The Virgin Islands Consortium

Territory's Tourism Sector Under Pressure As US And Cuba Sign Deal On Commercial Flights

Business / **Published On February 17, 2016 11:55 AM /**

Ernice Gilbert February 17, 2016

ST. CROIX -- The United States and Cuba signed a deal on Tuesday restoring commercial air traffic for the first time in 50 years, allowing dozens of new daily flights to bring hundreds of thousands more American travelers a year to the island beginning this fall.

Following the signing, the U.S. Department of Transportation opened bidding by American air carriers on as many as 110 U.S.-Cuba flights a day, which is more than five times the current number, and these flights will be commercial and open for all Americans, as compared to the current setup that allow for only chartered trips.

The restart of commercial flights will be the most significant development in U.S.-Cuba trade relations since Presidents Barack Obama and Raul Castro announced in late 2014 that they would begin normalizing ties after a half-century of Cold War opposition. According to the New York Times, the Obama administration is eager to make rapid progress on building trade and diplomatic ties with Cuba before Mr. Obama leaves office, and the coming weeks are seen as particularly crucial to building momentum ahead of a trip he hopes to make to Havana by the end of March.

"Today is a historic day in the relationship between Cuba and the U.S.," U.S. Transportation Secretary Anthony Foxx said after he and Transportation Minister Adel Yzquierdo Rodriguez signed the deal in a ceremony at Havana's Hotel Nacional. "It represents a critically important milestone in the U.S. effort to engage with Cuba."

The U.S. Department of Transportation expects to award the new routes by the summer. The winning airlines must then negotiate their own deals with Cuba.

While the renewal of strong economic relations between the U.S. and Cuba will be a boon for the Cuban economy and an untapped and exciting new destination for Americans in search of vacation getaways, it poses a serious threat to the territory's largest industry: the tourism sector.

In October of last year, Senator Janette Millin Young, who chairs the Senate Committee on Economic Development, Planning & Agriculture, said the territory needed to act quickly on a strategy to sustain its viability.

“It is prime time that we move swiftly as Caribbean and Latin America leaders, having the discussions about the positive and negative impact the normalization of Cuba will have on our economies, particularly in the area of tourism,” she said. “The Caribbean Hotel and Tourism Association (CHTA) in a report dated June 18, 2015, stated that the biggest and most disruptive pebble to be dropped into the Caribbean pool in fifty years will arrive with the opening of travel to Cuba for United States citizens.”

Millin Young went on: “This is a critical moment in the territory’s history as we commence observation of the centennial anniversary. Discussions about our infrastructural needs and continuing to improve our operations in many areas must now take center stage.

“The Virgin Islands must begin to put important measures in place to ensure that our tourism product remains vibrant, attractive and revenue generating. We must create a territorial plan that will capture all aspects of our unique tourism product, train the next generation of Virgin Islanders in the hotel and tourism industry, diversify our economy and create new markets.”

Even with Mrs. Millin Young's assessment, while not downplaying the potential risk a reemergent Cuba poses, Dept. of Tourism Commissioner Beverly Nicholson-Doty sees an opportunity for the territory. She sighted Colombia as a example, a country that was plagued by drug-related violence and emerged as a powerhouse in tourism in 8 years — from 2002 to 2010 — and continues to see sustained growth today. Yet, the surrounding countries did not witness a decline; instead, they grew. Columbia lifted the tide, she argued.

“The bottom line, Colombia growth does appear to have been at the expense of its neighbors,” Mrs. Nicholson-Doty said. “All boats were lifted by significant interest in travel to Latin America," she added, referring to the cruise ship subsector, another area where Cuba is expected to see rapid growth.

“I believe that the recent developments around the travel to Cuba will have a positive impact on the Caribbean region as a whole, including the U.S. Virgin Islands," she continued.

The commissioner said the ability of Americans to gain access to a destination that was once off limits, is sure to spark interest in the Caribbean, as travelers seek to satisfy their curiosity about the region as a whole, not just Cuba.

But while she believes the Caribbean will experience overall growth, Mrs. Nicholson-Doty stressed that it would be “totally unrealistic not to acknowledge and plan for the inevitable risks associated with a new, large competitor in the region.”

“We will face increased competition for visitors in the Caribbean, especially during the 2-5 years as travel restrictions are slowly lifted. There is a curiosity for Cuba, having been off limits for half a century, and it should be anticipated that there will be some initial impact on visitor arrivals,” she said.

Mrs. Nicholson-Doty recalled that the territory's opening as a tourism destination was a direct result of Cuba's closing. Therefore, she went on, the opening of Cuba should serve as a “a wake up call.”

Visitors now have one more option, she said, and while some analysts say it will take years for Cuba to strengthen its tourism infrastructure, with investors lying in wait to help the island achieve its goal, “the delivery of an exceptional experience, rooted in excellent customer service, is a variable that we can control,” she remarked.

“We should not wait for the opening of Cuba to adjust our attitudes and embrace a spirit of hospitality, which really is deep-seated in our culture,” Mrs. Nicholson-Doty advised.

Commercial flights make travel to Cuba far easier for U.S. travelers, with features such as online booking and 24-hour customer service that are largely absent in the charter industry.

U.S. visitors to Cuba will still have to qualify under one of the travel categories legally authorized by the U.S. government. Tourism is still barred by law, but the number of legal reasons to go to Cuba — from organizing professional meetings to distributing information to Cubans — has grown so large and loosely enforced that the distinction from tourism has blurred significantly, according to the New York Times.

Commercial travel will give travelers the ability to simply check an online box on a long list of authorized categories.

The deal does not contemplate flights by Cuba's national airline to the United States, where lawyers for families and businesses that have sued Havana over decades-old property confiscations are eager to freeze any of its assets that they can get their hands on.