



## Ministerial Statement to the House of Assembly

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### Amending the Caribbean Tourism Organisation's (CTO) Membership Dues Structure

by

The Hon. Shawn G. Crockwell, JP, MP  
Minister of Tourism Development and Transport  
February 14, 2014

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**Mr. Speaker,**

I rise to update this Honourable House on my Ministerial Statement dated June 14, 2013 where I reported on the Caribbean Council of Tourism Ministers' Meeting which was held in New York on June 6<sup>th</sup> 2013. At that time I informed Honourable members that the Government was concerned with the dramatic increase in CTO member countries' inability to pay their dues with over 50% having significant arrears. In fact, the three greatest offending member countries owed a combined \$1.6 million in dues.

Bermuda has always remained current in paying our dues and I stated at the Council of Ministers' meeting that we were not at all pleased with the state of

members' arrears. I also urged the Chairman of the Council of Ministers, the Hon. Beverly Nicholson Doty, to come up with an urgent solution for this situation. It was explained at the time that the CTO Executive Committee was proposing to amend Article 22 (4) of the CTO constitution which dealt with the revocation of members whose dues are more than three years in arrears.

**Mr. Speaker,**

The Chairman and the CTO Executive Committee made this matter a top priority and their initial recommendation was to change the rule contained in Article 22 (4) to allow for the revocation of CTO membership after only one year of arrears with consideration given to members with special circumstances such as natural disasters. The Executive Committee had already begun the process of examining the membership dues formula as well as a revamped Regional Marketing Fund (RMF) dues formula which was all part of efforts to make the CTO more financially stable. The CTO's ability to perform its functions is based on its financial stability and this financial stability is dependent on member countries meeting their obligations to the organisation.

**Mr. Speaker**

The proposal to revoke a member country after only one year of arrears was considered by the majority of the member countries as being too stringent and consequently the CTO Executive Committee made the following recommendations for approval:

1. On the matter of membership dues, the annual assessment be billed on or by the first day of the year and each member is given a one year payment plan, interest

free. Further, one additional year is allowed before revocation. This effectively makes 730 days from the day of first billing to the date of revocation.

2. The Executive Sub-Committee recommended the development of a proposal for a tiered membership structure which would formulate the provision of varied levels of services at a range of membership fee options. This would allow for a greater deal of flexibility and custom-tailored benefits from the CTO according to the needs of the member countries and their strategic tourism agendas. The fee range structure would also include a common base fee that covers CTO's recurrent overheads and provides a minimum level of CTO benefits; but direct provision of additional services would be linked to benefits associated with the member's status in the tiered-structure.

3. The forgiveness of outstanding membership dues arrears for the years 2007 to 2011 totaling \$1.9 million.

The overriding objective of the recommendations was not to remove members but instead to find a pecuniary solution to keep them in the organisation whilst making the CTO a viable financial entity.

**Mr. Speaker**

On November 29<sup>th</sup> 2013 a position paper was circulated to all CTO members, which outlined the justification of the CTO Constitutional Amendment and the three pronged approach to revising the CTO membership dues structure.

Subsequent to this, on December 11<sup>th</sup>, 2013, a document was circulated to the CTO Council of Ministers and Commissioners of Tourism which outlined the proposed

mechanism for calculation of dues from 2014 onwards, which is based on two levels of membership; (i) Tier 1, being the base level offering a full suite of basic services and (ii) Tier 2 a premium level which attracts a higher financial commitment based on the additional services offered at this level. The proposal was that the Tier 1 level be based on a merged CTO and RMF fee.

**Mr. Speaker**

Demonstrating the importance and significance of these proposed complex issues the Chairman of the CTO, the Hon Beverley Doty, came to Bermuda and met with me and the Director of Tourism, Mr. William Griffith, on December 10<sup>th</sup> 2013 to specifically discuss the recommended constitutional amendment and proposed changes in the membership dues structure. Ms. Doty was accompanied by Ms. Faye Gill, the Director of Membership Services for the CTO who gave a comprehensive presentation on the various services available to Bermuda through the CTO.

**Mr. Speaker**

The constitutional amendment and new dues structure were proposed for discussion and ratification at a joint meeting of the CTO Council of Ministers and Commissioners of Tourism and the CTO Board of Directors in Montego Bay, Jamaica on January 12<sup>th</sup> 2014 of which I attended. The revocation policy required a constitutional amendment, but the new dues structure only required the approval of the Council of Tourism Ministers and Commissioners.

**Mr. Speaker**

A robust debate took place during the joint meeting of the CTO Council of Ministers and Commissioners of Tourism and I am pleased to report to this Honourable House that all three proposals were duly approved. The first proposal was for the implementation of the revised membership dues structure which would accommodate two tiers of services and dues, according to the choice of the member country. The second proposal was that the 2012 and 2013 RMF levels be lowered to the levels proposed for the 2014 RMF dues, with a credit given to those members who had already paid the 2012 and 2013 RMF dues in full. The third proposal was that the CTO's membership revocation policy be reviewed to be changed to effect revocation of a country's membership after two years of arrears instead of three years as was stipulated in the present CTO Agreement & By-laws, with the understanding that the change would require a constitutional amendment, and that there should be a write off of 75% of membership dues arrears for the 2007 - 2011 period.

**Mr. Speaker**

The financial impact that these changes will have on Bermuda are that our dues obligation to the CTO will be adjusted from \$124,710 to \$109,100 and our RFM requirement has been reduced from \$50,000 to \$27,500, an overall reduction of \$38,110. Going forward the tier 1 dues payment would be \$136,600 which represents the merger of the new dues and RFM fees and the tier 2 option is \$166,600 which provides greater marketing and research opportunities.

**Mr. Speaker**

The Government appreciates the importance of collaborating with our Caribbean neighbours, particularly as it relates to tourism development. In light of the above changes we are currently looking at ways to better maximise our position and along with the Bermuda Tourism Authority we are analysing the overall value of our continued involvement in the CTO.

**Thank you Mr. Speaker.**