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The Homeland Security Discount Vacation

*Worried new U.S. passport rules will keep Americans away,
Caribbean resorts roll out deals; the Chávez factor*

By CANDACE JACKSON
And REED ALBERGOTTI

A NEW REGULATION that will effectively require passports for most U.S. travelers to the Caribbean is having a surprising impact on the winter getaway season that starts next month.

Fearful that Americans without passports will stay home or go elsewhere, Caribbean resorts are rolling out some unusual extra incentives. The Westin and Sheraton resort on Grand Bahama is offering a \$100 credit to guests who have recently purchased a U.S. passport. On St. Kitts, the Frigate Bay Resort is cutting 20% off some guests' tabs, while the Boardwalk Boutique Hotel in Aruba is offering a \$50 rental-car voucher. Similar deals are popping up at resorts from Jamaica to the

Dominican Republic.

Starting Jan. 8, U.S. citizens returning from the Caribbean must have a passport to reenter the country. Because about 75% of Americans don't have a valid passport, resorts and businesses across the Caribbean are concerned that potential visitors will decide to skip the hassle and \$97-per-person expense of obtaining one. Though some islands have long required passports, most have allowed visits with just a driver's license and birth certificate.

The shift is sparking some broader concerns about the Caribbean's reliance on the U.S. for its tourism economy. Reaction to the new passport rules has included some fiery rhetoric—one resort head likened it to a nuclear attack on the region—while others have speculated the U.S. was retaliating against the Caribbean for its support of Vene-

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zuela, whose leader Hugo Chávez is an outspoken critic of the U.S.

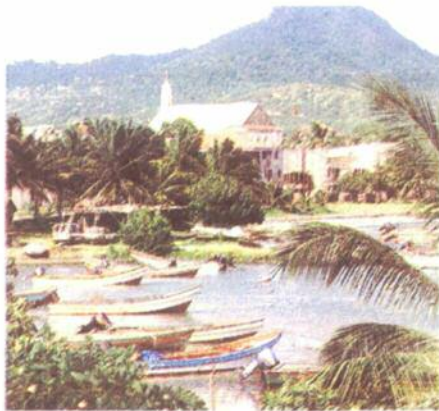
Complicating the picture for travelers, airlines have recently rejiggered flight schedules to the Caribbean. While some smaller islands like Bonaire and Martinique are getting direct flights from the U.S., airlines including US Airways and AirTran Airways have cut capacity this winter. Cuts to a few of the most popular islands have been deep—10% fewer seats to the Bahamas, for example, and 9% fewer to Jamaica, says Back Aviation Systems, a travel-industry consultant.

At least one airline is also scrambling to develop a contingency plan for the new passport rules. US Airways is working hotels in Puerto Rico to figure out how to handle a traveler who shows up at a U.S. airport bound for, say, Jamaica, without a passport. One possible solution: The traveler would be able to pay a change fee and a discounted hotel rate to reroute their trip to Puerto Rico, which doesn't require a passport. US Airways says there is no formal plan in place yet.

The Department of Homeland Security says it is working on a plan to assist Americans whose trip to the Caribbean straddles the Jan. 8 changeover date, and who can't get back to the U.S. because they're not carrying a passport.

Around the region, deals are popping up to sway leery travelers. In Jamaica alone, more than 30 hotels are offering deals to people who have to renew or get new passports, including a \$200 spa credit at Couples resorts. In St. Lucia, eco-resort Ladera says it will pay for the cost of a new passport and will toss in a free 30-minute massage and a complimentary "Juanderlust" cocktail. The Wyndham in the Dominican Republic is offering 15% off its 2007 rates for guests who book before Dec. 15.

The changes in passport regulations are putting into sharp relief the Caribbean's dependence on the U.S., which is the main driver of its biggest industry: tourism. Some 74% of the visitors to Aruba are American, while in the Bahamas, it's 85%, according to the latest figures from the Caribbean Tourism Organization. The region could lose \$2.6 billion in tourism spending and 188,300 jobs after the changes go into effect, according to one study by the World Travel and Tourism Council, a trade group. This comes as dozens of new luxury resorts are opening, from tiny Canouan Island to the Turks & Caicos. The Ritz-Carlton, alone, has three new resorts under construction in the Caribbean, while the Atlantis in the Baha-



On the Water: Clockwise, starting at right: Oranjestad Harbour in Aruba; the golf course at Tryall Club in Jamaica; Kralendijk in Bonaire; and the town of Le Vauclin in Martinique.



ibbean, while the Atlantis in the Bahamas is undergoing a \$1 billion expansion, including a 63-acre waterpark.

It's not just the big resorts that are worried about a dropoff in Americans. The Poop Deck Yacht Haven, a restaurant and bar in Nassau with marina views, has long been a popular hangout for U.S. travelers. NFL and NBA games are often playing on the big-screen TVs, and hamburgers and Miller Lites are served along local seafood dishes. Marvin Fynes, the Poop Deck's bartender, worries that things could slow down come January. "If the fliers aren't here, we don't have that much business," he says.

Some islands in recent years have begun to think longer-term about their makeup of their tourism base. Places like Bermuda and Grenada have been opening up national tourism offices in the United Kingdom and Europe in recent years, while the Turks & Caicos is attending tourism events in China and other parts of Asia this year. Those efforts, combined with the strong Euro, have helped some Caribbean countries diversify their tourism traffic.

The airlines that are dropping flights to the Caribbean are doing so for a variety of reasons, from general cost-cutting to concerns about overcapacity. In order to get flights, Caribbean islands sometimes have to guarantee enough business for the airlines. If the resorts have a bad season, they can easily lose flight service the next year. The new passport rules could make it harder to give those assurances.

Under the new passport rules, which were part of a law passed in 2004 to tighten security at U.S. borders, travelers to Puerto Rico and the U.S. Virgin Islands won't be affected. And cruise passengers won't need a passport for the Caribbean for at least another year. The new regulations also apply to Americans flying home

from Canada, Mexico, South America, Central America and Bermuda.

Caribbean tourism officials have been complaining loudly since the decision was announced, accusing the U.S. of unfairness. In a recent article in the Jamaica Observer, Gordon "Butch" Stewart, chairman of the Sandals hotel chain, said the move was "probably the single most destructive economic catastrophe that could happen, short of a nuclear attack on Caribbean countries."

Resorts and local merchants are particularly upset at the cruise-industry extension. John Issa, executive chairman of SuperClubs resorts, says it amounts to an unfair economic advantage for cruise-ship companies. The discrepancy could also lead to some dicey situations, he says. One example: If a cruise-ship emergency forces passengers to disembark in, say, Jamaica and return to the U.S. by plane. That very thing happened in March on a Princess Cruise ship that docked in Montego Bay after a fire on board.

January, typically a popular month for last-minute getaways, could turn out to be particularly chaotic for travelers. This year's new passport requirements mean the majority of travelers won't have that option. Resorts like Sandals and Beaches, a chain with a number of properties in the Caribbean, anticipate bookings will drop by as much as 15% in January. "It shrinks your market, the number of people you go after," says John Lynch, executive vice president of sales world-wide for Sandals and Beaches resorts. "Take a family of five who want to travel, getting a passport is a major expense.... If it's a rush job, it's even more money."

A few islands are looking to leverage the new rules to their advantage. Puerto Rico's new ad campaign will highlight the fact that because it's a U.S. territory, no passport is required.