

## **IMPACT OF BRITAIN'S AIR PASSENGER DUTY SHOULD GUIDE CARIBBEAN TAX DECISIONS**

### ***CHTA counsels high front-end taxes and fees discourage travel and have downside consequences***

BARBADOS (June 30, 2018) - The Caribbean Hotel and Tourism Association (CHTA) strongly urged Governments in the region to consider carefully the impact of leveling high air travel-related taxes and fees on travel demand as they wrestle with balancing budgets.

"We recognize the challenges facing countries, but it is our duty to point out that taxing for additional revenue may have a reverse effect as tourists may choose not to travel to or within the Caribbean and instead select other destinations because of the high cost of our destinations," stated CHTA's Director General and CEO Frank Comito.

In such a case, not only would the government see fewer tax revenues, but local businesses would likely suffer, Comito contended: "High upfront taxes also typically adversely affect on-island spending by visitors who do come. They will either opt for shorter stays or spend less on activities, restaurants and attractions to offset the additional cost."

The region saw this happen in 2010 and the immediate years following, he recalled, "as the United Kingdom imposed large duties on travelers to, from and through their country. As the cost of family travel increased by hundreds of dollars, travel demand declined, impacting net tax revenue and employment in those Caribbean destinations which had a high percentage of UK-based and transient travelers."

"Recognizing the damaging effect, Barbados successfully led the regional lobby against this restrictive duty which resulted several years later in the UK modifying it and helping to restore travel demand," stated the CHTA CEO.

While Caribbean tourist arrivals have grown in recent years, the region continues to lose global market share and growth within the region. Travel is currently heavily skewed to less expensive destinations. CHTA cited data from the World Travel and Tourism Council and the Caribbean Tourism Organization showing an erosion of market share and disproportionate visitor arrivals growth. Likewise, intra-Caribbean travel has declined significantly as the cost of travel within the region has skyrocketed.

Representing the region's largest private sector tourism organization, Comito suggested that greater awareness of the impact of travel and tourism on local economies was needed at a critical time for the Caribbean. "We need to incentivize travel on the front end. Taxing outputs has proved to be a more successful strategy than taxing inputs."

The CHTA CEO's comments came on Friday following the organization's participation in the International Air Transport Association's (IATA) Aviation Day conference in Barbados, sponsored by IATA, the Caribbean Development Bank (CDB) and the Latin American and Caribbean Air Transport Association. At the conference, reports shared by IATA and the CDB reinforced the importance of policies which can stimulate travel into and within the region.

The CDB and IATA cited high aviation taxes and fees, regulatory barriers and operational deficiencies as obstacles to stimulating more travel, and by extension economic growth. Theirs and CHTA's research clearly points to the reduction in travel demand as costs increase.

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