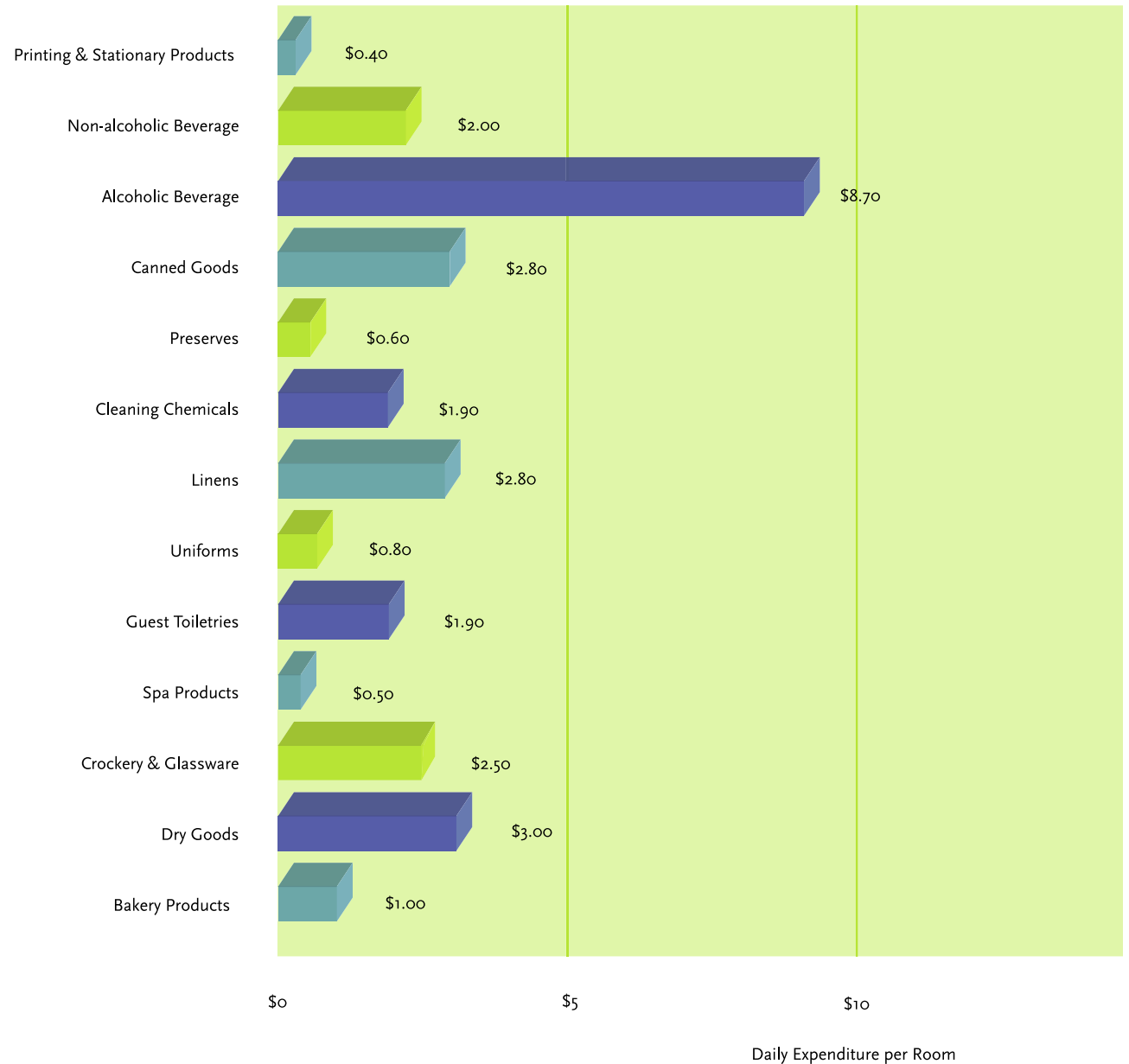
## AVERAGE DAILY HOTEL EXPENDITURES PER ROOM ON FRESH FOOD

The main daily expenditure by hotels on a single fresh food item is that of fish with an amount of \$9.6 per room. The high expenditure on this item suggest that there is an opportunity here subject to supply and logistical realities to explore the local and regional fish supplies. It is known from the survey that there is a high motivation to source more local products but often times this is complicated by supply chain and logistics factors.

Expenditures on meat are both high at \$8.0 per room and a high percentage (63%) also sourced locally. This is the kind of relationship that is moving to optimal patterns. Similarly, though not at the same level expenditures on vegetables which are next in line at \$2.3 per room is dominated by local and regional suppliers at 74% and 11% respectively. One may then want to argue that the relatively low percentages sourced locally for fruit and eggs is softened by the lower daily expenditures per room of \$2.2 and \$0.8 respectively. *(see chart on previous page.)*

## AVERAGE DAILY HOTEL EXPENDITURES PER ROOM ON LIGHT MANUFACTURING

The single light manufacturing product dominating hotel daily expenditures is alcoholic beverages at \$8.7 per room. The hotel sector presently sources 50% of this product locally and this therefore represents a significant economic contribution to the local alcoholic beverage industry with its links in agro processing. At 50% penetration there may therefore be a sizeable opportunity through creative efforts to further extend this level of penetration.



Dry Goods are next in order of size of expenditure at \$3.0 per day per room, with canned goods and linens at \$2.8 per room each. Other major expenditures are crockery and glassware at \$2.5, non-alcoholic beverage at \$2.00 cleaning chemicals and guest toiletries at \$1.9 each and bakery products at \$1.0 per room as the major expenditures on manufactures.

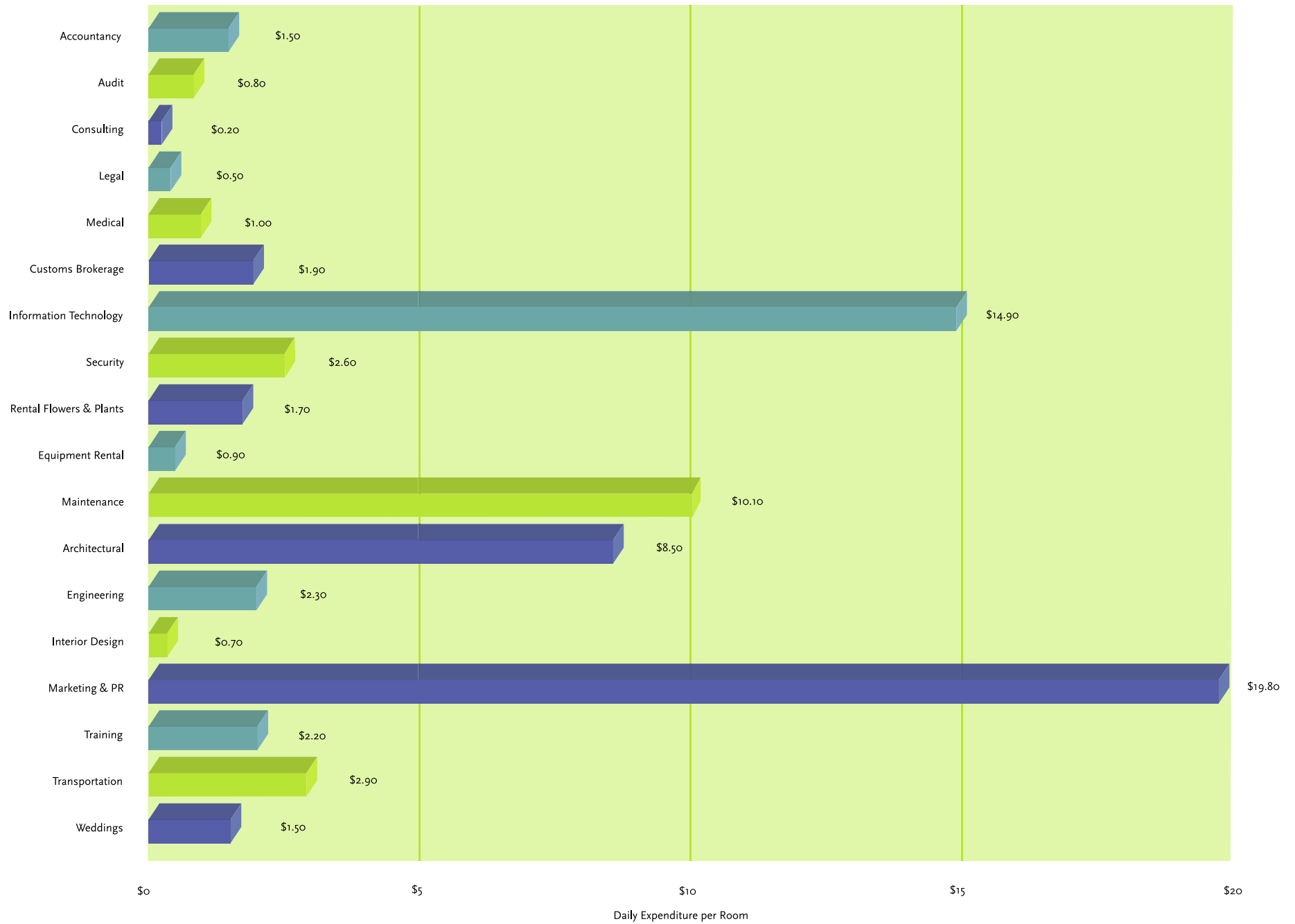
## AVERAGE DAILY HOTEL EXPENDITURES PER ROOM ON SERVICES

The overall highest hotel daily expenditure per room for any single sub-sector of the economy or any single product or service item is that of marketing and public relations services at \$19.8. This is a huge expenditure of which 51% is sourced locally and 7% regionally. One would understand this level of expenditure on this item extra-regionally since the major source markets are extra-regional, namely North America, and the United Kingdom and Europe. To the extent that a sizeable portion of this spending is local and regional suggests opportunities for local and regional partnerships with international marketing and public relations firms to achieve a further degree of penetration.

Information technology is the second largest service expenditure by hotels with a level of daily per room spending of \$14.9 that is exactly equal to that of spending on utilities. This must certainly be a pleasing finding and speaks to the possibility that the region's hotel sector may be already substantially computerized in its business applications and property management systems and meaningfully engaged in electronic and web based strategies requiring advisory and support services at a significant level. At these high levels of expenditures there is indication of the importance of information technology in travel and tourism as a whole. The link between high expenditures on marketing and public

relations on one hand and information technology on the other cannot be ignored and will have reciprocal implications in the future. With 71% of all information technology services being sourced locally this underscores the economic contribution of the hotel sector as a client industry. The big four in services purchased by the hotel sector seem therefore to be marketing and public relations, information technology and maintenance services (\$10.1 per room per day) and architectural services (\$8.5 per room per day). The next group of service expenditures drop down to between \$2.9 and \$1.0 per room per day and include in order of magnitude transportation, security, and engineering, followed by customs brokerage, training and rental of flowers and plants, accountancy, weddings and medical.







# SECTION FIVE

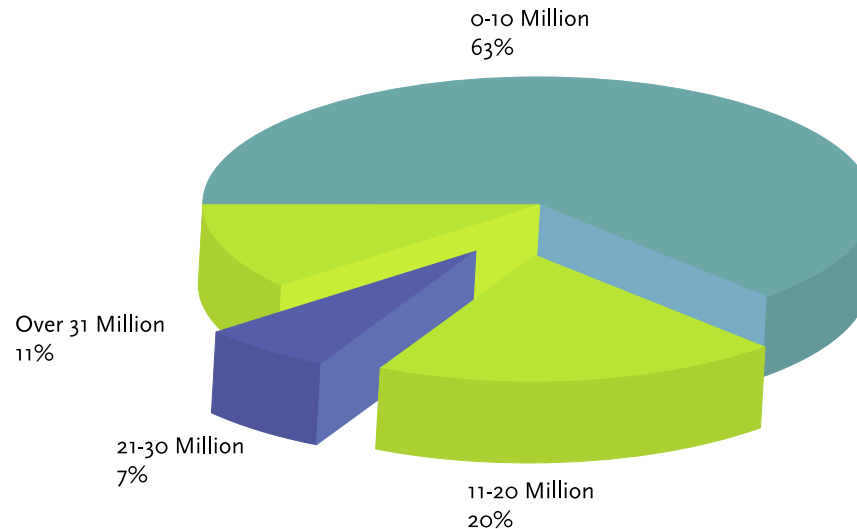
## Contribution in Providing Investment

63% of hotels surveyed invested between \$1 to \$10 million initially in their hotel property. This high percentage in the lowest category assessed is consistent with the CHA statistic regarding the fact that 60% of their membership is 75 rooms or less.

In the \$11-\$20 million category 20% of respondents indicated this was their initial investment range, with 7% between \$21-\$30 million and 11% indicating \$31 million or more. Given the quantum of hotel rooms in each of these territories these investments would account for a substantial proportion of total investment in the local economy. The WTTC estimates that tourism accounted for 21.7% of all investment in the Caribbean region in 2005. This was estimated to be as high as over 70% in some countries in the sample.

Respondents were asked to provide the level of capital investment undertaken during the last year (2005). 96.2% of respondents spent between \$1 and \$10 million on their properties with 3% spending between \$11-\$20 million.

Investment During 2005	
Investment	Percent
0-10 Million	96.2%
11-20 Million	3.8%







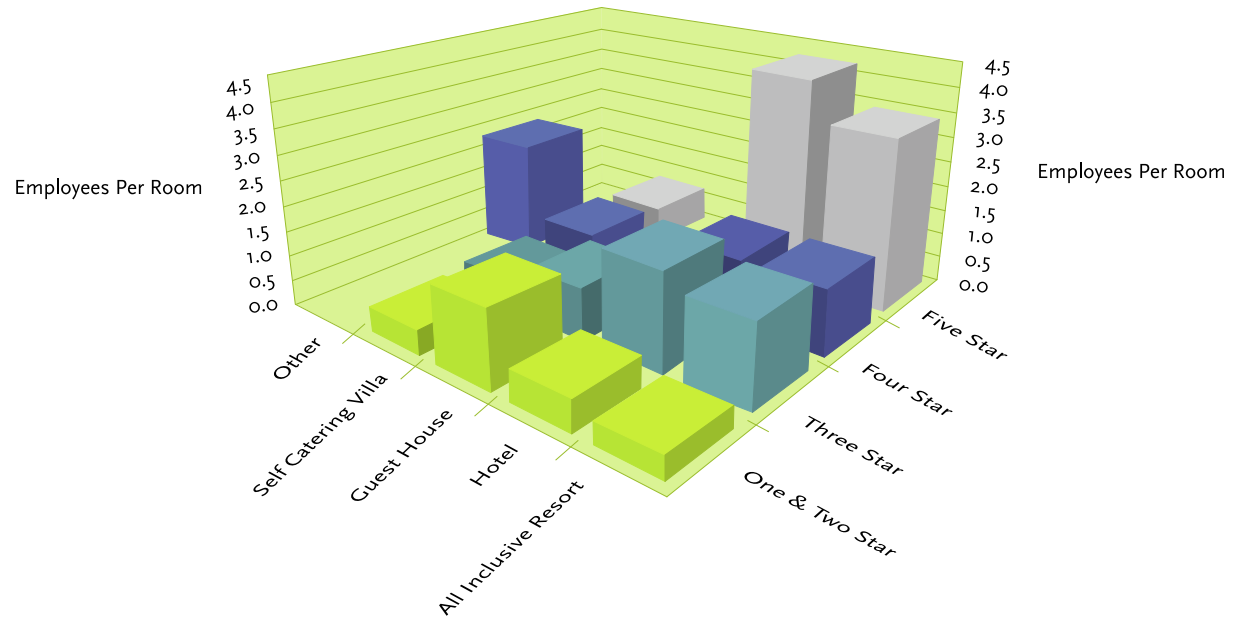
# SECTION SIX

## Contribution in Providing Jobs and Benefits

### PER ROOM EMPLOYMENT RATIOS BY ACCOMMODATION TYPE AND STANDARD

The three largest contributors to the local economy in terms of the number of employees per room are first, five star conventional hotels with an employee ratio of 4.2 per room, second, five star all inclusive resorts with 3.4 employees per room and third, three star villas with 2.3 employees per room. The next group of properties in terms of size of contribution are three star conventional hotels 1.9, three star all-inclusive resorts 1.6 and one and two star guest houses 1.5.

Most other properties are below one employee per room. On average five stars employ 2.8 per room, four stars 1.4, three stars 1.3 and one and two stars 0.7. The overall average for employment creation by the hotel sector is 2.3 employees per room.



Accommodation Type:	Accommodation Standard			
	Five Star	Four Star	Three Star	One or Two Star
All Inclusive Resort	3.4	1.3	1.6	0.4
Hotel	4.2	1.3	1.9	0.6
Guest House/Bed & Breakfast	-	-	1.0	1.5
Self-Catering Villa, Apartment or Cottage	0.7	0.8	0.6	0.5
Other		2.3		
Average Employee per Room	2.8	1.4	1.3	0.7



Accommodation Standard	Accommodation Type		
		All Inclusive Resort	Hotel
Five Star	Expenditure on Wages	8,348.6	23,073.9
	Expenditure on Training	598.2	264.1
	Expenditure on Employee Benefits	2,782.6	1,643.7
Four Star	Expenditure on Wages	10,507.4	18,469.9
	Expenditure on Training	123.8	232.5
	Expenditure on Employee Benefits	4,932.4	3,343.3
Three Star	Expenditure on Wages	16,377.1	14,920
	Expenditure on Training	87.5	123.8
	Expenditure on Employee Benefits	1,222.5	1,135.8

## HOTEL EXPENDITURE ON WAGES & BENEFITS

Overall the hotels in the sample spent in 2005 \$61.1 per room per day in payroll and related costs.

Five star conventional hotels emerge as the leading contributor to employment considering per employee expenditures on wages, training and benefits, overall the hotels in the sample spent \$61.1 per room per day in payroll and related costs in 2005. These expenditures for this category of hotel are \$23,073.9, \$264.1 and \$1,643.7 respectively.

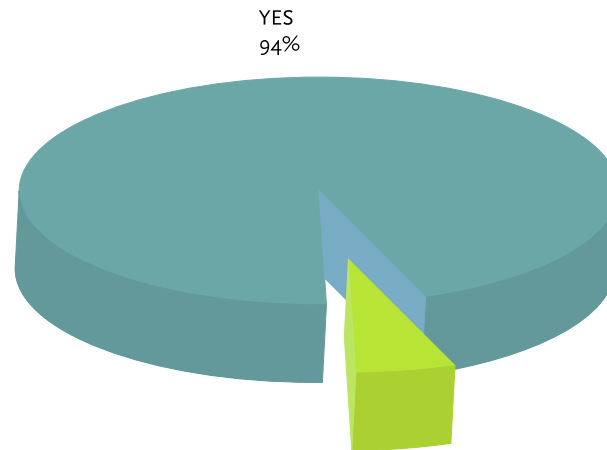
Four star hotels are second in the level of contribution with per employee wages of 18,469.9, training \$232.5 and \$3343.3 on benefits. Three star all inclusive resorts are next with wages of \$17,377.1, training of \$87.5 and employee benefits of \$1,222.5. Three star conventional hotels make similar levels of contribution



# SECTION SEVEN

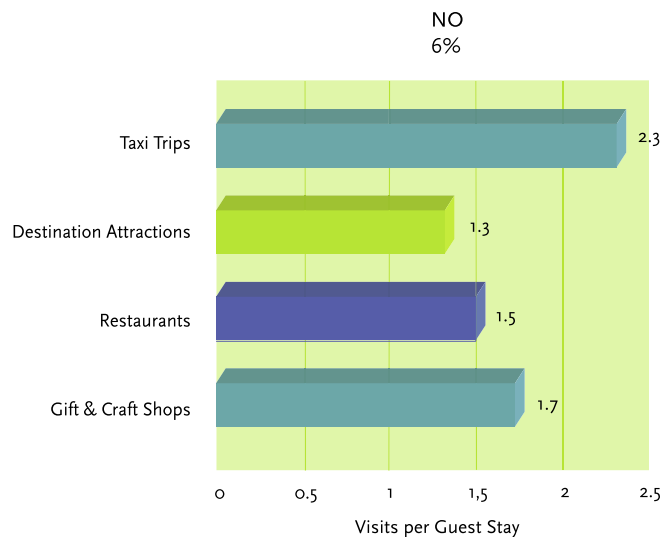
## CONTRIBUTION IN PROMOTING LOCAL BUSINESS

94% of all hotels surveyed indicated that they actively encourage guests to purchase tours, go sightseeing and to generally experience the destination. In this way hotels make an impact on the wider spending in the economy outside of the bounds of the hotel.



## CONTRIBUTION IN PROMOTING TOURS, SHOPPING, ATTRACTIONS, DINING ETC.

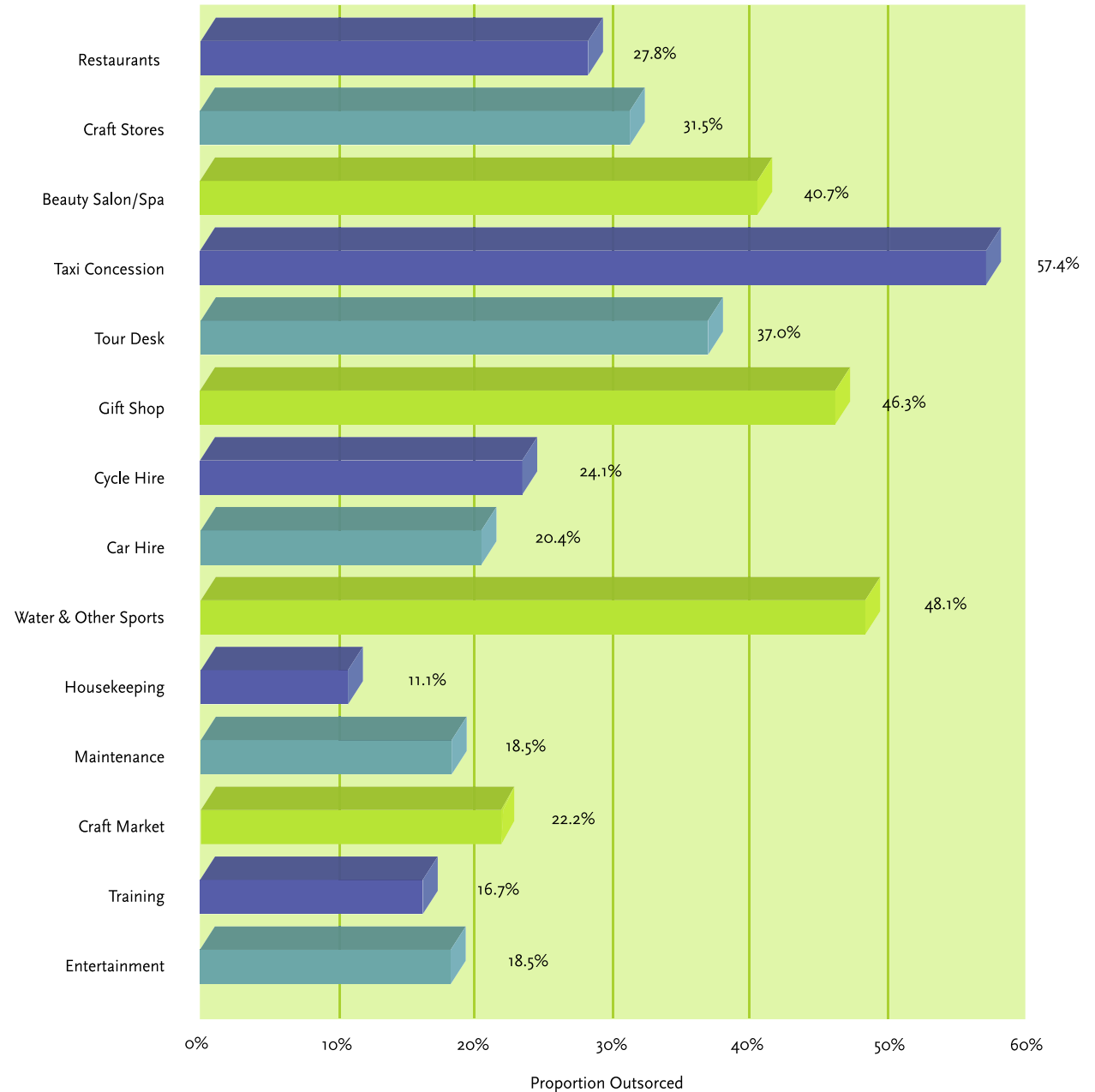
Hotels provided data that showed that the average guest undertook 2.3 taxi trips during their stay, visited 1.3 attractions in the destination, 1.5 restaurants outside of the hotel and 1.7 shopping trips. These numbers may not seem high but when spread across a 5 to 10 day stay, could be significant when beach and other time is factored in. In any event there appears to be an opportunity here for greater penetration in the promotion of services, excursions, dining, shopping and entertainment by all segments of the marketing of the sector.



## CONTRIBUTION IN PROVIDING BUSINESS OPPORTUNITIES FOR ENTREPRENEURS

The hotel sector in addition to its direct and indirect expenditures in the local economy actually provides direct entrepreneurial opportunities in at least 14 areas identified in the survey. These are principally outsourced aspects of the hotel product that are made available to external business people to operate either on the premises of the hotel or externally. The most impressive of these is the transportation, where 57% of hotels' taxi concession is run by independent interests.

Water sports is the next largest business opportunity provided by hotels where 48.1% of them outsource this product area. 46.3% outsource their gift shops and 40.7% the beauty spa and salon. 31.5% outsource their craft stores and 27.5% their restaurants. A further 24.1% outsource their cycle hire and 20.1% car hire. It is interesting to note that traditional food & beverage and housekeeping operations are forming part of this practice.





	Aug 05	Sep 05	Oct 05	Nov 05
Treasury Bond and CBOT 10 Year T-Note Futures				
Treasury Bond Futures - CBOT 10 Year T-Note Futures				



# SECTION EIGHT

	Range		Average
	Low	High	
Government Taxes	5.23%	7.33%	6.28%
VAT/Sales Tax	0.74%	6.08%	3.41%
P.A.Y.E	1.19%	1.87%	1.53%
Corporate Tax	3.45%	11.25%	7.35%
Customs Duties & Tax	0.01%	0.51%	0.26%

## CONTRIBUTION TO GOVERNMENT REVENUES

Based on survey responses hotels paid an overall 18.83% of their annual turnover in 2005 in taxes to government of one kind or other. The largest chunk of this is corporate tax at 7.35% of turnover, followed by a range of hotel and industry related taxes of 6.28%, VAT and sales tax of 3.4% and P.A.Y.E of 1.53%.







# SECTION NINE

## EXPENDITURE ON FINANCIAL SERVICES

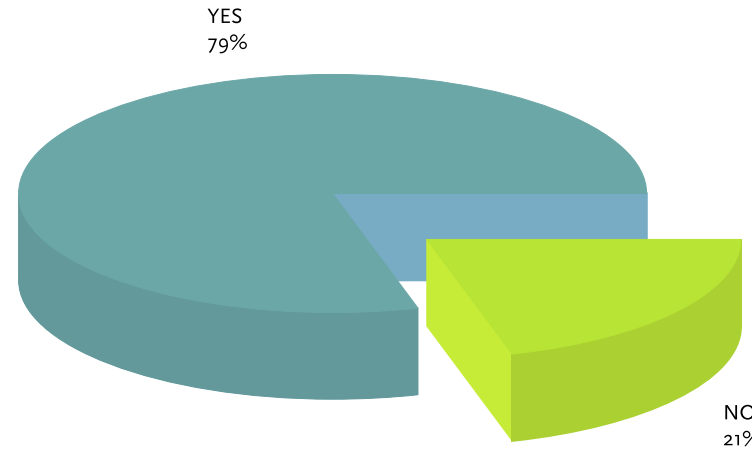
Hotels in the sample indicate that they are currently spending between 1.5% and 4.5% or an average of 3.0% of their annual revenue turnover on interest and financial expenses. When considered on a per room per day basis this approximates \$11.6 per room per day

Interest Expenditure as a Percentage of Total Revenue			
	Range		Average
	Low	High	
Interest Payments	1.5%	4.5%	3.0%

## HOTEL SECTOR MOTIVATION TO BUY LOCALLY

It is to be noted that 79% of the hotels surveyed indicated a willingness to purchase more inputs locally.

They however expressed some views as to barriers to this process, namely availability issues, price and quality as the most important ones preventing them from achieving this objective. It is recognized that there needs to be more deliberate market making activities between tourism and the other economic sectors to improve the economic opportunities in the local economy from tourism.



What prevents you from buying these products or services locally (rank the three main reasons where 1 = most important and 3 = least important reason)



# SECTION TEN

## Summary of Stakeholders Interview Survey

In your view, what stage is the Tourism Industry at in its development in your country?

There is a clear indication that the industry is at varied and different stages of development in the region, consequently with varying priorities and needs

What are the critical issues faced by the Accommodations Sector?

The main issues highlighted by the majority of stakeholders are:

- 1) Lack of marketing
- 2) Lack of qualified trained management and staff
- 3) High operating costs and taxes
- 4) Lack of airlift
- 5) Quality standards and trained human resources

How far has the Sector gone in forging links with other economic sectors such as Agriculture, Manufacturing, Services etc, as important sources for its inputs?

The majority of stakeholders believe that even though some effort has been made in forging links with other sectors, there is much more that can be done in this area

What are the untouched or undeveloped opportunities for the Accommodation Sector to purchase more locally and regionally produced goods and services?

The majority of stakeholders interviewed believe that a better organised effort to develop linkages not only with agriculture but also with arts and craft could be undertaken, with other opportunities in bulk purchasing.

In your view, what can be done to address these issues?

The majority of stakeholders interviewed believe that education and greater awareness of opportunities as well as greater collaboration between public and private sectors are key to addressing opportunities to purchase more locally and regionally produced goods and services

Tourism is the only export sector that is heavily taxed in respect of its principal inputs, while other sectors receive concessions on industry inputs. What is your view on this anomaly?

The responses to this question were split. Some stakeholders believe that this anomaly is unfair as tourism is the major foreign exchange earner in most Caribbean islands while some believe that the industry has access to sufficient concessions

What can be done to address this issue?

Some stakeholders feel that education and awareness of incentives

is important and that legislators need to understand the contribution of tourism to the economy. A number of stakeholders declined to comment on this issue and some do not see this as an issue

In your view, who should be responsible for addressing the issue of taxation?

The majority of stakeholders believe that there needs to be collaboration between government and the private sector on the issue of taxation while others believe that this is government's responsibility alone and in one case CHA's.

In your view, who should be responsible for addressing the issue of taking advantage of opportunities for the accommodation sector to purchase more locally and regionally produced goods and services?

Some stakeholders believe that the government and private sector should be responsible for taking advantage of opportunities for the accommodation sector to buy locally and regionally produced goods and services. Others believe that the private sector should be solely responsible while others believe that individual hotels and suppliers should be responsible

In specific terms, how important are these issues to the future of the destination?

The majority of stakeholders believe that these issues are very important to the future of the industry while the minority feel that there are more important issues that need to be addressed.



The Caribbean Accommodation Sector  
as a Consumer of Locally Produced Goods and Services and Contributor to Government Revenues Study

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