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Economic Commission for Latin America and the Caribbean  
Subregional Headquarters for the Caribbean

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Report of the expert group meeting on  
yachting and marina services in the Caribbean  
21 June 2013  
Port of Spain, Trinidad

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## **REPORT OF THE EXPERT GROUP MEETING ON YACHTING AND MARINA SERVICES IN THE CARIBBEAN**

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## **A. DECISIONS AND RECOMMENDATIONS**

1. The following decisions and recommendations were adopted:
  - (a) The modelling exercise should be revisited and the regional markets split into two subregions being Caribbean North, and Caribbean South, since each of these markets was deemed to be sufficiently different for the analysis.
  - (b) The range of countries in the modelling exercise should be expanded beyond the eastern Caribbean State countries, to include Martinique, Sint Maarten and Tortolla especially.
  - (c) The length of the data series should be extended if possible.
  - (d) The modelling approach should be modified by applying first-differences to the left-hand-side variable.
  - (e) Taxes, insurance, ticket prices to an alternative (Mediterranean) region, and customs and immigration bureaucracy were key variables which influenced yachting services demand, and ways should be explored on how to incorporate these into the model.
  - (f) Avenues should be explored to incorporate a “price of substitutes” variable, and boat yard repair services into the model;
  - (g) The “hurricanes” variable in the model should be respecified. A forecast variable for hurricanes was considered to be a better variable for assessing risks.

## **B. ATTENDANCE AND ORGANIZATION OF WORK**

### **1. Place and date**

2. The “Expert group meeting on yachting and marina services in the Caribbean” was convened by the ECLAC subregional headquarters for the Caribbean on 21 June 2013 in Port of Spain.

### **2. Attendance**

3. Experts in the area of yachting and marina services, tourism and tourism policy, maritime environmental issues, economic development, and environment attended the meeting. Representatives from national agencies in trade and tourism in Trinidad and Tobago, and from the Tobago House of Assembly were also in attendance. A list of participants can be found in Annex I.

### **3. Agenda**

4. The meeting adopted the following agenda:
  1. Welcome and introductions.
  2. Adoption of the agenda.
  3. Yachting and marina services in the Caribbean.

4. "A recreational demand study in yachting and marina services in the Caribbean."
5. Conclusions and recommendations.
6. Closing remarks.

The agenda is attached to this report (Annex II).

## **C. SUMMARY OF PROCEEDINGS**

### **1. Opening of the meeting**

5. Diane Quarless, Director of ECLAC subregional headquarters for the Caribbean opened the meeting by welcoming participants, and thanking them for their willingness to share their expertise and insights in reviewing the work of ECLAC in the specific area of yachting and marina services in the Caribbean. She noted ECLAC previous efforts in this area, when the organization undertook yachting sector assessments for several Caribbean countries in 2004. Ms. Quarless also recalled the pivotal role which the organization played in forging many of the national marine associations currently active in the region. She encouraged participants to offer critical assessment of the current work, so that it might be best enhanced to provide useful policy guidelines for the future development of the subsector in the region.

### **2. Adoption of the agenda**

6. The provisional agenda was adopted.

### **3. Yachting and marina services in the Caribbean**

7. By way of setting the context for the review of the focussed study, the meeting received a presentation on the overall status of the yachting and marina business in the Caribbean. In the presentation, it was noted that this sector comprised four main segments namely: (a) superyachts, (b) skippered charters, (c) bareboat charters, and (d) cruisers. It was observed that in the Caribbean, the bareboat segment was the most significant, although in some specific destinations there has been substantial growth of the superyacht segment in recent years. The presentation also cited some of the critical constraints to growth of the yachting sector in the Caribbean, such as high levels of bureaucracy in customs and immigration; security risks; lack of proper marina facilities; and insurance discrimination. These were identified as the most common constraints among all destinations. Finally, the presentation noted growing environmental impacts of yachting on the Caribbean's coastal and marine environment, and observed the need for formal environmental guidelines in order to preserve the pristine Caribbean marine environment.

8. In the ensuing discussions, the expert from the United States of America noted that Cuba holds significant potential in the future development of the Caribbean yachting sector. He cited that country's close proximity to the United States of America source market as a particular advantage, and felt that Cuba could be a good focal point around which the greater Caribbean could seek to further develop its yachting sector. Another participant from Trinidad and Tobago however expressed less optimism for the future development of the yachting sector, as she was concerned that there was insufficient interest by regional governments on this subsector compared to other areas of the Caribbean tourism business. Nevertheless, the meeting acknowledged the substantial economic potential of the sector to the region, and recommended that yachting and marina stakeholders in the Caribbean should strive to better engage

regional governments in order to raise sector concerns and advance proposals for the future development of the sector.

#### **4. “A recreational demand study of yachting and marina services in the Caribbean”**

9. The paper titled “Towards diversification of the tourism sector: a recreational demand study of yachting and marina services in the Caribbean” was presented for review by Willard Phillips, Economic Affairs Officer at ECLAC subregional headquarters for the Caribbean. The rationale for the study was the need to understand the factors which motivated visitors to seek yachting and marina vacations in the region, and the important policy elements which may be used to stimulate growth of the subsector over the medium to long-term. The study elaborated a simple demand model which linked yacht passenger arrivals to the Caribbean to corporate profits in the United States of America source market; airline fuel price for travel to the Caribbean (used as a price variable); and frequency of hurricanes and tropical storms in the Caribbean. The model was estimated for eight countries of the Organization of Eastern Caribbean States (OECS) only, and a ten-year quarterly data series was used for the estimation. By using a logarithmic transformation, the model coefficients were estimated as elasticities, and all estimates were significant at the 95 per cent level of confidence. The estimates for the variables were: corporate profits (0.83); airline fuel Price (-0.58); and hurricane frequency (-0.07). These variables achieved a good model fit, with an  $R^2$  of 60 per cent.

10. In the discussions which followed, the moderator noted that the estimation was a good first attempt to implement a quantitative method in analysing the yachting sector in the Caribbean. He however observed that the elasticity measure for corporate profits was less than one (as opposed to greater than one) which was unexpected for a luxury service like yachting. He suggested that it might be necessary to re-specify the model, or apply other estimation methods. He suggested the use of first-differences on the dependent variable of the model to see if this would increase this coefficient to greater than one. Ryan Skeete of the Caribbean Tourism Organization suggested structuring the model as an unbalanced panel data model, since he was concerned that there could be significant omitted variable bias in the current specification. He felt that this was a richer framework for gleaning more explanatory power from the modelling exercise, as well as identifying country specific variability which could be important for designing policy. Bob Hathaway, expert from Saint Lucia also noted that the model appeared to understate the impact of hurricanes on the yachting business in the Caribbean. He observed that this was indeed a very strong factor affecting the region’s yachting business since a large number of boats exited the region immediately prior to the start of the hurricane season, and only those destinations which offered good hurricane shelter showed minimal impacts of hurricanes. He proposed that the model be respecified to break out the region into north and south Caribbean, and the estimations compared in order to better discern the impact of hurricanes on the sector. Moreover, he advised that immigration and customs bureaucracy were major constraints to yachters maximizing their sailing experiences in the Caribbean, and that ways should be explored to incorporate this variable into the model. Several experts also recommended the expansion of the range of countries in the analysis to include at least countries such as Martinique, Sint Maarten and Tortola, all of which are key yachting destinations in the Caribbean. By way of further model specification, John West of Saint Vincent and the Grenadines also noted the importance of taxes and insurance as important factors affecting the Caribbean yachting business, and suggested that these be incorporated in the model. Additionally, one of ECLAC Economic Affairs Officers, observed that possibly, the impact of hurricanes on Caribbean yachting could be better resolved if a direct price substitute variable could be incorporated. He suggested that airline ticket prices to an alternative destination such as the Mediterranean region could be used as a variable, and that this should allow for the observation of whether yachters were shifting boats to the Mediterranean as a means of avoiding

Caribbean hurricanes. Finally, many experts suggested the need to expand the length of the data series, since this would likely enhance the model results.

11. In responding, Mr. Phillips thanked the experts for their guidance and contributions. He observed that the key limitation was the scarcity of data on the sector to undertake the ideal type of modelling for the analysis. He nevertheless indicated his willingness to seek to implement the recommendations in an attempt to enhance the modelling process, and strengthen the overall study.

## **5. Conclusions and recommendations**

12. The meeting concluded that the study was a good effort to assess policy variables for the development of yachting in the Caribbean. A summary of the key recommendations are presented as follows:

- (a) Respecify the model to include additional variables such as taxes, insurance, ticket prices to an alternative (Mediterranean) region, and customs and immigration bureaucracy.
- (b) Partition the model into two regions: Caribbean North and Caribbean South, using Martinique as a region divider. In this way two models would be estimated and compared.
- (c) Expand the data series (if possible) to at least 20 years.
- (d) Expand the range of countries to include at the least Martinique, Sint Marteen and Tortolla, since these are key yachting destinations in the Caribbean.
- (e) The modelling approach should be modified either to incorporate first-differences on the dependent variable, or to analyse the model as a panel data model.

13. In closing, the Economic Affairs Officer of ECLAC subregional headquarters for the Caribbean thanked all participants for their insightful and valuable contributions to the discussions, and their offer of support going forward towards the completion of the study.

## Annex I

### **List of participants**

#### **A. Experts**

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Annex II

**Agenda**

1. Welcome and introductions.
2. Adoption of the agenda.
3. Yachting and marina services in the Caribbean.
4. “A recreational demand study of yachting and marina services in the Caribbean.”
5. Conclusions and recommendations.
6. Closing remarks.