

Puerto Rico: Tourism Gateway to the Caribbean

**ASTA
International
Destination Expo
to be held
here in April**

By Frances Ryan
pages 18-23

TOP STORY

**White House
report will
offer 'bagful
of goodies'
page 2**

INSIDE

**Puerto Rico will look to raise more than
\$2 billion in 2011**

page 30

**Science trust chief says excise tax will not
hamper its aims, but trustees disagree**

page 38

**Administration to propose four major
reorganizations this term**

page 28

SPECIAL REPORT



Special Report • January 27, 2011 • Pages S1-S16



For up-to-the-minute local, national, international
and economic news in English, go to
caribbeanbusinesspr.com
now on



Will Puerto Rico be ready to welcome the world's top travel conference?

Island must impress ASTA participants; event to deliver 3,200 room nights with immediate \$2.5 million economic impact and certification of 600 consultants as Puerto Rico Destination Experts



BY FRANCES RYAN
frances@caribbeanbusinesspr.com

Once-in-a-lifetime! That is how most tourism industry executives describe the exclusive opportunity Puerto Rico will have as host of the sixth edition of the American Society of Travel Agents' (ASTA) International Destination Expo (IDE), the world's premier travel conference, slated to take place later this year.

Tourism experts agree that all industry sectors must collaborate to put the island's best image forward and take full advantage of this international event. That is mainly because the local tourism industry, and Puerto Rico as a destination,

will not have a second chance to make a first and lasting impression on 1,200 of some of the world's top travel agents, travel companies and wholesalers confirmed to attend the IDE to "Discover why Puerto Rico does it better"—as Puerto Rico's own branding platform portends.

"The timing of ASTA's IDE conference is perfect for Puerto Rico. It will afford the island an opportunity to showcase its diversity as it positions itself as the 'Gateway to the Caribbean,' precisely the theme of this year's event," said Chris Russo, a Colorado-based travel agent and president of ASTA, during an exclusive CARIBBEAN BUSINESS industry roundtable. He added that the organization has promoted the

Puerto Rico IDE event among its membership for nearly a year with tremendous response.

ASTA's exclusive membership includes home-based and travel-boutique agencies as well as the world's largest travel-sales organizations like Expedia, Travelocity, Orbitz and American Express. Total ASTA agency travel sales, including online agencies, represent \$152 billion annually, approximately 63% of total U.S. industry sales.

The group's combined booking power is second to none, with 70% of conference participants being key decisionmakers, including agency owners or managers, while 65% of them are projected to generate between 100 and 300 leads each

immediately after the conference, translating into thousands of much-needed room nights.

Unlike most travel & tourism trade events celebrated at convention centers or indoor venues, ASTA's IDE attendees will participate in a full-immersion program that will transform the entire island into a destination classroom. In fact, a couple of months prior to the event, the Tourism Co. confirmed there were more than 530 tours around the island already confirmed to provide IDE participants the most comprehensive Puerto Rico experience.

The citywide ASTA IDE conference will take place April 14-17.

Continued from previous page

The event's official hotels are the Sheraton Puerto Rico Hotel & Casino, which is adjacent to the Puerto Rico Convention Center, Conrad Condado Plaza and La Concha—A Renaissance Resort.

Also attending the ASTA roundtable were José Pérez-Riera, Economic Development & Commerce secretary; Mario González Lafuente, executive director of the Puerto Rico Tourism Co. (PRTC); Daphne Barbeito, president of the Puerto Rico & USVI ASTA chapter; Clarisa

activity, the event is mainly a hands-on learning experience, bringing some of the nation's best travel-sales experts around into direct contact with the substantial diversity of experience Puerto Rico delivers as a tourism destination.

"That kind of education and word-of-mouth advertising are very powerful tools that will serve Puerto Rico well for years to come," Russo said.

Local officials are projecting the 2011 ASTA event could have a long-term impact on tourism activity—anywhere from 8% to 10%, or nearly

the event "the tourism Olympics," noting the perseverance it took to secure the conference and the fierce preparation necessary to deliver a world-class experience for participants. "We will also present the most ambitious IDE agenda since ASTA began the destination expo in 2006."

Landing ASTA's IDE event was a two-and-a-half-year effort, Barbeito explained. It required the participation of many industry sectors, chief among them PRCB. However, the local bid prevailed in what ASTA board members deemed one of the



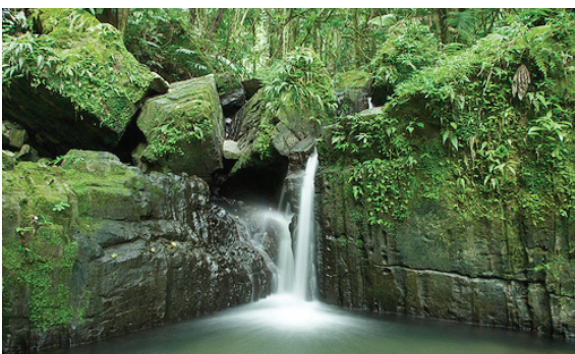
Chris Russo, president of American Society of Travel Agents [ASTA]

have been involved in this initiative from day one," PRCB vice president Sánchez said. "Despite ongoing efforts to promote the diversity of our destination, we remain one of the industry's best-kept secrets. I am convinced the ASTA event will put us on the global map as we showcase all the island has to offer to one of our most important audiences, the country's top U.S. outbound travel agents and some of the world's top tourism-industry executives. A positive IDE experience will have a lasting multiplier effect on our local tourism industry and the island's economy, as well as strengthen our destination's image."

For Ismael Vega, chairman of the board of the PRHTA, the challenge goes beyond having the island's hotels ready or fine-tuning pre- and postconference activities.

"As we continuously emphasize, tourism is everyone's responsibility, more than a hotel room, it is a complete experience that begins from the moment the person books his or her travel," Vega said. "As we gear up to host ASTA's IDE event, I am concerned about the conditions of our roads, from the moment guests arrive at the airport to the taxi experience; and about rundown structures throughout the Condado district, missing lights in many lampposts and the lack of cleanliness of some of our main streets. These are challenges that other destinations also face, but I am convinced we can do a better job if we always keep in mind that, first impressions are very

Continued on page 20



Jiménez, president of the Puerto Rico Hotel & Tourism Association (PRHTA); and Ramón Sánchez, executive vice president & COO of the Puerto Rico Convention Bureau (PRCB).

As the world's largest and most influential travel agency trade association, ASTA, with its IDE event, has the proven capability to launch and transform a market from virtually an unknown location to one of the most popular destinations around.

"That was the case with previous IDE host markets that registered an increase in tourism activity ranging from 5% to as high as 11%," Russo explained.

Beyond substantial economic impact and a boost to regional tourism

\$1 billion in additional tourism activity—over the next few years.

"Notwithstanding, success of the ASTA event will depend, in great part, on whether Puerto Rico government agencies and Puerto Ricans, from all socioeconomic sectors, can work collaboratively to present the best image of our island, the warmth of our people and the extraordinary diversity we have as the Caribbean's premier destination," cautioned veteran travel agent Daphne Barbeito, owner of Cruceros to Go and local ASTA chapter president.

WILL PUERTO RICO BE READY?

"Absolutely, we will be ready to host the best IDE event to date," ASTA's Barbeito vowed as she dubbed

closest bids they have ever witnessed. Puerto Rico, as the Gateway to the Caribbean, won the bid against formidable rivals Acapulco and Vietnam.

The IDE marks the second-straight time Puerto Rico has outperformed giant market rival México in a major convention bid. Prior to landing ASTA's 2011 international event, Puerto Rico beat out Monterrey, México to become the official host of the 51st Congress of the International Congress & Convention Association to be held in Puerto Rico in October 2012—another important event requiring thorough preparation.

"Welcoming ASTA's IDE event to Puerto Rico gives us [the PRCB] a great deal of satisfaction, as we

Continued from page 19

important and lasting.

“An event like this can be both a great opportunity, if we know how to take advantage of it and put our best image forward, or it can backfire on us by having some of the world’s most demanding industry experts experience firsthand the shortcomings of our tourism areas and attractions. I am not being pessimistic but rather realistic about what needs to be done in order to prepare for the event. This will be an important test for our industry as we come together with a common goal—to support the local ASTA chapter in delivering the best IDE convention to date. If we all deliver, Puerto Rico wins.”



José R. Pérez-Riera, Economic Development & Commerce secretary



Clarisa Jiménez, president of Puerto Rico Hotel & Tourism Association and Ramón Sánchez, executive vice president & COO of Puerto Rico Convention Bureau during ASTA Puerto Rico roundtable.

ASTA’S BARBEITO AGREES

“We have come a long way, but still have a lot of work to do,” she said. “We are working with the Tourism Co., the [Convention] Bureau, related government agencies and mayors around the island to prepare for our guests.”

More than 50 postconference learning tours and activities will take place in more than 10 island municipalities, principally San Juan, but also including Ponce, Mayagüez, Camuy, Arecibo, Río Grande and Luquillo, she said.

Other preparation efforts by the local ASTA chapter include collaboration with the Tourism Office of the San Juan municipality, law-enforcement authorities and the Transportation & Public Works Department.

“The ideal situation here is to take this opportunity not only to prepare for the ASTA event, but to improve our overall destination for future visitors,” Barbeito said.



A WINDOW TO PUERTO RICO

Undoubtedly, Puerto Rico’s tourism industry stands to benefit the most from the ASTA event, CARIBBEAN BUSINESS roundtable executives agreed. The upbeat mood over welcoming the IDE conference can be ascribed mainly to a successful Tourism Co. winter campaign (“Just Think Puerto Rico”) and the announcement of Puerto Rico as the “Caribbean’s Preferred Destination to Visit in 2011,” selected by the readers of the high-profile trade magazine Caribbean Travel + Life.

Despite longtime neglect of its true

economic development potential, the local tourism industry contributes roughly 6% to the island’s gross domestic product, or \$3.6 billion, and supports about 62,000 direct and indirect jobs, a 27% increase since 1990. Regardless of what some deem insurmountable challenges, Puerto Rico still has significant competitive advantages that make it the indisputable Gateway to the Caribbean.

Chief among those advantages are: the best airlift in the region; top homeport facilities supporting a thriving cruiseship industry; an attractive incentives program; a developed infrastructure; a large business

segment; an established U.S. market with a no-passport requirement for mainland visitors; plentiful natural, historical and cultural attractions; a world-class convention center; and a slew of new hotel investments with more in the pipeline.

For the PRTC’s González Lafuente, ASTA’s IDE event provides yet another opportunity to make Puerto Rico a top-of-mind destination among the industry’s most influential salespeople, while helping drive the number of visitors to the island along with their total expenditures.

IDE’s projected long-term impact on the local tourism industry

is expected to contribute to PRTC’s long-term efforts to increase tourism expenditures by visitors from \$3.6 billion in 2009 to \$5.6 billion by 2015, and a boost in the total number of visitors to 6.4 million from last year’s 5.4 million.

“ASTA’s top travel agents are exactly the group of people we need to engage and help them become a powerful sales force for our destination,” González Lafuente said, adding that other IDE destinations experience an immediate sales surge after the conference. “Our collective goal

Continued on next page

Continued from previous page

is to certify 600 to 700 travel consultants as experts on our destination. This means that by the time IDE concludes, these experts will not only be fully versed in selling and promoting Puerto Rico to their clients, but they also will help position Puerto Rico as a top-of-mind destination within the Caribbean. It is like acquiring a top-notch sales force overnight.”

The PRTC executive also mentioned that while Puerto Rico is arguably the most diverse destination in the region, it has fewer tour options for visitors.

“We are working to address that situation on various fronts,” González Lafuente said. “First, we are nearly 100% finished with the work transforming the lot adjacent to the Treasury Department into a central transportation terminal, accompanied by a well-thought-out visitors-transportation plan geared toward the successful diversification of that segment. Simultaneously, we are maintaining communication with the local taxi federation and tour-operator companies to ensure they are on board with the opening of the segment, with the main goal of improving Puerto Rico’s overall offer for our visitors.”

González Lafuente added that the changes will open the market for new tour operators and new specialized tours.

A SHOPPER’S PARADISE

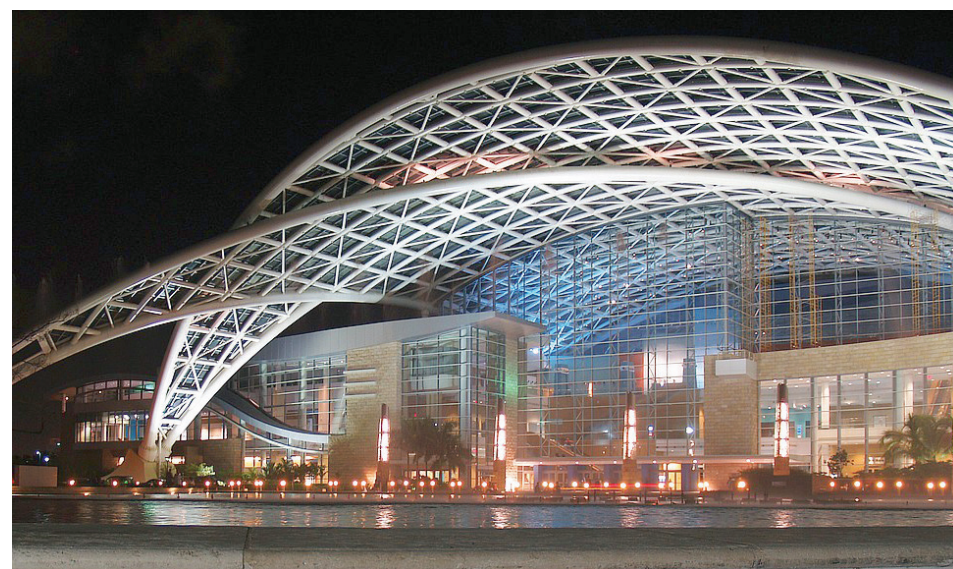
“I am looking forward to the ASTA IDE event in April, a unique



*Daphne Barbeito,
president of ASTA Puerto Rico &
USVI Chapter*

opportunity to showcase Puerto Rico’s vibrant entertainment culture anchored by the best shopping in the Caribbean and a world-class gastronomic destination,” said Michelle Llamas, president & founder of GetShopped Puerto Rico, the first tour operator dedicated to specialized tours on shopping, gastronomy and entertainment. “Shopping and cultural tourism is one of the fastest-growing trends in our industry, and without a doubt Puerto Rico has one of the best offers around. As the Tourism Co. helps diversify the market by facilitating the entry of new concepts and tour offers, I foresee positive growth for this segment.”

Llamas, whose company has received the endorsement of the Tourism Co., established GetShopped



with her lifetime savings after being laid off by a real-estate company. GetShopped will host several shopping, Mojito/Old San Juan and gastronomic tours for IDE participants.

Meanwhile, González Lafuente expects the transition of taxis and tour operators from their current staging area to the new central transportation lot to take place during the low-traffic season to avoid business interruption during the peak of the current winter season.

“It is also important to note that the sculpture and infrastructure barriers that were obstructing the docking of new mega-cruiseships to Puerto Rico have been removed, and more cruiseships are including Puerto Rico as their homeport facility during their Caribbean schedules, while existing cruiseship schedules are being extended to include more pre- and post-stay packages,” the PRTC chief said. “Already, Royal and Carnival have

included Puerto Rico in the routes of their newest cruiseships, and the folks at Seaborne are working on a strategic alliance to offer short-term trips for cruiseship passengers to Vieques.”

González Lafuente said new attractions already identified for cruise passengers include Toro Verde in Orocovis—featuring the world’s second-longest zip-line outdoor attraction—San Juan’s Museum of Wildlife and Punto Verde theme park will go a long way in efforts to diversify the overall island experience while increasing the total amount of visitors’ expenditures. The latter, Punto Verde, is in keeping with one of the most notable cruiseship-industry trends: the number of children cruising in the region totaled one million last year.

“This is critically important as we aim to convert cruise passengers into land vacationers,” PRHTA President

Continued on page 22

AMERICAN SOCIETY OF TRAVEL AGENTS

Membership: ASTA is the world’s largest travel agency trade association. Members include the largest and smallest travel agencies, from Expedia, Travelocity, Orbitz and American Express to the home-based, 39-member Corporate Advisory Council (CAC)—comprised of the heads of the largest travel-agency organizations.

ASTA members must have annual revenue that exceeds \$50,000, 156 Premium members with operations of more than \$20,000,000 a year, 2,503 core members, 1,035 international members appointed by the International Association of Travel Agents (IATA) in 140 countries.

ASTA members generate \$152 billion or 63% of total U.S. market.

Leisure products represent 78% of total ASTAsales, 22% of corporate sales.

Government Affairs: Success stories include:

- Oppose legislation to impose new costs on agencies that use services of independent contractors
- Fight proposed taxes on travel-agent service fees in various states
- Plan to ensure no additional airlines shift the cost and risk of credit-card transactions onto travel agents
- Encourage U.S. Congress to expand access

to credit for travel agencies

- Support for small businesses.
- ASTA-endorsed legislation includes:
- The Home Office Deduction Simplification Act (H.R. 1509)
 - The Small Business Formation and Job Creation Act (H.R. 1552)
 - The Small Business Credit Card Act of 2009 (H.R. 3457).

Communications: ASTA works closely with the country’s top travel-trade publications 123 reporters from 70 trade media publications, 444 international reporters plus 375 travel bloggers, 30,000 subscribers receive ASTA’s daily and weekly e-newsletter. ■

Continued from page 21

Clarisa Jiménez said. "On our part, the IDE event also offers great potential in the near future for getting a head start on our summer season with a substantial number of new room bookings."

For Gabriel Emanuelli, director of North America Sales & Marketing of the PRTC, the bottom line is that "Puerto Rico has not welcomed a major event for travel agents in years, and this [the ASTA event] is a unique opportunity to demonstrate

ASTA'S INTERNATIONAL DESTINATION EXPO DELIVERS

To grasp the impact of ASTA's IDE event on the host destination, it is important to evaluate the results of previous events, ASTA President Russo said.

Take Istanbul for example, he said.

"Following a sharp slowdown in growth of foreign visitor arrivals in 2009, to an estimated -4% in year-to-year results, the latest official provisional data for the first 10 months after the IDE conference shows a

experienced a similar industry recovery post-IDE. The country had posted a slowdown in growth from arrivals for three straight years before hosting ASTA's IDE, due mainly to recession in major source markets, particularly the so-called Euro-Zone.

Appreciation of the South African rand against the U.S. dollar and the euro in 2009 also puts pressure on the tourism industry. While the release of official data on visitor arrivals was slow after the IDE, "we can now confirm that tourism overview



*Mario González Lafuente,
executive director of the Puerto Rico
Tourism Co.*



IDE event," she said. "The Caribbean region, as one of the most popular destinations in the world, will also benefit from the event. This year's IDE conference is also the first one with the participation of several regional destinations, namely St. Thomas and Anguilla, which will have an opportunity to showcase the benefits and attractions of their own island destinations."

Taking a regional approach to the IDE event was one of the features that impressed the ASTA board most about the Puerto Rico bid. Overall, more than 23 million tourists visited the Caribbean region in 2010, a nearly 5% increase from the 22.1 million that visited the previous year, according to the latest report from the Caribbean Tourism Organization.

Starting with Prague in 2006, ASTA launched its first IDE. Originally, the conference was the result of intensive industry research, which confirmed that active travel agents want out-of-country training to receive specialist credentials as well as in-depth knowledge of specific countries.

The Expo brings travel agents from around the world to train as host-destination experts. The conference's program includes destination immersion courses, a business-oriented trade show and firsthand travel-agent experience through informative sightseeing and pre- and post-tours.

we are a serious tourism choice for their guests-clients."

In the long term, PRHTA's Jiménez also views the IDE efforts as an ideal complement to the PRTC's integrated marketing campaign, mainly geared toward increasing awareness of the destination within the U.S. mainland market, which delivers nearly 80% of the visitors to Puerto Rico.

"It is also a highly profitable event for Puerto Rico as it establishes a solid relationship with top travel agents, still considered among the most affordable industry sales channels, charging 10% commission on average per transaction compared to other sales channels such as traditional wholesalers, whose commission can be as high as 30%," the PRTC's Emanuelli explained.

reasonable increase in visitor arrivals of 6.3% year-to-year," Russo said. "After very strong growth in March and May, of 17% and 16%, respectively, it maintained average numbers in July and August but picked up favorably in September and October, compared to the same months in 2009."

Overall, after very poor figures for the Turkish hospitality sector in 2009 with total room nights down by 17% year-to-year, the country experienced an important recovery after the first quarter of 2010 with nights up by 6.5%. Foreign tourist room nights, which accounted for almost 72% of the total, were up by 2.2% during July and August, and increased over 4% in the third and fourth quarter.

Prior to Istanbul, South Africa

figures for the end of 2009 and 2010 show a robust increase in foreign-tourist arrivals by over 17% year-to-year," Russo said.

This was buoyed by South Africa's commitment to fine-tune its tourism industry in anticipation of the 2010 World Cup soccer tournament, which attracted more than 1.4 million foreign tourists, or a 25% increase versus the previous year.

ASTA's Russo reiterated several times during roundtable discussions that Puerto Rico also has a unique opportunity to improve its own tourism activity while helping raise the overall profile of the Caribbean region.

ASTA'S BARBEITO CONCURRED

"It is important to note that while Puerto Rico will benefit from the

Continued on next page

Continued from previous page

IDE'S MULTIPLIER EFFECT

For Economic Development & Commerce Secretary Pérez-Riera, one of the most significant aspects of the ASTA event is the multiplier effect he expects the conference will have on other economic sectors beyond the tourism industry.

From a tourism standpoint, the local industry is already benefiting from the ASTA event, with a reported 3,200 room nights in the pipeline to have an immediate \$2.5 million economic impact on the local economy.

"As the world's largest destination expo for travel executives, the impact of the IDE event will not only attract, but it will also benefit many other industries related to local tourism activity, as is the case with tour operators, cruiselines,

airlines, ground transportation and security companies, restaurants, made-in-Puerto Rico products and related service companies," Pérez-Riera noted. "IDE will also provide a unique promotional platform for many of our top local producers and their export capabilities. The aggregate value of our local products and services makes Puerto Rico an attractive tourism, business and investment destination."

The Economic Development secretary also noted that ASTA's IDE event is consistent with the kind of integrated economic-development initiatives, outlined in the department's Strategic Model for a New Economy, that benefit more than one economic sector, especially the island's small- and mid-sized-business community.

"Also, local and regional suppliers

will have an opportunity to participate in the event's trade show and meet with travel agents without the expense of traveling to the mainland or the logistical challenges of a road show," Pérez-Riera said, adding that the event is an ideal forum for suppliers to develop partnerships and business opportunities.

Robert Rodríguez, president of First Class Chauffeurs, a luxury-transportation company, said the IDE event is already delivering good business opportunities.

"We have specialized in highly exclusive transportation services, serving the elite clientele that visits the island and requires the utmost level of discretion and confidentiality," Rodríguez said. "As the luxury end of the hospitality industry expands with the arrival of St. Regis Bahía Beach and the W Retreat &

Spa Vieques Island, and the Vanderbilt later this year, Puerto Rico is attracting a whole new clientele who otherwise would not have visited us before. This trend is already having a noticeable multiplier effect on related businesses and services, as is our case. The ASTA event will help bring out the word about the great experience Puerto Rico can offer only hours away from the mainland U.S."

Pérez-Riera also noted the importance of the IDE's trade show as an opportunity for local suppliers and industry-related service companies to meet ASTA event participants. Trade show coordinators will also facilitate one-on-one and pre-scheduled business appointments ensuring important connections are made between attendees and exhibiting companies. ■

Attractive incentives boost Puerto Rico destination access within Caribbean region

BY FRANCES RYAN
frances@caribbeanbusinesspr.com

The upcoming International Destination Expo (IDE) hosted by the American Society of Travel Agents (ASTA) coincides with local efforts by the Department of Economic Development & Commerce (DDEC by its Spanish acronym) and the island Tourism Co. to make Puerto Rico an even more accessible destination for tourists, business travelers and investors.

ASTA's IDE conference, scheduled to take place at several San Juan-area venues April 14-17, will gather the participation of 1,200 of the world's top travel agents from more than 120 countries.

As conference host, Puerto Rico will have an opportunity to showcase the diversity of the island and its contribution to the development of the Caribbean region. The Caribbean ranks among the three most popular destinations in the world, according to industry-leading source Smith Travel Research, welcoming more than 35 million travelers and 15 million cruise passengers every year.

Dubbed the "Gateway to the

Caribbean," Puerto Rico enjoys the best airline-accessible location in the region, with 63 daily flights from 20 major U.S. cities. Internationally, Puerto Rico has the most nonstop flights to top international destinations within the Caribbean, with direct access to Madrid, Toronto, London, Caracas and Panamá. A mature yet ever-growing cruiseship sector supports close to 5,000 jobs and pours over \$240 million into the local economy every year.

As a result of its integrated air-maritime access efforts, Puerto Rico will increase flight frequency this year by adding 12 U.S. & international markets such as Avianca, Aeroméxico and Lufthansa mull over Puerto Rico routes, and four cruiselines as the world's largest cruiseships—Oasis of the Seas and Allure of the Seas—loom on the horizon with new Puerto Rico stops on their Caribbean schedules.

REGION'S TOP INCENTIVES

Puerto Rico's air-and-maritime incentives program is one of the main tools that will help the local tourism industry remain competitive as the leading destination within the Caribbean.



"The main goal of the airline-incentives program is to promote the creation of new air routes as a means to stimulate economic growth. New airline routes yield economic impact both through the expenditures of those airlines in the local economy as well as the economic activity generated by new visitors," explained Mario González Lafuente, executive director of the Puerto Rico Tourism Co. (PRTC), which—by law—oversees the approval and disbursement of both airline and cruiseship-industry incentives. The assignment of these incentives is the result of a combination of efforts by the DDEC and the Puerto Rico Ports Authority.

Incentives are available for carriers with scheduled, or charter, flights that need financial support during the launching of their new airline operation on the island. Some airline-incentives packages include: discounts on operation costs & airport taxes, reimbursement of applicable start-up costs, co-op marketing funds and income guarantees.

Soon to expire, the island's cruiseship incentives law not only has proven effective in spurring growth within this important tourism-industry segment, but also has become the standard incentives model for the Caribbean.

"Law 76 specifically establishes a fund, separate from other public funds, to promote the island's cruiseship industry," DDEC Secretary Pérez-Riera explained.

Since 2005, the fund has operated with \$5 million from the PRTC, plus another \$4 million from the general fund. Some of the existing cruiseship-industry incentives include: destination incentive, frequent-visit or homeport incentive, transit incentive, volume incentive and provisioning incentive. ■