

# Reactivating the Caribbean during the COVID-19 Pandemic

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## Reopening the Borders with New Protocols

The top priority for all islands in the region has been a focus on residents and the public health issues at hand. Upon knowledge of the COVID-19 pandemic, each island immediately closed its borders, which allowed for a very low number of cases in the region so that the islands could focus on containing the virus transmission without any additional entrants. Given that the Caribbean is the most tourism-dependent region in the world, it was essential to develop new protocols for entry, which had never been implemented before, once the virus spread was under control in each country.



Per Honorable Dominic Fedee, Chair of the Caribbean Tourism Organization and Minister of Tourism for St. Lucia, *"Revenues in St. Lucia went from \$110 million a month to \$15 million a month with over 15,000 jobs lost."* Therefore, understanding the importance of tourism and the safety of their residents, St. Lucia and many other islands unleashed a set of entry protocols, such as the health screening of individuals, including temperature checks; the requirement of face masks in public; and the reduction of restaurant capacity.

In addition, all visitors to the island are required to arrive with a negative COVID-19 test. *"Travel restrictions, increased protocols, and management of the COVID-19 situation pose a significant challenge to the reopening of the Caribbean,"* per Honorable Fedee. Despite a stringent set of protocols in St. Lucia, other islands have struggled with developing these protocols, which has caused a range of confusion for consumers. Per Alex Zozaya, Executive Chairman of Apple Leisure Group, *"We should not try and make the protocols a competitive advantage of a destination and of a company. The protocols should be unified, and, currently, they are not."* Furthermore, Honorable Fedee noted that the Caribbean Travel Organization (CTO) has been working on generally standardizing protocols for hotels and airports, with some wiggle room for pre-entry testing varying from country to country given the different situations on each island.

## Reactivating Air Travel

Unlike other destinations, island destinations are 100% dependent on airlift, as there are no drive-to markets. Delta Air Lines, and many other carriers, restarted air travel concurrent with the borders reopening. St. Thomas and San Juan have had continuous yet reduced service during the pandemic given their territory and commonwealth statuses with the United States.

In the Caribbean, **Jamaica** was the first island to resume airlift in June, followed by the **Bahamas**, St. Lucia, **Punta Cana**, and **Aruba** in July. Plans are in the works to return to previously served destinations, such as **St. Maarten**, **Bonaire**, and **Turks & Caicos**, depending on demand and, most importantly, government

### Summary

After record-breaking visitation in 2019, the Caribbean was well positioned for another stellar year. However, despite a very low infection rate in the region, the COVID-19 pandemic has presented a wide range of new challenges for stakeholders in the region.

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Dale McKinney of Global Sales at Delta Air Lines noted that air travel has changed given the impact of the pandemic. *"Delta has invested in resources to add layers of protection through the travel journey and to keep surfaces clean, giving customers more space and offering personal care at all points of the journey."* With so many travelers concerned about their safety and cleanliness, airlines are working to regain consumer trust with cleanliness protocols and education about the safety inside of an aircraft. *"Aircraft air is recirculated every two to five minutes with fresh outside air or through a HEPA filter, which extracts 99.99% of the particles, including viruses such as the coronavirus."* Delta is changing HEPA filters, the same filters that are used in hospital rooms, twice as regularly as recommended, and all flights are sanitized before boarding with high-grade spray, all high-touch surfaces are wiped down, and all customers are required to wear masks. Without air travel, the Caribbean would be unable to function; therefore, it is crucial to educate travelers on the cleanliness protocols on all airlines.

## The Challenges for Reopening Resorts

The Caribbean region is predominately driven by the leisure segment, which was immediately shut down at the onset of the pandemic in March 2020. As hotels and resorts slowly begin to reopen on an island-by-island basis, some not until late 2020 and into 2021, hoteliers are facing significant reopening challenges, both operationally and financially. Hoteliers now need to have a significant amount of working capital for any reopening expenses and the implementation of new safety and cleanliness protocols. Per Alex Zozaya, *"Business has been expensive, and the working capital necessary to reopen the hotels is similar to when the hotel opens from scratch."*

In addition to that, the cost of the protocols makes it more expensive to operate. Running all-inclusive hotels with low occupancy becomes a very expensive operation. Mr. Zozaya noted that his resorts are not trying to make money in the short term but are trying to lose as little as possible as they begin to reactivate the industry and encourage travelers to board planes to Caribbean destinations.

Aside from the operational challenges, financial obligations have been a stress point for many owners. Nicholas Hecker, Executive Managing Director and Chief Investment Officer at Sculptor Real Estate, noted that *"For assets that had issues going into COVID-19, the pandemic was the nail in the coffin. Many owners had over-leveraged their assets, had ongoing development delays, or were challenged by budget and operational issues; thus, they are now facing significant issues."* Both Mr. Zozaya and Mr. Hecker believe that the recovery for the region will be protracted given the issues, but the historical resiliency of the region will shine through.

## Closing Thoughts

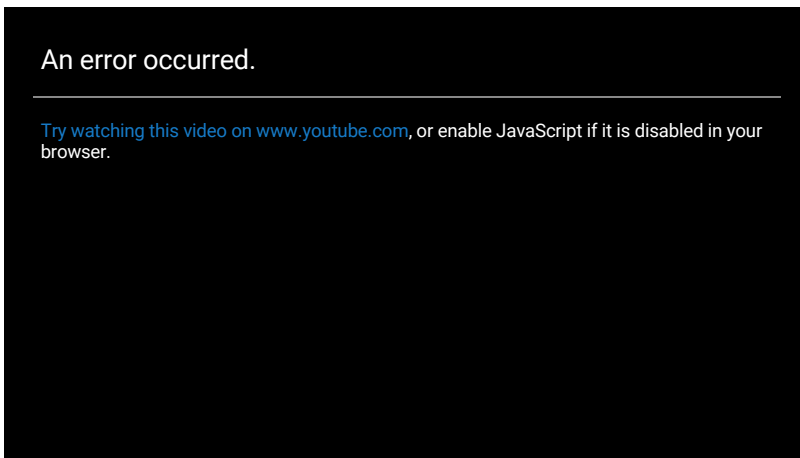
The Caribbean region has historically displayed resiliency, with strong recoveries from each challenge faced over the last decade, including the global recession in 2009, the impact of the Zika virus in 2016, and the devastation caused by the 2017 hurricane season. In 2020, the COVID-19 pandemic has posed new challenges for the region, including how to unify testing, safely open resorts, and have travelers feel comfortable on airplanes.

The recent spikes of COVID-19 cases in select areas of the United States are negatively affecting the recovery in the short term, and hotel operators are struggling to obtain future bookings. As said best by Mr. Zozaya, *"Efforts need to be done between private and public sectors to reactivate the Caribbean in five steps. First, islands need to standardize protocols and speak a common language to avoid confusion. Second, investment needs to be spent in promoting the Caribbean region and uniqueness of each island. Third, operators need to be careful with pricing, as demand levels will take time to rebuild. Fourth, island destinations need to reduce dependency of cruise-ship tourism, and, finally, reduce bureaucracy in the Caribbean to move the recovery faster."*

## With Thanks

We would like to thank the Honorable Dominic Fedee, Chair of the **Caribbean Tourism Organization** and Minister of Tourism for **St. Lucia**; Mr. Alex Zozaya, Executive Chairman of **Apple Leisure Group**; Mr. Nicholas Hecker, Executive Managing Director and Chief Investment Officer at **Sculptor Real Estate**; and Mr. Dale McKinney of Global Sales at **Delta Air Lines** for sharing their valuable insights. For more on their panel

discussion, please watch the video below.



## CHICOS 2020

Powered by HVS, the **Caribbean Hotel Investment Conference & Operations Summit (CHICOS)** is the premier industry conference for the region. CHICOS 2020 will welcome governmental representatives, opinion leaders, developers, bankers and other lenders, tourism officials, investment funds, hotel brand executives, individuals/companies seeking investors for their tourism projects, franchise and operations companies, public and private institutions, consultants, advisors, architects, and designers—all to discuss the region's markets and possibilities. The 2020 event is slated to take place November 8–10 in Nassau, Bahamas, at The Grand Hyatt Baha Mar. We continue to monitor the ongoing situation and remain optimistic that we will be able to meet in person safely. Updates can be found on the **conference website**.