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Chapter

First Draft

ECONOMIC DEVELOPMENT PLAN FOR THE TOURISM SECTOR

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CONTENTS

TOURISM SECTOR DIAGNOSTIC

According to the World Tourism Organization (UNWTO), tourism includes all activities carried out by tourist while travelling and during their stays in places that differ from their usual environment, for a consecutive period of time that runs less than a year, whether it be for leisure, business, or other reasons. According to this organization, in recent decades, tourism has experienced a continued growth and deep diversification, making it one of the major players in international trade and a driver of the economic development and social change. This growth is escorted by an increase in diversification and competition among destinations.

Given that tourism is not defined as a sector in the National Accounts of Puerto Rico, it is imperative to outline a general framework to find the “subsectors” within the sector. To set up such a framework it is essential to define objectively what a tourist attraction and a complement or support system for tourism. In order to understand this, it is necessary to design a Strategic Plan for the Tourism Sector and its sub-sectors, to set up goals and strategies based on a general framework.

Similarly, it is important to put into context who is Puerto Rico’s competition as a tourist destination and what markets is Puerto Rico pretending to attract to meet with the goal of receiving an annual estimate of 8 million visitors and double the share of tourism in the local economy. Clearly, to achieve this, Puerto Rico must recognize its competitiveness as a tourist destination, and identify and make full use of its competitive advantages in comparison with other destinations of the region. The acknowledgment allows to focus all marketing and promotional efforts on the real attractions and strengths of Puerto Rico, while reducing the temptation to extrapolate tourism strategies and models that are not tempered to present socio-economic conditions of the Island.

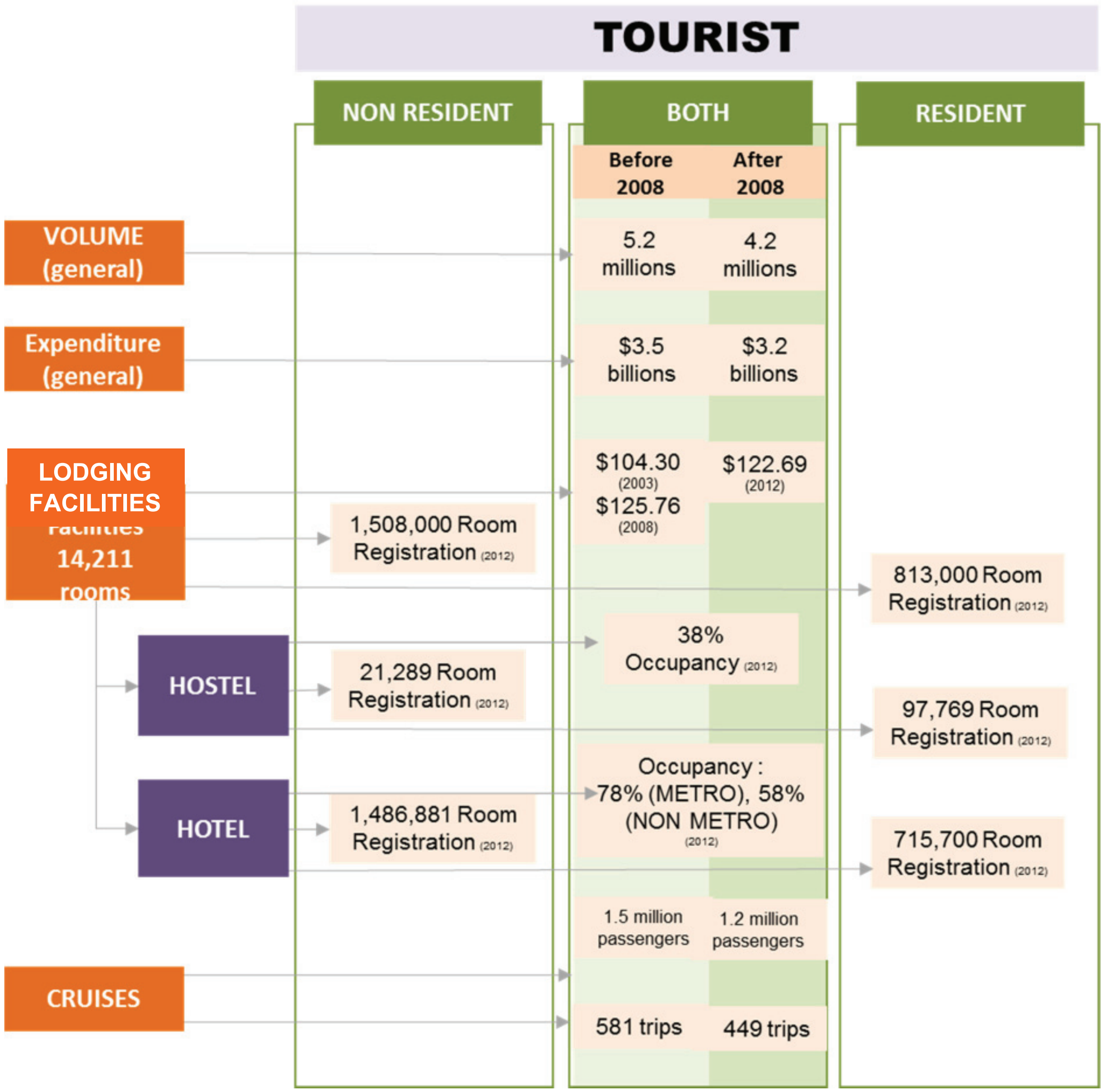
After 8 years of economic recession, tourism is a real alternative to surface from recession. “Believe it or not, tourism is an export,” said Barack Obama, former president of the U.S. With a fiscal crisis and a local market shrinking year after year for nearly a decade, betting on the growth of the world economy is a viable and consonant alternative to the public policy of exporting government services. Puerto Rico should continue at a steady pace with efforts aimed at developing tourism with actions and policies that enhance its global competitiveness and diversify its offer according to changes and trends of the global market.

The sources of information used hereinafter include, but are not limited to, data from the Planning Board, the Tourism Company of Puerto Rico, Caribbean Tourism Organization (CTO), World Tourism Organization (UNWTO), local and international written press articles, among others.

The objectives of this diagnosis are:

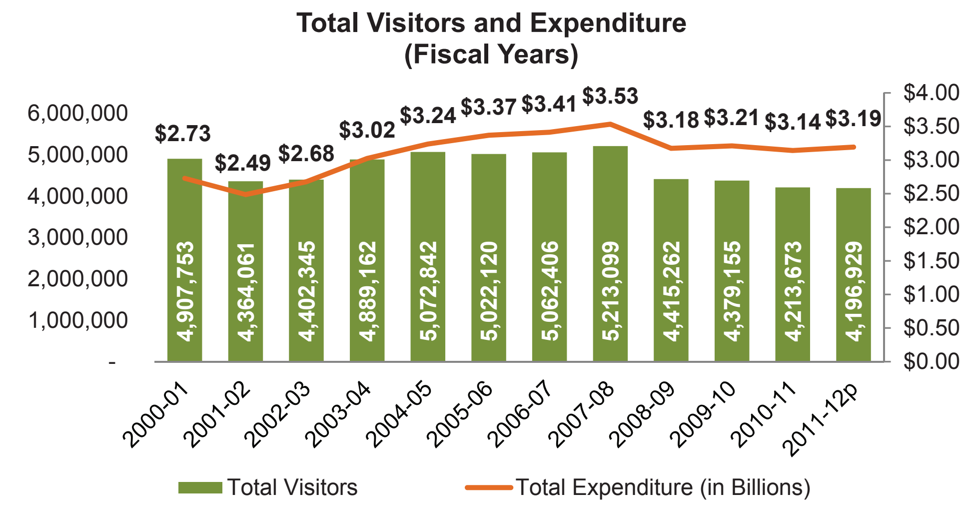
- Set the scene or present Puerto Rico’s
- Evaluate and analyze the tendency of different indicators of tourism in Puerto Rico during 2000-2012 period
- Compare tourism’s statistics of Puerto Rico with those of other Caribbean countries.
- Provide a list of strengths, weaknesses, opportunities, and threats found in Puerto Rico’s tourism

TOURISM SECTOR- DIAGNOSTIC



A.I VOLUME AND EXPENSES OF VISITORS

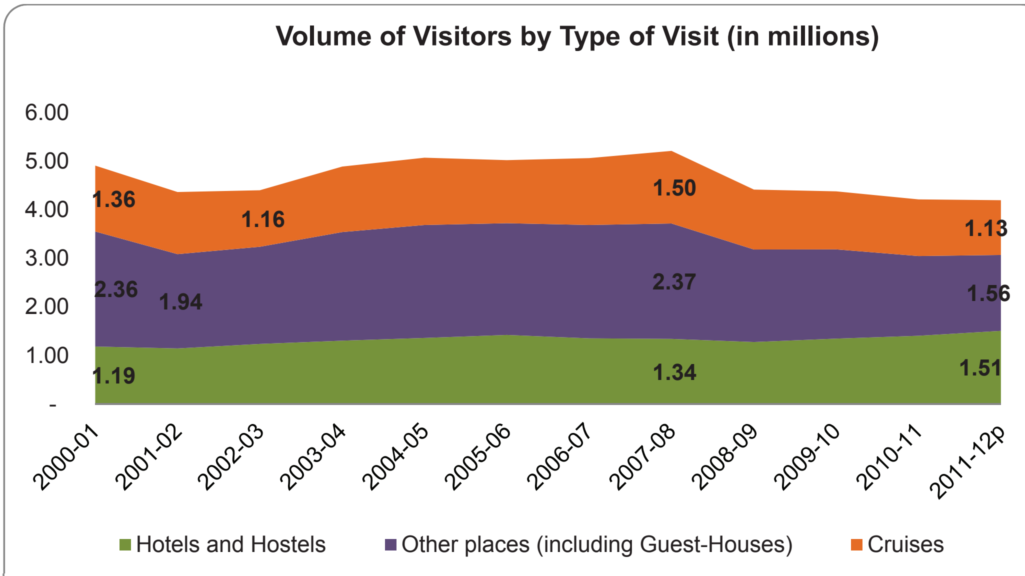
During the first eight fiscal years of the past decade, Puerto Rico received, on average, 4.9 million visitors per year. However, during the 2001-2012 period the U.S. economy experienced 2 recessions; the first one was between the months of March and November of 2001 and the second between December 2007 and June 2009 (The 2007-2009 recession had an adverse impact on global economy). Both recessions affected the amount of tourist arrivals to the Island The reduction the volume of visitors after both recessions, was mainly due to the high dependence of U.S. tourist (about 60% of Puerto Rico's tourist come from the U.S.). In the year 2008, Puerto Rico received its peak amount of visitors, with over 5.2 million visitors. Only 4 years later that number drop to 4.2 million, lowest point in the period 2001-2012. This drop represented more than one million visitors, taking in reference the volume recorded in 2008.



Source: Puerto Rico Planning Board

Although the volume of visitors dropped annually since 2008, the fall in total expenditure was less severe. After declining from $3.5 billion in 2008 to $ 3.18 billion in 2009, total spending has remained relatively stable at $3.2 billion over the past 4 FYs. However, recent data shows an inferior of the total expenditure generated by visitors in comparison with 2005 FY. Since drop in expenditure was less that the fall in volume of visitors, the average spending per visitor continued to grow throughout the period 2001-2012.

By disaggregating total visitors by type of visit, both, regular[1] visitors and special visitors, experienced reductions during 2001-2012. On the other hand, the volume of regular overnight visitors that stud in hotels and/or hostels experienced moderate growth, with corresponding fluctuations of the aforementioned recessions.

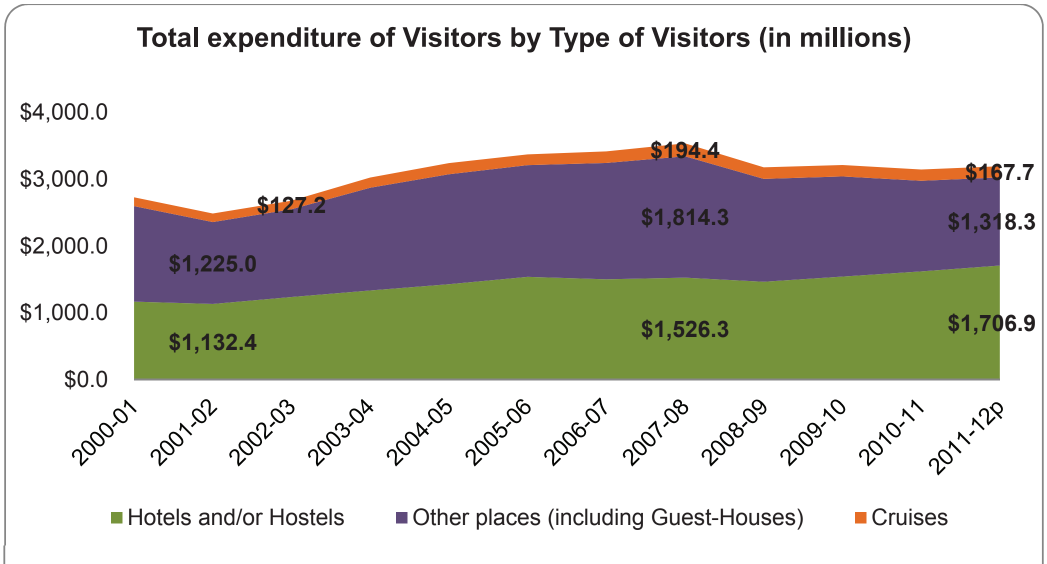


Source: Puerto Rico Planning Board

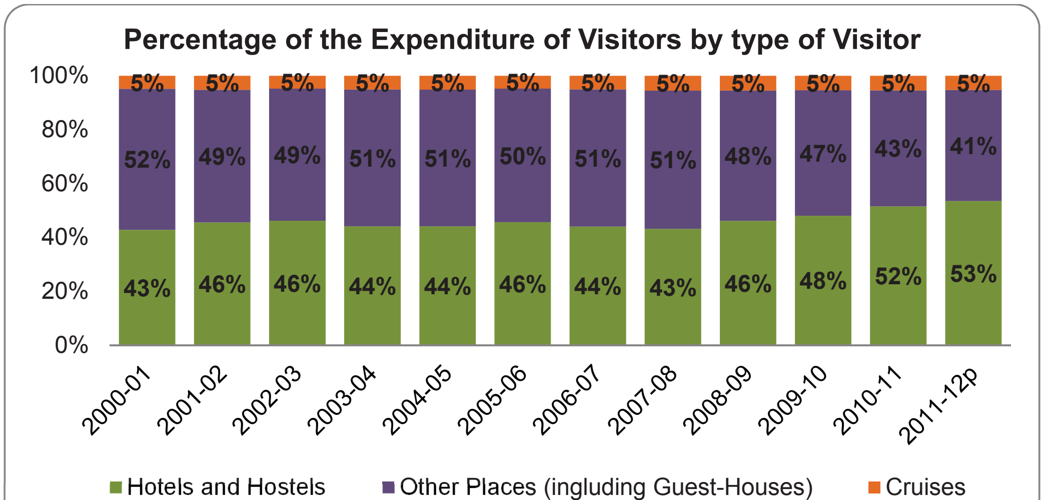
The drop of regular visitors was due to the overnight visitors that stud in Other Places, such as a Guest-House, with family or in other lodging facilities. Similarly, special visitors, in its most cruise ship passengers, also experienced a drop during that period.

[1] *Regular visitors are those that at least stay one overnight in the Island. This is divided into two main categories, those that stay ate a hotel and/or hostel and those that stay in other places such as guest houses.*

In the assessment of the total expenditure broken down by type of visitor, the most notable observation is the reduction in the amount of spending by visitors staying in Other Places ($500 million less from 2008 to 2012). In relative terms, overnight visitors (that stud in Other Places), spending as percent of total expenditure dropped 10% (from 51% in 2008 to 41% in 2012). The cost of that loss was offset by the proportional increasement on spending by the overnight visitors that stud in hotels and/or hostels. The proportion of cruise passengers' expenditure remained stable at 5%.

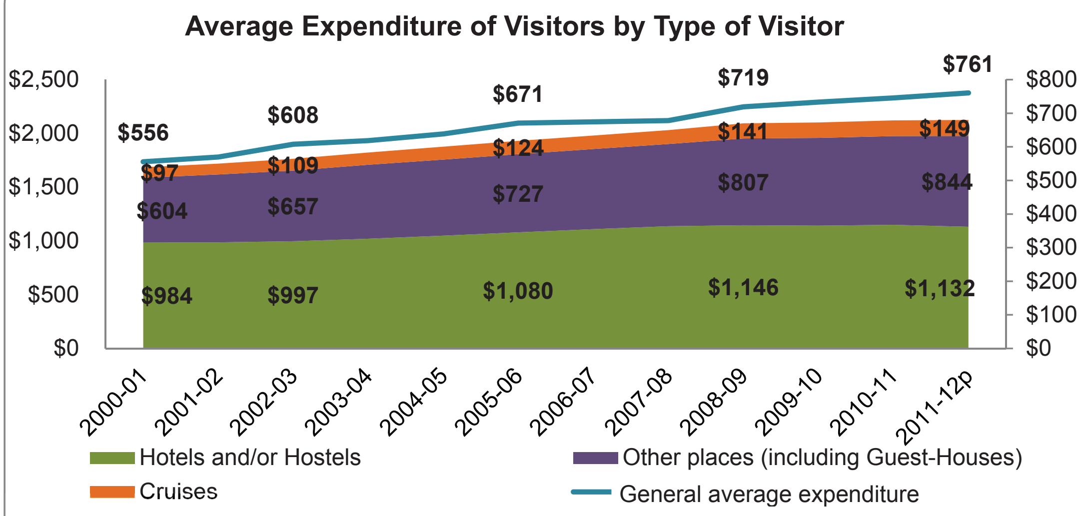


Source: Puerto Rico Planning Board



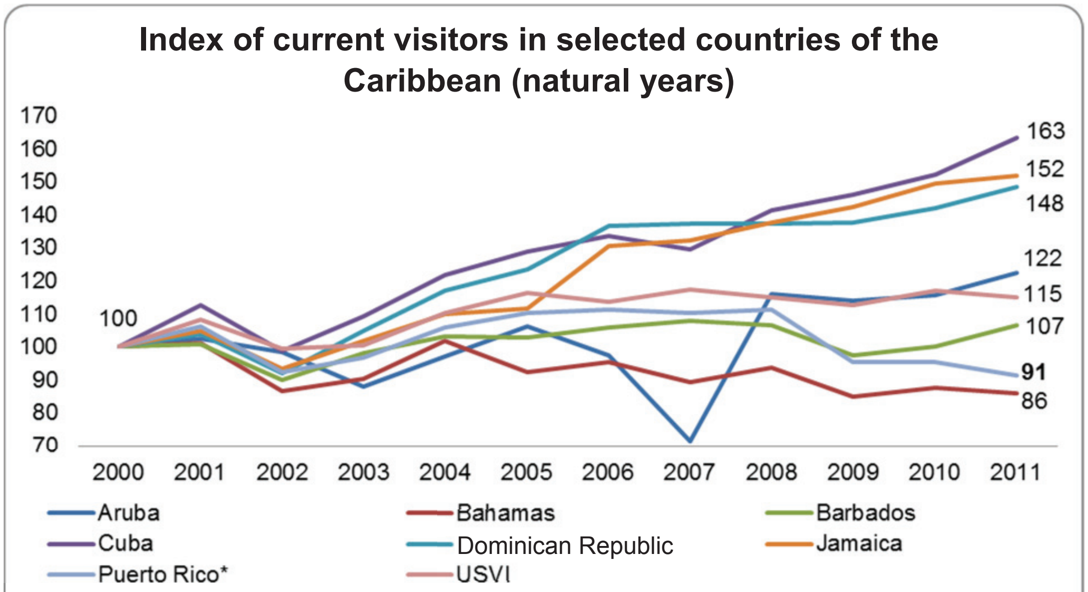
Source: Puerto Rico Planning Board

As a matter of fact, overall the average visitor expenditure grew every year of the assessed period, with exception of last FY available that reflects a slight drop in the average amount of spending by hotel and/or hostels visitors. The new trend of using discount coupons to make reservation in hotels and/or hostels is largely responsible for the reduction in the expenditure of this type of tourist.



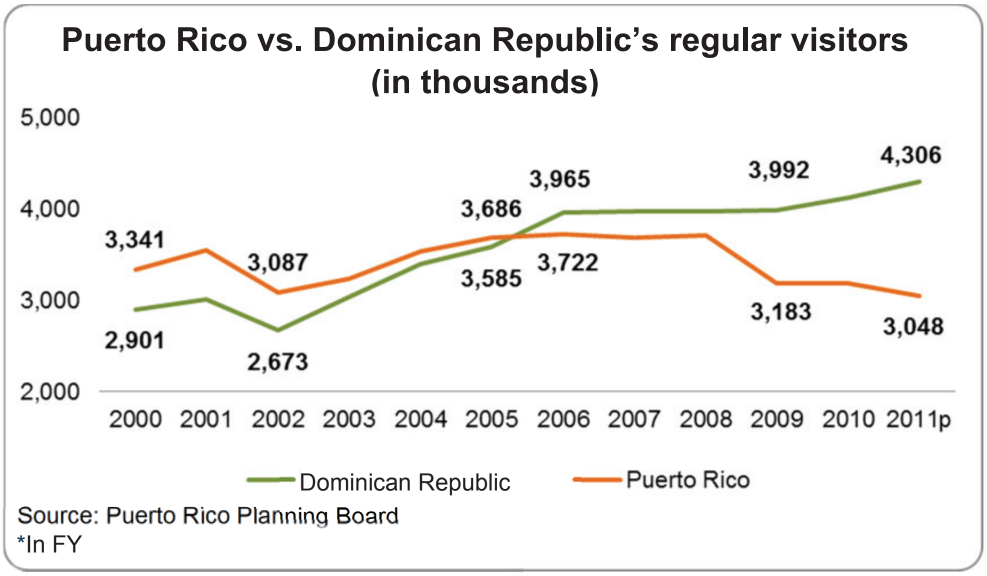
Source: Puerto Rico Planning Board

In comparison with Puerto Rico, Bahamas was the only Caribbean Island that experience a higher reduction flow of regular visitor's volume rate. In a sample of Caribbean countries, Puerto Rico and Bahamas were the only ones that received less regular visitors in 2011 than at the beginning of the year (2000).



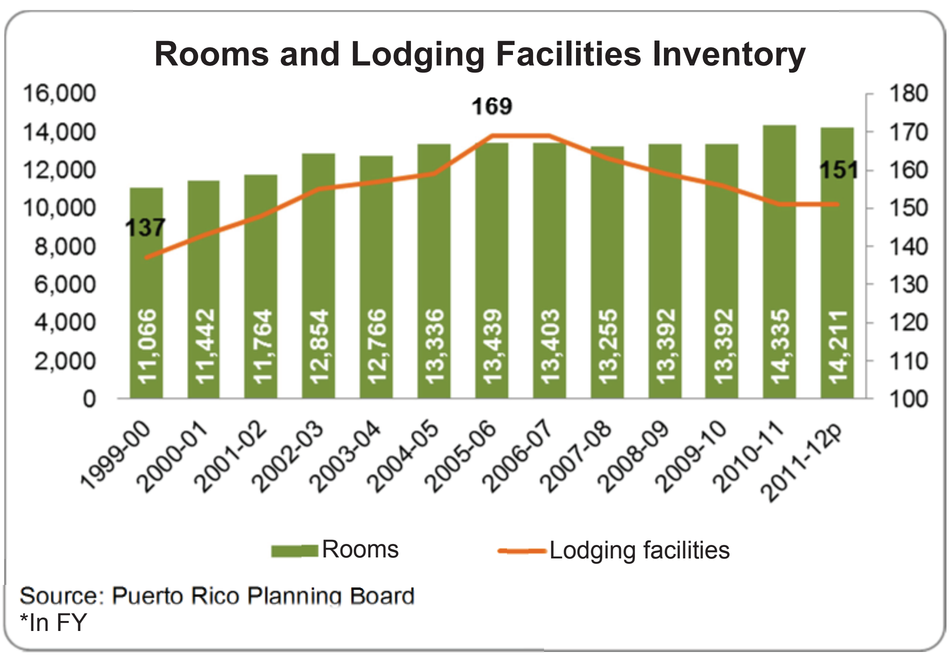
Source: Puerto Rico Planning Board
*In FY

In absolute terms, Puerto Rico was the country with the largest amount of regular tourists during the first half of the last decade. Since 2006, the Dominican Republic became the main host of regular visitors among other Caribbean countries. A steady annual growth of visitors to Dominican Republic (since 2006), combined with a decrease in the volume of visitors to Puerto Rico (2011), resulted in regular visitors ratios of 1.4(RD) to 1(PR). The following chart compares the volume of regular visitors to the Dominican Republic and Puerto Rico for the period 2001-2011.



A.II ROOM INVENTORY AND ROOM REGISTRATION

The total room inventory, has experienced a moderate growth between FY 2000 and 2012. Nevertheless, this growth occurred parallel to a reduction in the number of lodging facilities since FY 2007.



The openings and closings of the most notable hotels are presented in the following table (period 2000-2012).

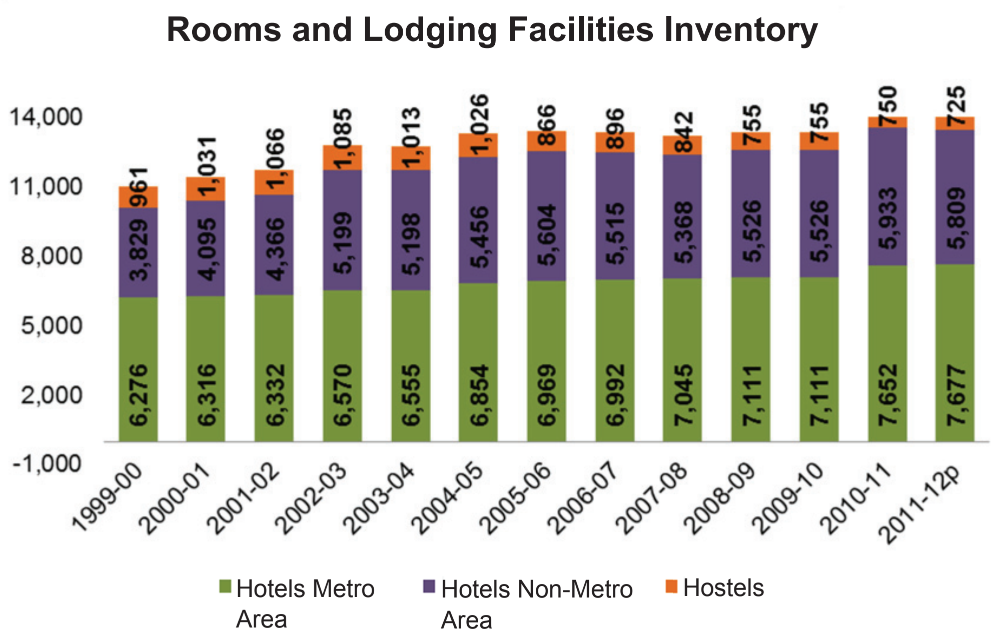
Important Openings & Closings of Hotels (2000-2012)

Openings		Closing	
Hotels Metro Area	Rooms	Hotels Metro Area	Rooms
Sheraton Centro de Convenciones	503	Normandie	177
La Concha	483	Diamond Palace en Condado	144
Condado Lagoon Villas at Caribe Hilton	264	Regency	127
Courtyard by Marriot en Isla Verde	260	San Juan Beach Hotel	96
Verdanza Hotel	222		
Four Points Sheraton en Caguas	126		
Hotels Non-Metro Area	Rooms	Hotels Non-Metro Area	Rooms
Gran Meliá en Río Grande	486	Hyatt Regency Cerromar	506
Embassy Suites en Dorado	174	Hyatt Dorado Beach	262
W Retreat & Spa en Vieques	156	Palmas del Mar	256
Courtyard by Marriot en Aguadilla	152		
Hotel St. Regis at Bahía Beach	139		
Rincón Beach Resort	118		
Rincón of the Seas	112		

Overall, the net balance of hotel rooms was positive for the period 2000-2012, both in the Metro Area and in the Non-Metro Area. However, the growth of hotel rooms in the Non-Metro Area occurred as result of the hostels' rooms. The net balance of rooms in hostels from 2000 to 2012 was -236. Compared to the highest point for the period (2002-2003), reduction in hostels' rooms was 360. The following table illustrates hostels that were opened and closed from 2000 to 2012.

Important Openings & Closings of Hostels (2000-2012)

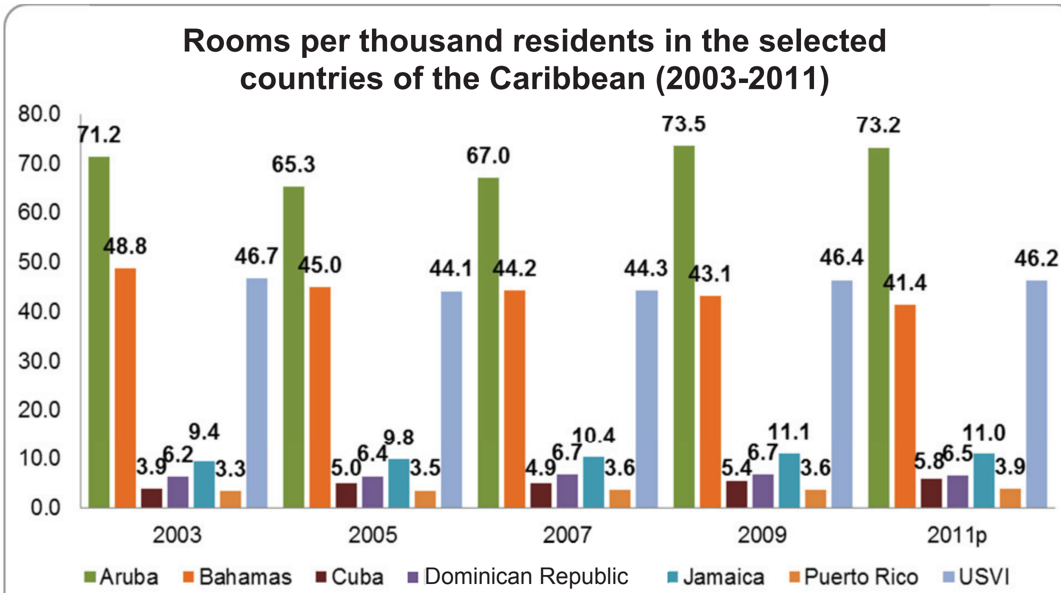
Openings		Closing	
Hostels	Rooms	Hostels	Rooms
Parador Caribbean Paradise	24	Baños de Coamo	48
Parador Costa del Mar	16	Borinquen	33
Parador Guánica 1929	27	El Sol	52
Parador Villas del Mar Hau	35	Fajardo Inn	75
		Guajataca	38
		Hacienda Gripiñas	19
		Highway Inn	26
		La Cima	40
		Oasis	52
		Parador Posada Porlamar	35



Source: Puerto Rico Planning Board

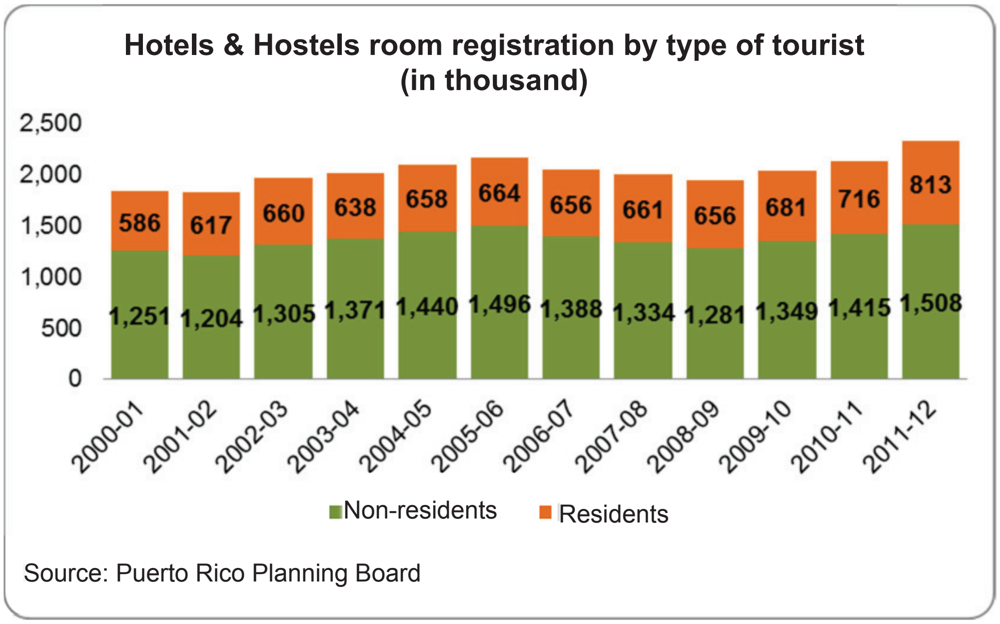
To put into context the room capacity of Puerto Rico, it is necessary to compare it with a sample of countries of the region. The room inventory was adjusted based on the population for each country of the sample. After standardizing the data, the following chart shows the number of rooms per thousand residents in each country.

In summary, in a sample of seven countries from the Caribbean, Puerto Rico figure last in room inventory per thousand residents (a ratio of 3.9 for 2011). Out of all the countries in the sample, the most important positive change for 2003 - 2011 was Cuba, which experienced a 50% increase in rooms per thousand residents (from 3.9 in 2003 to 5.8 for 2011). Bahamas suffered the strongest decrease, experimenting a 15% rate reduction. This reduction was mainly due to a demographic expansion of 16% during 2003-2011.

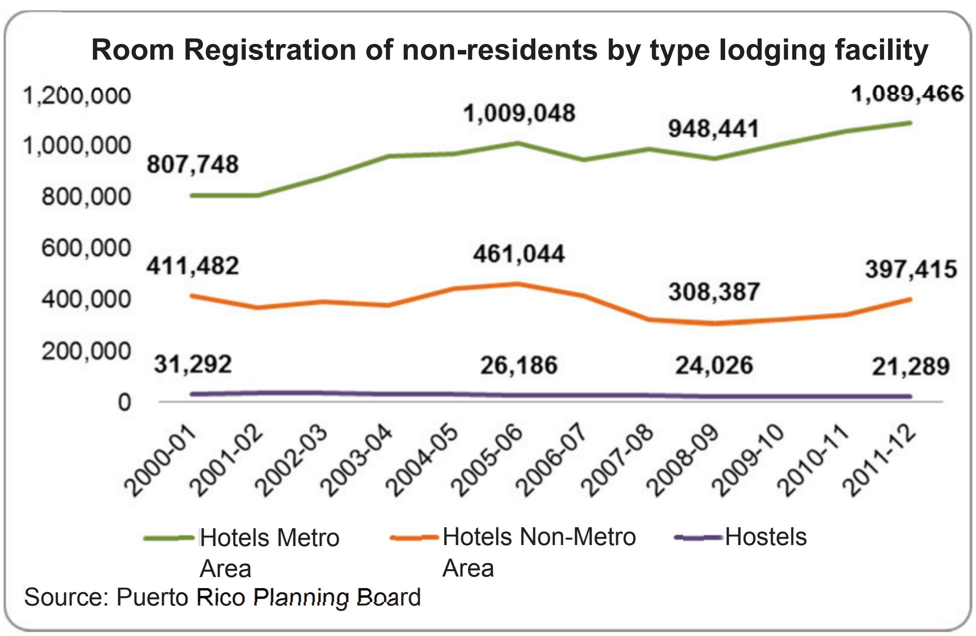


Source: Puerto Rico Planning Board
*Calendar Years

The room registration of the lodging facilities from 2001 to 2012 show that 2 out of 3 room registrations were made by non-residents tourist.

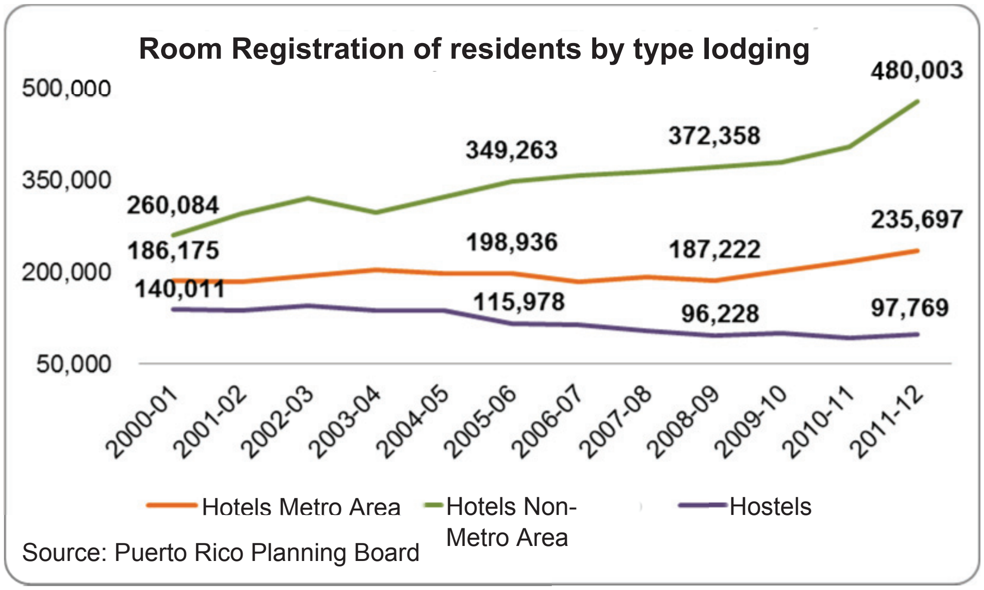


As shown in the graph below, the non-resident tourist tends to stay in the Metro area hotels. The peak room registration in lodging facilities was observed during the FY 2012 with 1.5 million, but representing only 12 thousand room registrations more than in FY 2006. The concentration of room registration in the Metro Area Hotels intensified during the period; it went from 65% in 2001 to 75% in 2011. Hostel r room registration never exceeded 3% from 2001 to 2012 and now represent only 1.4% of all non-resident room registration.



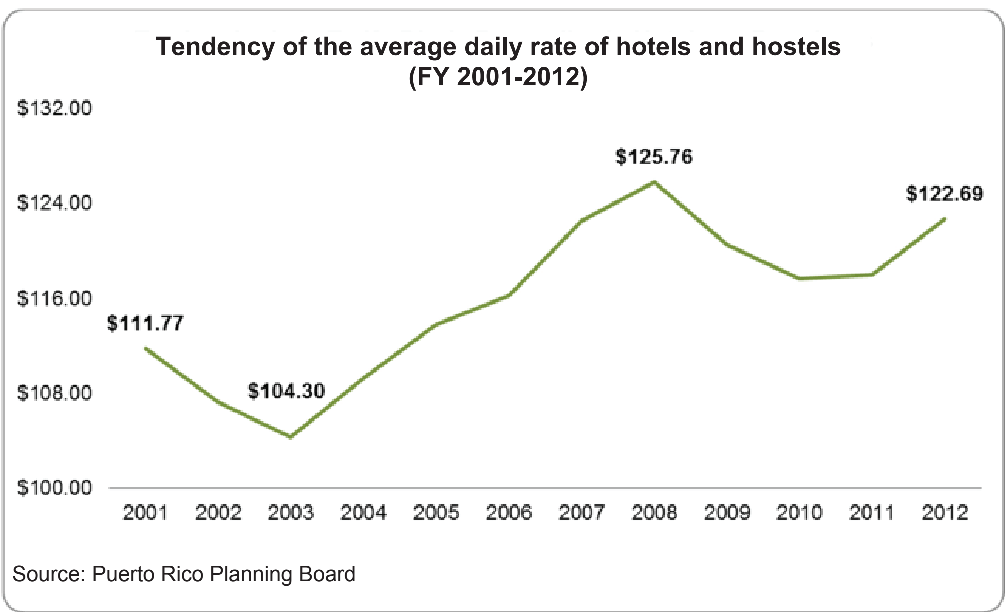
In relationship with resident tourists, about a third of this segment registered in a Hotel in the metro area (2001-2012). However, growth of room registrations in Non-Metro Area hotels was 85%. Interestingly, during the same period there was a drop in the room registration at hostels. Surely it can be due to a displacement of tourist residents from hostels to hotels in the Non-Metro Area, although this does not explain the increase.

It can be argued that the “Creole recession”, combined with the proliferation of hotel deals with coupons, may be encouraging the residents to stay in lodging facilities in Puerto Rico over trips abroad. Data of resident room registration by type of lodging facilities are presented in the following graph.



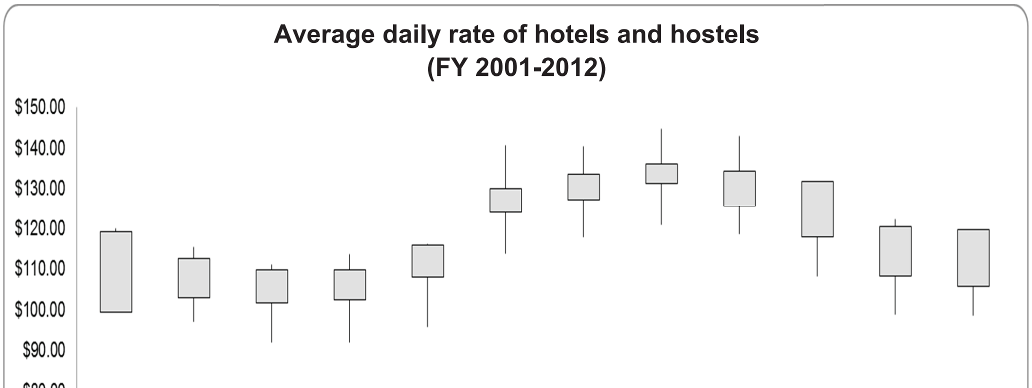
A.III AVERAGE DAILY RATE, OCCUPANCY AND STAYS

In general, during the period of 2001-2012, there was an increase of 4% to 20% in average daily rates for hotels and hostels (depending on the month is observed). Overall, average daily rate for each month grew 10% (weighted).



The months from April to November, commonly known as the low season months for the hotel industry experienced an average growth of 11% in their average daily rates (2001-2012). During the high season months (December- March), the average daily rates changed 5%.

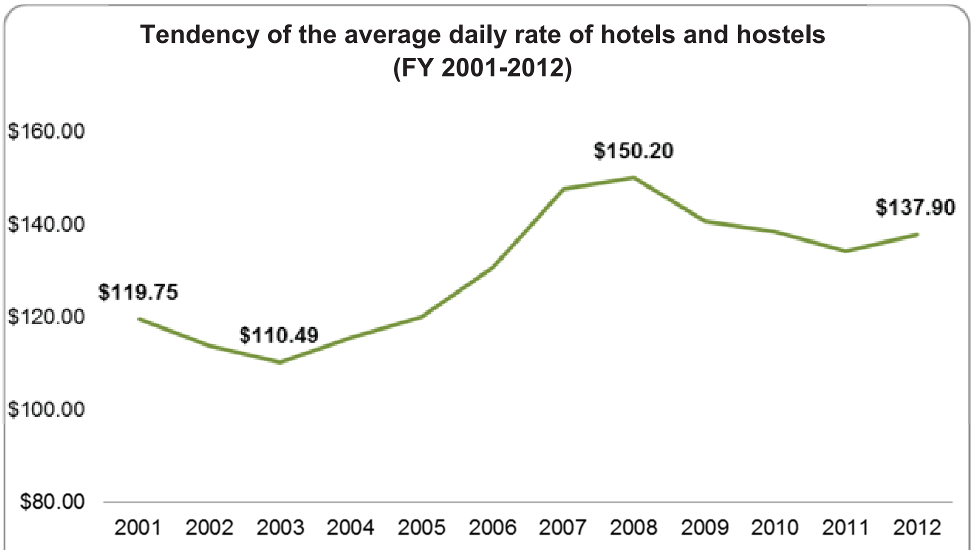
The following chart or candlestick chart shows the behavior of the average daily rate for each month during 2001-2012. The block or “body” of the candle represents the average daily rate in the beginning (lower limit of the body, 2001) and at end of period (upper limit of the body, 2012). Lines crossing or “shadow” represent the minimum and maximum limits of the average daily rate during the period 2001-2012.



	July	August	September	October	November	December	January	February	March	April	May	June
2001	$99.35	$102.92	$101.51	$102.31	$107.95	$123.95	$127.08	$131.21	$125.35	$117.68	$108.13	$105.62
min	$99.35	$97.15	$92.10	$91.91	$95.78	$113.85	$117.75	$120.71	$118.51	$108.13	$98.88	$98.51
max	$119.82	$115.33	$110.90	$113.38	$116.14	$140.53	$140.21	$144.66	$142.85	$131.82	$122.11	$119.61
2012	$118.99	$112.60	$109.63	$109.67	$115.85	$129.84	$133.41	$136.03	$134.15	$131.68	$120.38	$119.61

Source: Puerto Rico Planning Board

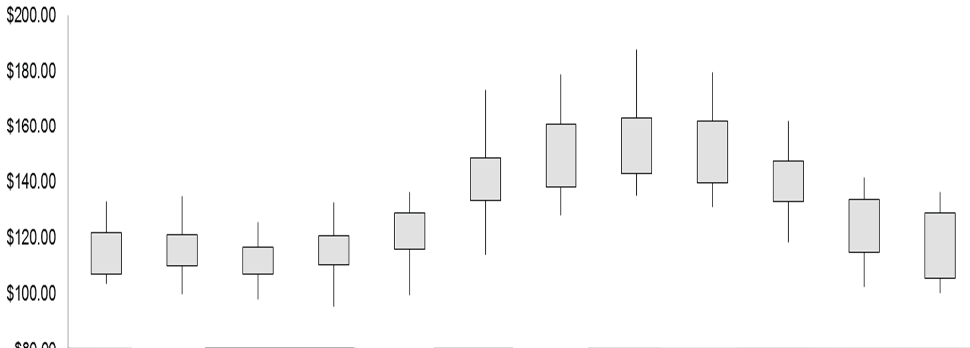
However, in general, the Metro Area Hotels show a 15% increase throughout the period 2001-2012. At the end of the evaluated period (2012), the average daily rate was, on average, $ 12.30 less than the maximum rate. This is illustrated in the following graph.



Source: Puerto Rico Planning Board

As noted in the table above, for each month the highest average daily rate occurred in the year 2008, except during July and April (2007). The candlestick chart below shows the average daily rate in the Metro Area Hotels at the beginning (2001) and the end of the evaluated period (2012) (represented by the “body” of the candle). The minimum and maximum limits of the average daily rate for each month are represented by lines that cross or “shadows”.

Average daily rate of hotels and hostels (FY 2001-2012)

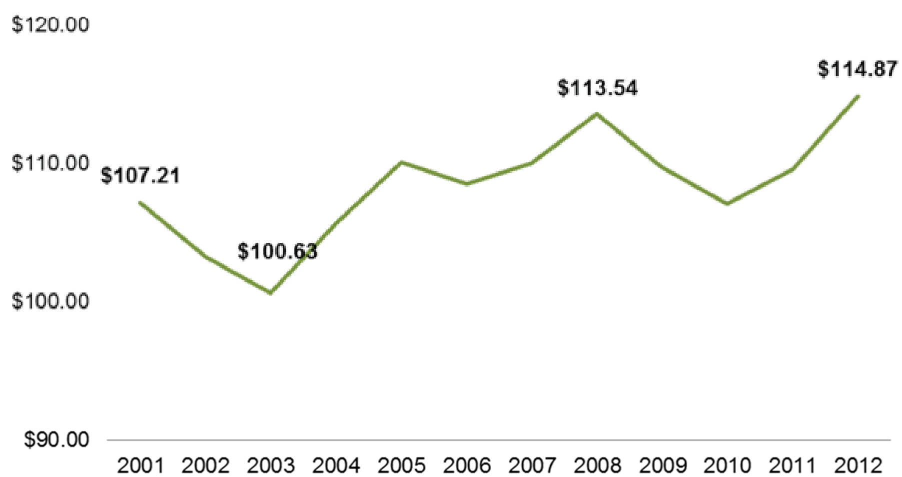


	July	August	September	October	November	December	January	February	March	April	May	June
2001	$107.22	$110.01	$107.05	$110.30	$116.10	$133.48	$138.09	$143.00	$139.69	$132.98	$114.90	$105.62
min	$103.82	$100.19	$98.44	$95.82	$99.89	$114.20	$128.09	$135.41	$131.03	$118.60	$102.87	$100.65
max	$133.15	$134.83	$125.76	$132.70	$136.41	$173.21	$178.70	$187.86	$179.68	$162.33	$141.68	$136.47
2012	$121.87	$121.33	$116.68	$120.79	$128.89	$148.61	$160.91	$163.45	$162.24	$147.56	$133.69	$128.82

Source: Puerto Rico Planning Board

The average daily rates for hotels and hostels in the Non-Metro Area experimented an overall increase of 7% (2001-2012). Despite the general decline in the average daily rate of all lodging facilities since 2008, only the Hotels and Hostels in Non-Metro Area closed in 2012 with rates that exceeded those of 2008. This can be seen in the chart below.

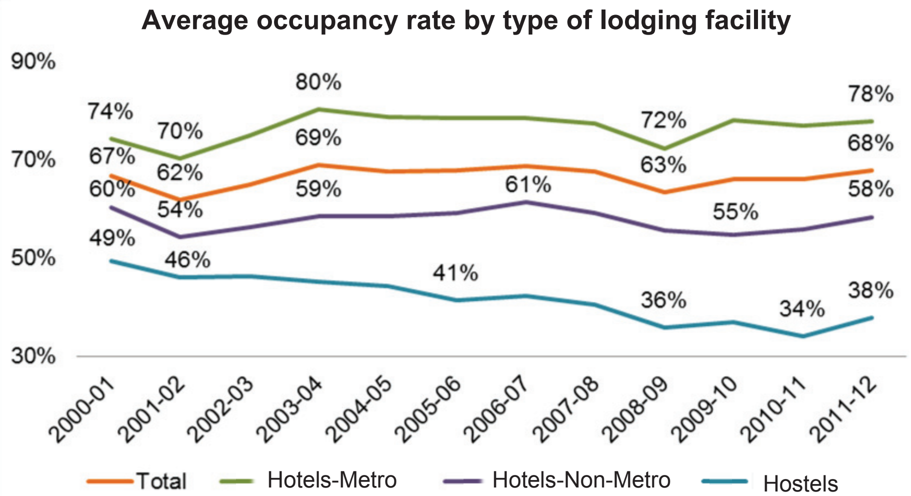
Tendency of the average daily rate of hotels and hostels in the non-metro area (FY 2001-2012)



Source: Puerto Rico Planning Board

Curiously, it was in the months of low season 2001-2012 (April and November) when the most significant growth in average daily rates was experienced (10% on average); being July the most extreme case of growth (24%). Ironically, in the months of low season, the average daily rates stood at its maximum limits, with the only exceptions of August and October who had average daily rates almost at its maximum (only $0.21 and $0.10 below the maximum, respectively). However, you cannot say the same for the months of high season (December to March), which experienced a decrease of 1% on average, from their average daily rates (2001- 2012). Indeed, the months of January and February had lower average daily rates at end of the period (2012) than at the begging (2001). In the extreme case of February, the average maximum daily rate occurred in the initial period (2001). The above discussion is illustrated below.

In the assessment of the overall occupancy rate for the hotel industry in Puerto (2001-2012), evidence indicates that it has remained relatively stable, with periods of lower occupancy in the years after the U.S. recessions of 2001 and 2007 - 2009. However, when disaggregating the overall occupancy rate by type of lodging facilities, the story is different for each subgroup. By observing the occupancy rate of hotels in the metro area, it increased from 74% to 78% (2001-2012), with periods of occupancy rates in the low 70's during the recession years.



Source: Puerto Rico Planning Board

Given the high dependence on non-residents, mostly North American tourists, on the occupancy rate of Metro-Area hotels, this group tends to be more volatile by the fluctuations the U.S. economy. For example, the recession of 2001, combined with the attack on the Twin Towers, affected the arrival of North American tourists (86% of all non-resident tourists in 2002) to Puerto Rico during FY 2001-2002. The next section takes up this discussion.

The occupancy rate of the hostels dropped significantly 2001-2012. But, despite this, last year's data reflected a subtle increase in the occupancy rates of the hostels. This can be attribute to the decline of abroad tourist trips by residents of Puerto Rico (as result of the Creole recession), new patterns in consumer behavior by using discount coupons, among other reasons.

The average stay of tourists in hotels and / or hostels in Puerto Rico is two to three nights. The length of stay in the hotels and hostels of the Metro and Non-Metro Area reflect little variability, but stays in hotels and / or hostels of the Non-Metro Area are marginally longer.

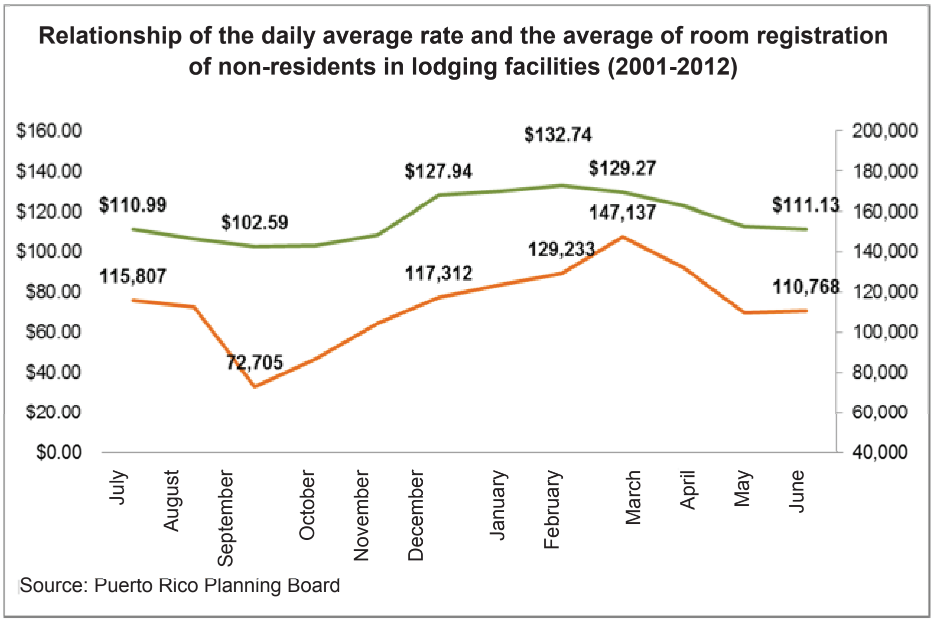
Average occupancy rate of hotels and hostels by area

	Average occupancy rate of Metro Hotels	Average occupancy rate of Non-Metro Hotels and Hostels
2008	2.50	2.62
2009	2.61	2.65
2010	2.60	2.64
2011	2.59	2.62
2012	2.62	2.62
2013*	2.59	2.70
Average	**2.58**	**2.64**

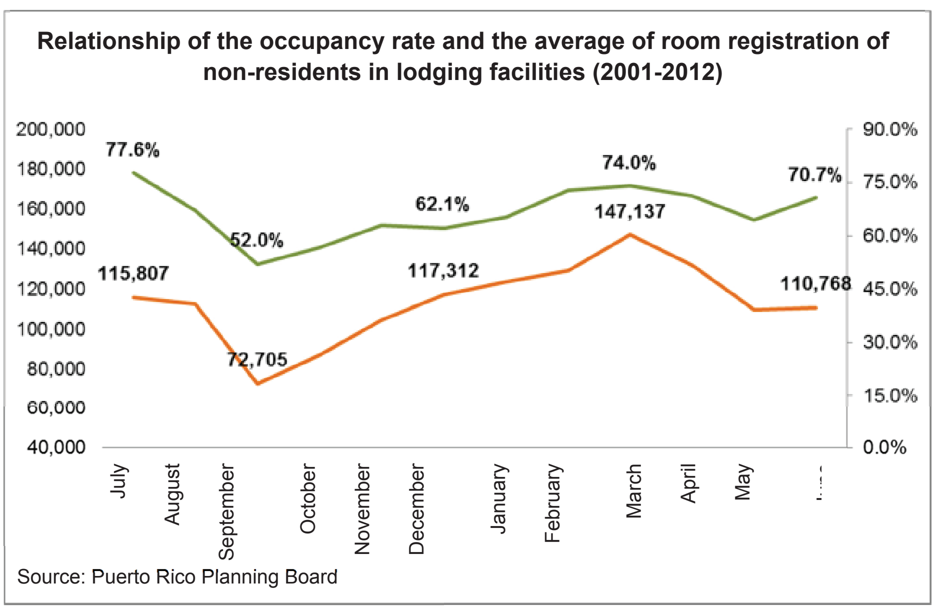
*From January to April of 2013

A.IV. SEASONAL AND CONCENTRATION

As discussed in the previous section, the behavior of the average daily rates shows a clear seasonality. The months of December through March had the highest average daily rates (2001-2012). Likewise, the average non-resident room registration (2001-2012) follow a similar pattern in regards of the average daily rates.



The same pattern is observed when evaluating the average occupancy rate for each month during the period 2001-2012.

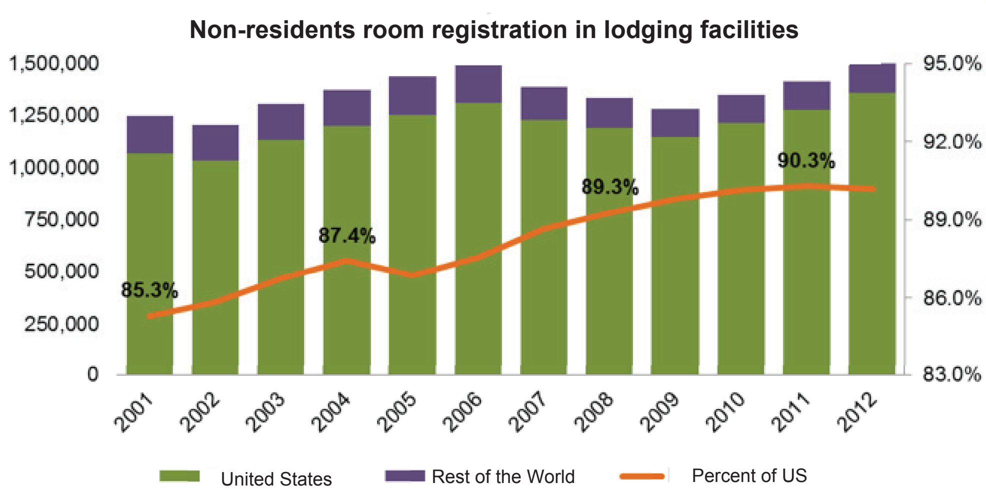


The following correlation matrix illustrates more clearly the relationship described above.

Correlation Matrix			
	Occupancy Rate	Average Daily Rate	Non-Resident Registrations
Occupancy Rate	**1.00**	**0.48**	**0.81**
Average Daily Rate	**0.48**	**1.00**	**0.82**
Non-Resident Registrations	**0.81**	**0.82**	**1.00**

During the months of June and July the amount of room registration in lodging facilities increased significantly (These are traditionally Puerto Rico's vacation months). Therefore, excluding the months of June and July, the correlation between the occupancy rate in industry and the non-residents room registration is at 0.95 (August to May).

This is not an extraordinary finding. However, the fact that 90% of the non-resident room registration come from one single destination, the U.S., is motive enough to be concern. The graph below shows the annual volume of non-residents room registration and the proportion represented by the U.S. alone.

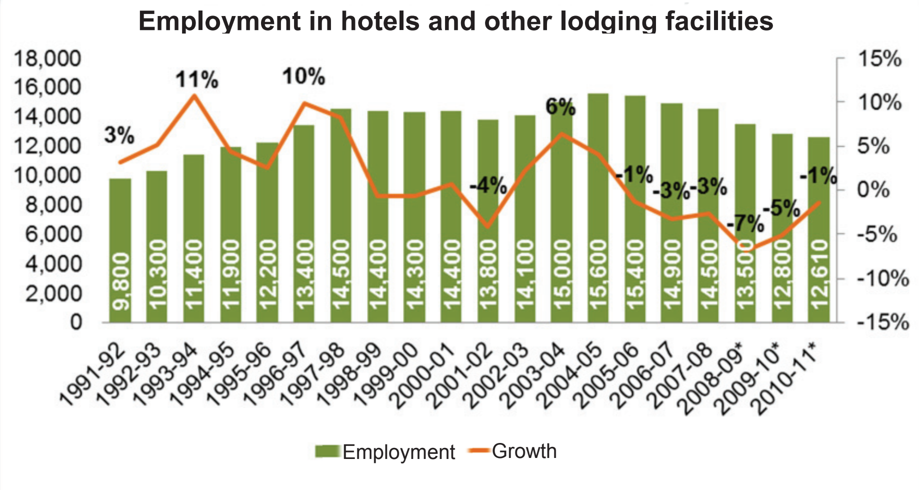


Source: Puerto Rico Planning Board

The volume of tourists coming from the U.S. it is not a negative issue in itself. By contrast, the tourism sector will benefit if more North Americans choose Puerto Rico as a tourist destination, since it is the country with the highest per capita income in the hemisphere. However, in the extent Puerto Rico achieves increase in the volume of tourists from around the world, Latin America for example, the sector diversifies and becomes less vulnerable to fluctuations in the U.S. economy. Attracting tourists in the Southern Hemisphere, for example, could reduce the seasonality of room registration of the non-residents tourist, average daily rates and occupancy rates, especially when most of its countries enjoy economic growth and are seasonally opposed to local high season.

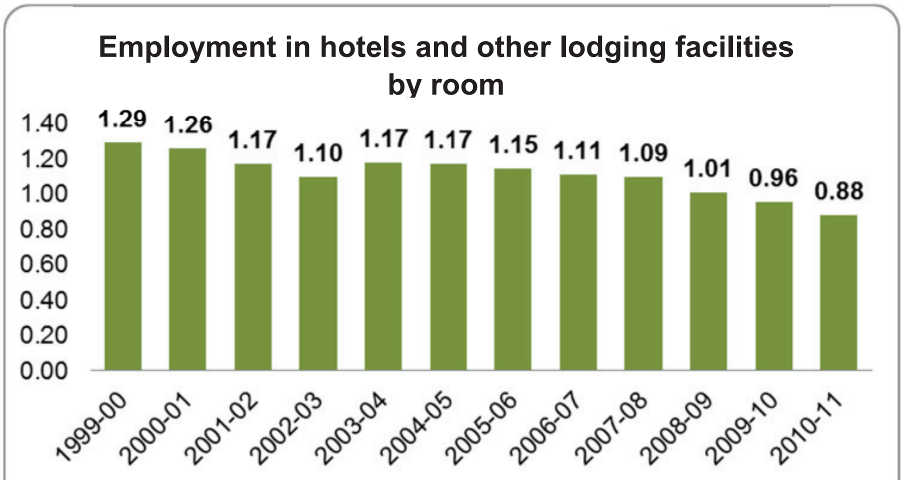
A.IV EMPLOYMENT

The employment in hotels and other hostelries grew by approximately 60% during FY 1991-1992 and 2004-2005. However, between FY 2004-2005 and 2010-2011 there was a 20% employment reduction. To date, the last available data shows that the total employment in hotels or other lodging facilities compares with that of the mid-nineties.



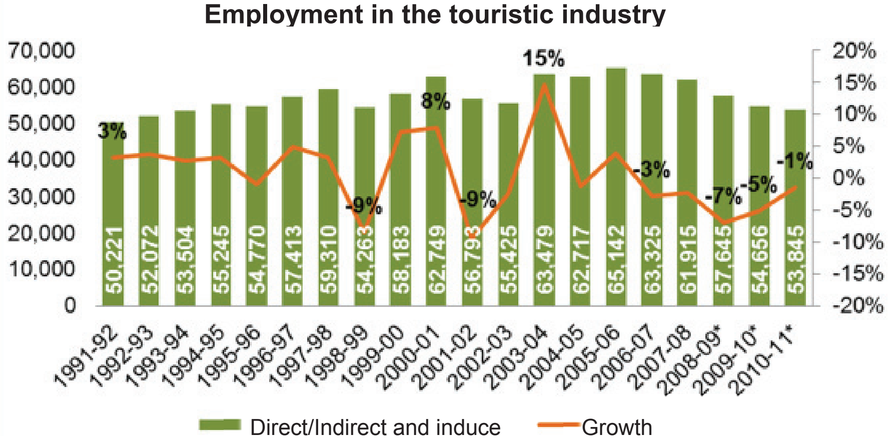
Source: Puerto Rico Planning Board

If the employment in hotels or other hostelries is analyze in relationship with the total amount of rooms, the drop looks more marked. Many factor could explain the continue decline in employment by room, some of these factors are the followings: the net loss of 18 lodging facilities between 2006 and 2012, the rise of federal minimum wage in 2006, the two U.S. recession of the last decade, and the creole recession, which still continues.



Source: Puerto Rico Planning Board

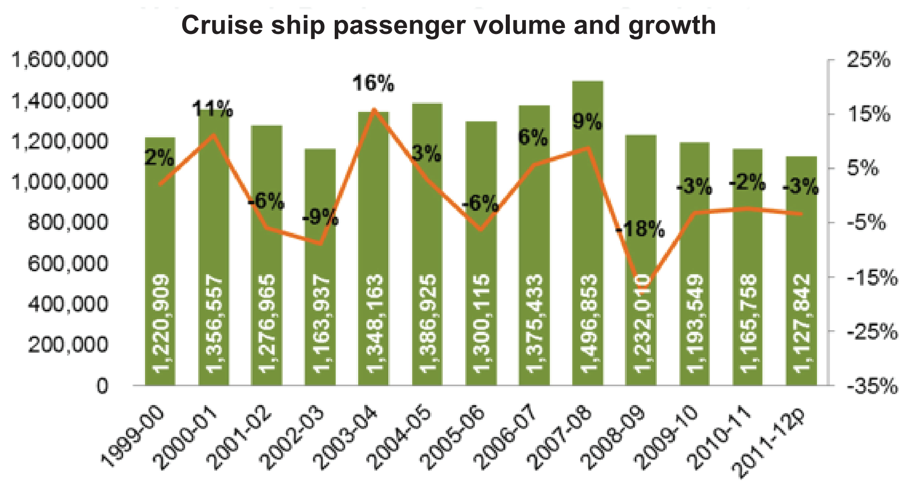
In terms of the total employment rate of the industry, the downward trend is similar.



Source: Puerto Rico Planning Board
** Last year's I-O Multiplier was used

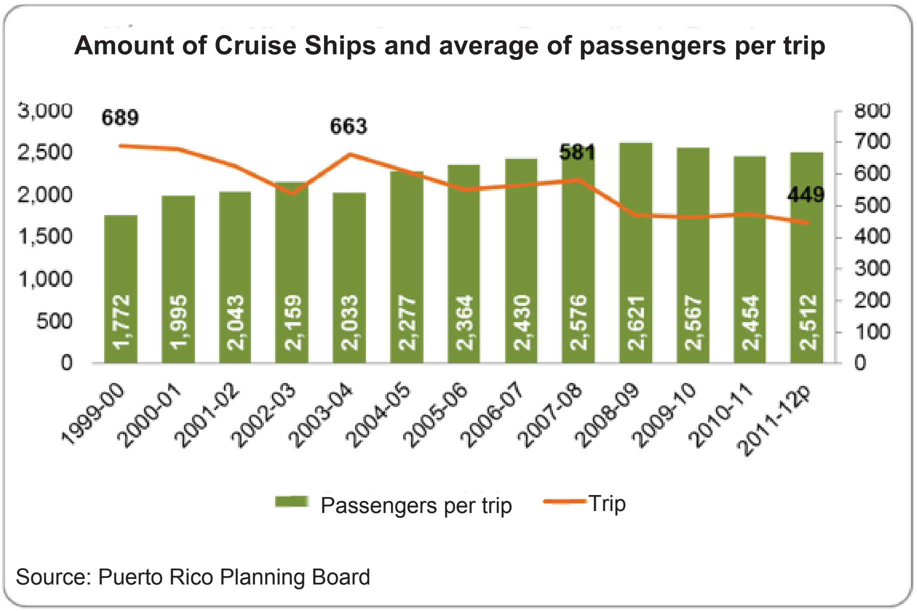
A.V CRUISES

The total amount of cruise ship passengers visiting the Island is in its lowest point in the last 13 FYs. The last peak on the amount of passengers was during 2007-2008, with a total of 1.5 million passengers. The cumulative fall in cruise ship visitors since that date was 25%.

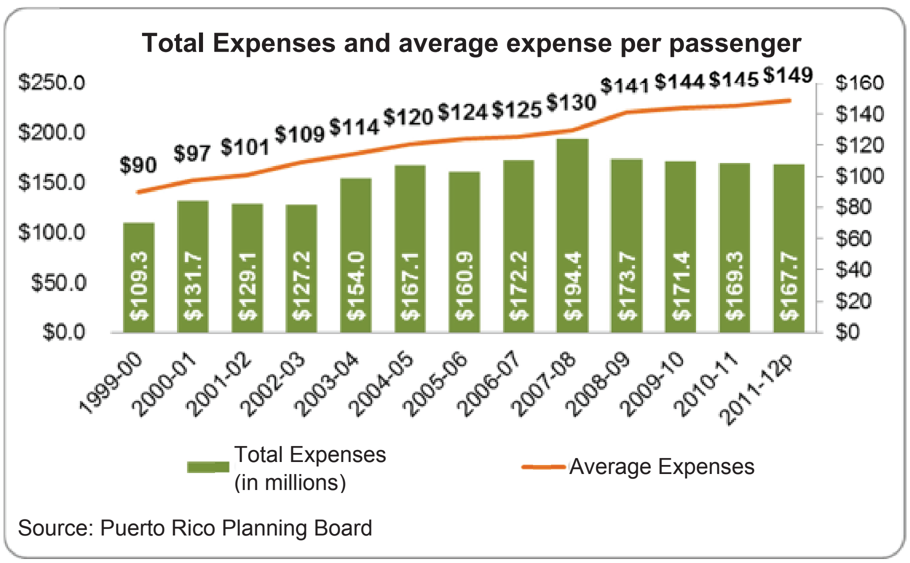


Source: Puerto Rico Planning Board

The number of cruise ship trips drop 35% during the 2000-2012. However, the passenger volume dropped 7% during this period. This is due to the increasing passenger capacity of the new cruise ships. Out of 1,772 passengers per trip in 1999-2000, the average number of passengers per trip has increase to 2,512 (2011-2012). If the peak of cruise ship trips (689) is combined with the peak of passengers per trip (2,621) (for the 2000-2012) the volume of cruise visitors exceeds 1.8 million, this represents an increase of 60% compared to the rates of 2011-2012.

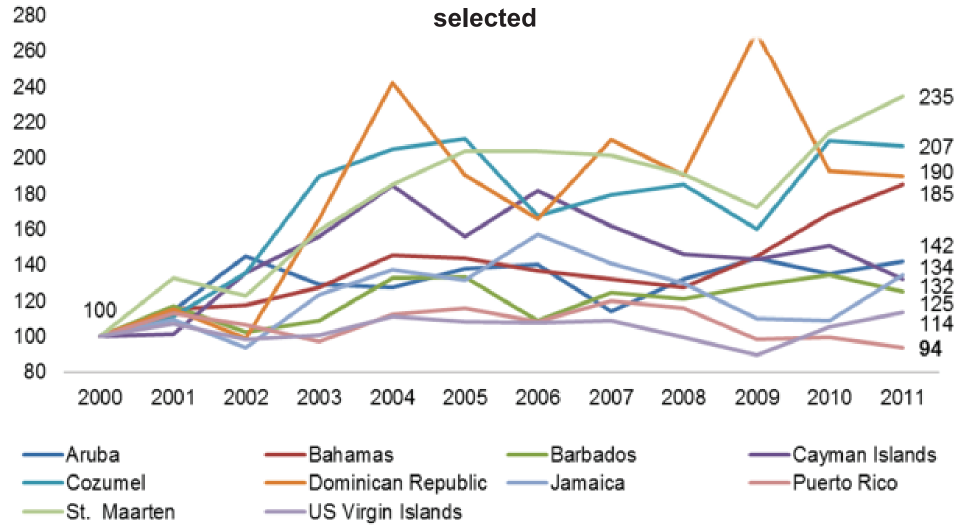


The highest peak of expenditure by cruise ship passengers was recorded in 2007-2008. Nevertheless, the average expenditure by passengers has increase consistently to up to $149 per passenger (2011-2012).



Puerto Rico is in the last position in terms of passenger volume growth in comparison with a general sample of Caribbean Countries. As showed in the following chart, Puerto Rico is the only country from the sample that experienced a cruise ship passenger net loss during the years 2000 to 2011. In the year 2000, Puerto Rico was the fourth country with over 1.2 million cruise ship visitors; in 2011, the Island was placed in the seventh position out of a sample of 10 countries with 1.1 million visitors. During the same period, St. Martin and Cozumel doubled their numbers of visitors.

Index of cruise ship passengers in the Caribbean countries selected



Source: Puerto Rico Planning Board

SWOT ANALYSIS

This section presents the SWOT analysis for the tourism sector of Puerto Rico, based on the current state of the industry which is presented in the section above (diagnosis). The SWOT analysis is focused in the strengths and weaknesses of tourism through an introspective look of the sector's conditions. Also, this analysis indicates the opportunities and threats that exist or could occur, which can affect the performance of tourism in the future. This analysis works as the bases for the development of goals and strategies displayed in the next section. The framework used to develop this analysis is the FAS Model generated by the World Tourism Organization. The FAS Model consists of the following main categories: Factors, Attractions, and Support Systems.

Factors	Attractions	Support System
• Natural • Human • Capital	• Natural • Culture • Man-made	• Lodging Facilities, food, and beverage • Transportation • Complementary services

The factors or resources categories include natural, human, and capital resources. In the latter the infrastructure and financial capital is included. The category of attractions is divided into natural, culture, man-made resources, and cultural heritage. The latter are all the attractions created by humans. Finally, the Support System category includes the full range of services that supports tourism such as Lodging Facilities, restaurants, transportation, and other services such as tours and travel agencies, among others.

The sources of information used for this analysis are secondary research information, news, and interview analysis to key informants from the Tourism Company of Puerto Rico and the tourism industry.

This SWOT analysis objectives are:

- Develop an in-depth internal analysis of the tourism in Puerto Rico.
- Evaluate the external outlook and the impact it may have on local tourism
- Determine the needed conditions for tourism development
- Provide a base for the development of an Action Plan

Featured below the SWOT analysis:

S Tourism – Strengths

- Temperature between 70 and 90 degrees Fahrenheit during the whole year.
- Wide aerial access from United States (albeit through scale)
- Strong Market: Sun and beaches-
- Offer reasonable accommodation for the existing demand
- Airport, maritime, road, technology, and utilities' infrastructure superior to those of other Caribbean islands.
- Convention Center modern and spacious (the biggest and best of the Caribbean)
- Offer incentives and funding for tourism development
- Good tourist information centers
- Existence of municipal tourism development offices
- Good support system for tourists: agencies of law and order, banking, health facilities, emergency services, etc.
- High casinos regulation
- Wide range of restaurants
- Skilled and bilingual human capital
- Sports, college, commercial, and health infrastructure better than most Caribbean countries
- Geography, topography, and infrastructure allows the enjoyment of different tourist attractions in one day
- Heterogeneous culture (Spanish heritage, indigenous and African, and American influences marked) expressed through food, music, arts, religious holidays, festivals, among others.
- Existence of natural, cultural, and historic resources
- A welcoming bilingual population
- Advanced legislation in favor of tourism: incentives, casinos, cruises, tour guides, sustainable tourism, among others
- Protection of natural, historic, or cultural areas
- Political stability
- Territory and common currency with the United States
- Existence of local NGOs that grouped various "stakeholders"

W

Tourism - Weakness

- Limited flight offer (air access) from Europe, Central America, and South America
- Slight direct flight offer from USA
- Charter flights limited offer
- High operational costs of lodging facilities and casinos
- High accommodation rates (low value/price)
- Slight offer tour packages
- High costs of refurbishment
- Lack of maintenance of historic sites, boardwalks, walkways, and linear embankments, etc.
- Lack of interpretative labeling in some historical and natural sites
- Dilapidated state of some lighthouses, farms, and plantations
- Lack of promotion and marketing of natural and historic facilities
- Inconsistent focus of promotion and marketing campaigns
- Incosistance with the national brand
- Limitation on designation of tourist areas
- Government bureaucracy
- High crime levels
- High living cost
- Vehicular congestion
- Deficient public and maritime public transportation system
- Underutilization of ports, airports, and other support services facilities
- Poor customer service perception
- High population density
- Environmental pollution
- Management and administration of natural and historic resources distributed among various agencies and entities
- Actual fiscal crisis
- Cabotage Laws
- Lack of a Land Use Plan

O

Tourism - Opportunities

- USA western Market
- Canadian market
- Emerging markets (Latin America, Asia, and Middle East)
- Nature, Adventure, Medical, Cultural, Educational, Sports, Nautical, and Agrotourism Tourism
- Puerto Rican Diaspora
- Immigration of professionales
- Product Certifications
- Technical Product Portfolio of OMT
- Technology
- Federal Funds
- Places of interest subused from a touristist point of view: natural and cultural resources, Roosevelt Roads, among others
- Legislation
- Collaborations and partnerships
- Puerto Rico's air traffic strategic location

T

Tourism – Threats

- Caribbean competition (touristic packages, expanding flights, better incentives, opening facilities in the Caribbean)
- Full legalization of commercial flights from the United States to Cuba
- All-inclusive Hotels with exclusive Caribbean beaches
- Construction of new hotels in the Caribbean / increase in room inventory
- Large commercial or chartered flights to other Caribbean destinations
- Economy, low government budget crisis and reduced federal funding
- Lack of government access to financial markets
- Natural disasters and/or atmospheric phenomena
- Global warming and rising sea level
- Slight gubernmental planning
- Federal Minimum Wage
- Migration of population
- Adverse impact by over-use of natural, cultural and historical resources
- Obsolescence of existing facilities

Factors and/or Resources: Natural

S — Strengths
- Average temperature between 70 and 90 degrees
- Variety of natural resources, forests, water bodies, bioluminescent bays, and cave systems
- Archipelago with dozens of islands, islets and cays
- World class beaches and coral reef communities
- Legislation that promote environmental conservation
- Endemic flora and fauna

W — Weakness
- High population density and pollution
- Limited budget for conservation, management, and maintenance
- Natural areas managed and administered by different agencies (DNER Conservation Trust, USFS, FWS)

O — Opportunities
- Enforce the pro conservation laws
- Adventure and Nature Tourism
- Nautical Tourism
- Domestic Tourism
- Collaboration between public and private entities

T — Threats
- Natural disasters and/or atmospheric phenomena
- Global warming and sea level rise
- Low budgets Puerto Rico and USA for the description and maintenance of natural areas
- Urban sprawl / little urban planning

Factors and/or Resources: Human

S — Strengths
- Welcoming and warm population
- Cultural Melting pot (Spanish, Indian and African heritage, and a great American influence)
- Skilled and bilingual human capital
- Professional personnel with higher education
- Education specialize in tourism, fine dining, and cocktails
- Tourist guide certifications

W — Weakness
- Poor perception of the customer service (lodging, restaurants, taxis, tourist guide, among others)
- Fridge benefits and less competitive salaries in comparison with other Caribbean destinations.
- High level of violence and criminality
- Citizens lack of tourism awareness
- Homeless population

O — Opportunities
- Puerto Rican Diaspora
- Immigration of professionals
- Portfolio of UNWTO technical products and human capital (Medical, Educational, and Cultural tourism)
- School of Tourism

T — Threats
- Federal Minimum Wage
- Migration of Puerto Ricans

Factors and/or Resources: Capital

S — Strengths

- Airport, maritime, road, technology, and utilities' infrastructure superior to other Caribbean islands.
- The most advance electric infrastructure, potable water, and advance technology of the Caribbean
- Availability of bank financing and credit channels for tourism businesses.
- Industrial incentives for tourism development (cruises, hotels, small businesses, etc.)

W — Weakness

- Subutilization of regional facilities
- Fiscal crisis
- Weakens the capacity of providing financial and/or industrial incentives
- Limits the resources of road, maritime, airport, and utilities maintenance

O — Opportunities

- Airport and regional ports
- Specific Niches (Arecibo-Medical Tourism, Isla Grande-Luxury Tourism and convention center, Puerto Las Americas-Cruise ships)
- Roosevelt Roads
- Public-private alliance
- Federal funds increasement

T — Threats

- Extension of the fiscal crisis
- Financial markets lack of access New credit degradation
- Federal Funding Reduction

Attractions– Natural

S — Strengths

- Many natural areas are of easy access
- Strong sun and beaches market
- Extensive biodiversity and natural attractions in 3,435m^2
- Average temperature 70 to 90 F, all year long
- 2 Biophere reserve of natural character
- Endemic species as focal resource
- Natural areas protected under the state forest category, refuge of wild life, natural reserve or ecologic corridor
- Excursion available to the different natural attractions
- Legislation that promotes the use of touristic natural resources in a sustainable manner

W — Weakness

- Lack of interpretive or educational signs
- Inregular visit schedule
- Lack of maintenance or absence of walking paths and support facilities or infrastructure for the natural attractions (Visitor Center, Observation Areas, among others)
- Lack of cleaness on protected areas
- Lack of promotion and marketing of the natural attractions.
- Subutilization of the touristic system of the forest an other natural attractions
- DRNA does not have a vision of the touristic use of natural resources
- Lack of activies programmed for the use and enjoyment of the attractions

O — Opportunities

- Nature tourism
- Availability of certifications and quality standards under the touristic management of natural areas.
- Potential use of the Island natures' diversity within the 3,435m^2

T — Threats

- Natural disasters and/or atmospheric phenomena
- Low budgetdesignation for maintenance of natural areas
- More promotion and marketing of natural attractions in other Caribbean destinations (competition)
- Adverse impact to the natural resources (over-utilization)
- Urban sprawl/little urban planning

Attractions - Cultural

S Strengths

- Varied local gastronomy
- Celebration of cultural festivals and celebrations in all towns in Puerto Rico
- Varied local Music
- Cultural heritage
- Variety of public and private shows
- World famous artists
- Local Crafts

W Weakness

- Lack of maintenance of the cultural attractions support facilities (parks, public squares, etc.)
- Lack of transportation or tourist excursions to festivals
- Lack of promotion and marketing of cultural activities to foreign tourists

O Opportunities

- Cultural Tourism
- Hispanic Culture under the jurisdiction of the United States
- Museums

T Threats

Natural Disasters and/or atmospheric phenomena

- Low budget for maintenance of cultural areas
- Cultural resource overexploitation (Fiestas de la Calle San Sebastian)
- Promotion and marketing of cultural attractions in other Caribbean countries (competition)
- Legislation detriment of cultural activities
- Prejudice in the legislation of cultural activities

Attractions – Man Made

S Strengths

- Important historic sites in the Caribbean and the USA
- La Fortaleza and Historic Site Old San Juan - UNESCO World Heritage Site
- Caribbean's largest Convention Center
- Caribbean's largest shopping center
- Casinos regulated
- Universities and hospitals USA accredited
- High quality sports facilities
- Museums
- Puerto Rico's Convention Bureau

W Weakness

- Lack of maintenance of historic sites and lighthouses, haciendas, and plantations in ruins.
- Lack interpretative signs and maintenance of historical sites, boardwalks, walkways, linear embankments, among others.
- High operating costs of casinos
- High costs of restoration
- Lack of promotion and marketing of historic facilities
- ** Lack of coordinated visit between various historical sites
- Underutilization of sports tourism, university and health facilities

O Opportunities

- Changes in the behavior of business and conventions
- Potential utilization increasement of sports and shopping facilities (underutilized)
- Sport tourism, agro-tourism, shopping tourism, medical tourism and educational tourism
- Technology

T Threats

- Natural Disasters and/or atmospheric phenomena
- Low budget for maintenance of historic facilities
- Adverse impact to facilities (over-utilization)
- Opening of facilities in other Caribbean countries (competition)
- Obsolescence of existing facilities ** (loss of importance - uniqueness)
- Economic Crisis - (changes in business conventions)
- technology

Support System– Lodging, food, and beverage

S Strengths

- Wide range of lodging facilities (hotels, inns, condo hotels, guest houses, etc.)
- Gastronomic: Diversity in the supply of restaurants
- Tourist Areas without closure law (supply of services)
- Existence of non-governmental grouping organization hotels and restaurants

W Weakness

- High accommodation rates
- Low relationship between value and price of accommodation
- Little integration of lodging facilities with its natural and cultural environment
- High operating costs of lodging facilities and restaurants
- High regulation of hospices

O Opportunities

- Available brands and international quality certifications for hotel facilities
- Availability of international "green" certifications for hospices
- Incentives available for construction of specific hotel facilities
- New forms of hospices or accommodations
- Technology

T Threats

- All-inclusive Carribean hotels
- Hotels with private and exclusive beaches in the Caribbean
- Development of new hotels in the Caribbean, representing an increasement in hotel rooms (competency)

Support System – Transportation

S Strengths

- Wide range of flights from USA
- Tren Urbano Operation
- Extended supply Car Rental companies
- Operation of tour operators
- Visit of fourteen (14) cruise lines to the San Juan Bay Port
- Law for the Promotion and Development of the Cruise Ship Industry in Puerto Rico
- Existence of "trolleys" in different urban areas
- Existence of governmental organizations that gather different groups of carriers
- Existence of ports in cities all around Puerto Rico and 3 international airports

W Weakness

- Limited offer of flights from Europe, Central America, and South America
- Limited offer of charter flights
- Lack of an efficient public transportation system
- Poor maritime transportation for Vieques and Culebra
- Taxis operate without meter
- Short supply of taxis outside the metropolitan area
- Traffic congestion
- Centralization cruise ship trips in the port of Old San Juan
- Cabotage Laws

O Opportunities

- Strategic air traffic location of Puerto Rico
- Locating nearby municipalities, islands nature reserve, islets and cays
- Federal Funds
- Technology

T Threats

- Full legalization of commercial flights from the United States to Cuba
- Improving incentive plans for cruise ships in other Caribbean ports (competition)
- Large commercial or chartered flights to other Caribbean destinations
- Reduction in the Federal Funds

SUPPORT SYSTEM– Complementary services

S — Strengths

- Existence of tourist information centers (state and municipal) in strategic locations
- Municipal tourism development offices
- Good medical and hospital facilities
- Banking system
- Security and emergency management
- Certified tour guides

W — Weakness

- Lack of nongovernmental organizations grouping tourist guides and tour operators
- Traffic congestion hinders medical emergencies, tours, among others
- Few tour packages available
- High insurance cost of tour operators

O — Opportunities

- International certifications for tour guides and/or tour operators
- Tourists market oriented to coordinated tourist service
- Technology

T — Threats

- Broader tour packages in other Caribbean destinations (competition)