

Position Paper

**The St. Maarten Hospitality and Trade Association
(SHTA)
“Position Paper ” on urgent needs for Sustainable
Development in St. Maarten**

Produced by

SHTA



Country St. Maarten, October 30th, 2012

From:

St. Maarten Hospitality & Trade Association (SHTA)
33a WJA Nisbeth Road
Philipsburg,
St. Maarten



To:

The Council of Ministers
Country St. Maarten

Cc;

His Excellency, Governor Eugene B. Holiday
Country St. Maarten

Cc;

The President of Parliament Dr. R. Samuel
Country St. Maarten

Date: October 29th, 2012

**Re: Position Paper addressing Concerns affecting Business and Social Development
in St. Maarten**

Honourable Council,

This Position Paper brings together in unison the opinions and suggestions of the Private Sector organizations in St. Maarten, in a bid to create meaningful discussions with all stakeholders on the way forward for Country St. Maarten.

In this respect, it should be noted that the SHTA includes on its Board of Directors, structured representation from the Indian Merchants Association ("*IMA*"); The St. Maarten Marine Trades Association ("*SMMTA*"), and the Real Estate Association of Sint Maarten ("*RAM*"), all of which have endorsed the underlying Position Paper.

Our aim is to, with Government's support; develop innovative measures that address in a structured, efficient and effective manner, what we believe to be ten (10) of the most pressing social and economic ills that affect us all. We remain confident in the Private Sector's ability to contribute to positive and effective change, and we stand fast by our obligation to support pertinent values in human rights, labor standards, sustainable economic development as well as environmental protection and preservation programs.

Together, we reaffirm our collective readiness for a continued active role in nation building and through this Position Paper, we submit to you, key ongoing concerns, while at the same time introducing suggestions for the creation of working solutions.

The undersigned and its supporting signatories, stress that the Position Paper presented here following, is by no means an all-inclusive list of items that needs to be addressed.

Rather the undersigned along with its supporting signatories, advocate that organized business, together with Government and organized labor, should work together post-haste in a structured and effective manner towards the development and implementation of a new Multi Annual Policy Plan (MAPP) for Country St. Maarten.

We are confident that the underlying Position Paper can serve as a guideline in terms of initiating a meaningful dialogue and we stand ready to contribute.

Signed by



Mr. Emil Lee

President

St. Maarten Hospitality & Trade Association (SHTA)

SHTA – Ten Point Position Paper 2012

1) Fiscal policy and compliance

A good tax policy for a St. Maarten must be competitive; it must broaden the base and lower the overall effective rate. We all recognize that we are competing with others in the region for limited investment dollars as well as for an annual inflow of visitors, and our tax policies should reflect this.

- Eliminate uncertainty: In conjunction with stakeholders urgently establish and disclose the parameters for a new fiscal policy.
- Accelerate and prioritize at a higher level the process of increasing participation of business and individuals in the paying of taxes; reduce the informal economy; in order to raise the rate of compliance to an acceptable level as quickly as possible.: Examples: Review Tax Compliance by businesses based on sector; match quantity of tax payers to the number of licensed companies and Sole Proprietors per sector; spot check employee declaration count to actual head count.
- Improving education of the tax payers, both corporate and individual.
- Simplify the processes. Examples: combine ID numbers utilized for id, tax crib, SZV etc. per individual and per company; simplify the declaration forms and methods, create shorter simplified income tax versions for those with minimal deductions.
- Consider eliminating deductions allowable at the discretion of the Inspectorate. One level playing field for all tax payers.
- Revise the Tax Assessment and resolution policy, introduce swift arbitration methods for clearing up assessments of back taxes, and remove incorrect tax assessments to ensure government payments to businesses and individuals are efficiently administered.
- Consider the overall tax rate applied to businesses and individuals and eliminate the ability of any single public entity (GEBE, Airport, Harbor, and Telem) to increase levies or tariffs without approval of Parliament, and without a supporting analysis of the overall impact to the cost of doing business/cost of living.
- Eliminate the damaging effects of cumulative TOT on the locally established Wholesalers' competitive position relative to suppliers outside St. Maarten, those not contributing on fiscal level and are not employing locally, as well as inflation, consumer pricing, by Jan 2013.
- Consider implementing ways, means and treaties to tighten information sharing between French and Dutch St. Maarten as a priority.

2) The STA and Destination Marketing

We recognize and applaud the efforts thus far to establish the St. Maarten Tourism Authority however our concern is the lost time and the continuous interruptions to actually implement the STA; all of which give rise to the urgent need for an interim structure. Destination Marketing and name recognition for St. Maarten are crucial not only to the future development of our Tourism product but also to the stability and expansion of our economy. We therefore suggest:

- Establish an interim structure—a precursor to—the STA. This interim body will have the budget and accountability for marketing the destination. Create a defined transition period to full STA.
- Install this body before all the winter bookings are made and so that the key trade shows can be attended, thus to avoid losing a major portion of the 2012-2013 season.
- Marketing and development programs must be put in place to drive business, and they must be sustainable regardless of changes in government or key staff members.
- Product development funding should be made available, perhaps through a \$0.01 to 0.05 cent Gas Tax for the development of new tourism products that will stimulate low season offers to attract visitors through the subsidizing of airfares, vacation packages and hotel stays. This should also go towards supporting the development of a sustainable off-season program that private sector will put forward.
- Provide and support incentives for existing properties through low interest loans for property refurbishment and development; such as the SXM COCI Small Hotels Program, and create similar incentives for large hotels as well. Tax incentives for refurbishment and upgrading should also be used. Older properties do not benefit from tax holidays on investments and rarely generate profits due to their competitive disadvantage.

3) Labor

Government should recognize first that a substantial percentage of the unemployment rate stems from a poor performing economy together with a disconnect between the jobs available and the training / education given. There is also a large disconnect between available jobs, wages and youth expectations. This is a function of not only education, but also social attitudes. The proposed solution is to take steps to ensure that labor standards are enforced through mechanisms such as:

- Expedite the Labor Department initiative to establish databases (public or private) to better match jobs with applicants and to more swiftly match business needs with education grants and education programs.
- Control the existing policies—such as illegal immigration.
- Understand the current labor needs and simplify and speed the work permit process.
- Create a more flexible labor policy that fits into the existing economic climate and at the same time safeguards the financial security of employees. Labor market flexibilization has been identified by the Central Bank, the WTO, and the IMF as critical for St. Maarten's economy.
- Address inefficiency and institute measures to increase the level of productivity in the labor market.
- Continue to control businesses to curb abusive labor practices.

4) Find the Balance, between the size of the Economy and the size of Government.

Growing in an uncontrolled manner is unsustainable for any business. The size of the public sector should be in direct correlation to what the size of the economy can afford. Government must-in the short term strive to become more effective and efficient as a whole.

- More automated services, less bureaucratic policies that require more and more staff to manually process duplicative papers from one desk to another.
- Streamlining would go a long way towards reducing needs for continuing tax hikes; it needs to be determined – as an island – what we can afford versus what is in fact needed.
- Monitor staff, implementing productivity performance based targets, for example, could assist in motivating staff to become more engaged in the results of their labor, thus producing more the public.
- Use technology to make all processes more efficient and more transparent. A good example where technology could be used more effectively is Business License Department; reducing the back log in this department would also generate additional revenue for the Island.

5) Education and a Hospitality School

We must continue to develop the educational capacity of our schools in general, as a means of stimulating the minds of our children at an early stage. We must design part of the public and private primary and secondary school curriculum to help them to be more aware of our multifaceted Tourism Product. There must be a broader based awareness of the importance of protecting the industry through providing the proper service to our visitors through every interaction with them.

- The establishment of a Hospitality Training School and the allocation of funds to ensure stability and continuity of Hospitality Training Programs. These programs must be properly funded and structured in a way that ensures opportunities for developing the talents that creates ambassadors of excellent Customer Service on St. Maarten. This should be done in conjunction with Private Sector.
- Create tourism awareness campaigns even amongst younger students.
- Create a post education program, in order to continually allow individuals to improve themselves, helping to reduce the loss of the intellectual capital of those who go abroad for study, never to return home.
- Environmental awareness must be a key to all of our educational programs from the earliest levels so that all residents embrace and preserve the beauty of our island.
- Support the University of St. Maarten to develop its own Hospitality Training curriculum by Utilizing the SMTA/SHTA Training and Certification program that already exists to support properties and businesses that cannot afford to pay to upgrade their staff. The AHLEI curriculum has programs for the university level student and it would be easy to expand on existing educational programs. Through Continuous education, it would create a Government recognized Certification for all hotel staff.

- Development of structured and affordable after school sporting and artistic activities as a basis for establishing interest amongst our youths in more sports and artistic areas, and support financially and through proper training and education for our athletes and artists, and ensure structured maintenance and upgrade of existing sports facilities. We should look at afterschool programs or extended school hours for all as a means of strengthen our youth and ensuring that they and we have a bright future.
- Restart comprehensive job info fairs in schools, which include career trajectories.

6) Improved Cooperation with French St. Martin

Historically there has been a debate over the extent or existence of cooperation between both French and Dutch St. Maarten. We boast “Two countries in one”, a uniqueness that we have yet to capitalize on. Our shared interests based on the one Pillar Economy are also being tackled independently and not harmoniously which means both sides of the island are missing out on synergistic opportunities. We often view each other as competition instead of complimentary symbiotic entities. If one fails, in essence so does the other. In recognition of this we recommend the following:

- Use economies of scale to leverage utilities, waste management, law enforcement, and healthcare and to attract funding for Social and Economic Development Projects.
- Keep French side policies in mind when developing tax systems; allowing for increases in container fees and other policies that can create an imbalance in trade between the two sides.
- Continuing efforts to create joint destination marketing programs.

7) Renewable Energy

There are numerous reasons for utilizing renewable energy sources such as accessibility, sustainability, reliability, profitability and ecological purity, not the least of which is the fact that we are a small island without our own natural resources. Present fuel costs are high and tariffs from GEBE continue to skyrocket, having increased as much as 5 –fold in the last few years. As the economic climate remains unfavorable and unpredictable we believe that relief to citizens and business operators must be realized immediately in order for our economic survival and the maintenance of a decent standard of living. In order to achieve this we recommend:

- Establish an energy policy that encourages utility companies to invest in alternative energy and allows businesses and residents tax reliefs for investment in such alternatives. We strongly support the stated position of many in the Government that net metering will be introduced for those individual and businesses that generate energy from renewable sources.
- Governmental regulation is necessary in order to ensure successful development of renewable energy. A legal and regulatory framework is needed that stimulates growth in renewable energy and establishes priorities.

- An effective recycling program or the long talked about Waste to Energy plant should be implemented, without further delay, to create a possible secondary source of energy and to reduce the piles of refuse.

8) Stimulating Business in Philipsburg

The limited parking situation within Philipsburg, with few options on Front and Back Street has had a negative impact on our Capital Businesses, such as restaurants and bars as well as Casinos that depend largely on a target group that patronizes these establishments at night cannot effectively be reached. We are therefore recommending the following as a means of correcting the parking situation and stimulating activities in Philipsburg:

- Recognize that the lack of parking is seriously affecting the ability to do business in the downtown area. Establish a Parking Authority to reclaiming existing government long lease for additional parking facilities and ensure that zoning requires ample parking facilities in future buildings.
- Put parking meters in all lots close to Philipsburg and establish a standard parking fee based on length of stay. This can be used for example in the main Philipsburg Parking lot.
- Designate an additional parking facility on pond island (paid or unpaid) with an accompanying shuttle service to Front Street and Back Street.
- Improve street lighting in Philipsburg.
- Complete the construction of the Philipsburg jetty and allow it to be used to filter visitor traffic to the full length of Philipsburg.
- Allow parking on ring road and install more pedestrian bridges
- Allow the shops to be open later, perhaps on Thursday and Friday nights as a way of enticing residents to come out and shop and then dine in town; instead of only on weekends or an otherwise day off. This will also see an increase in spending by stay-over tourists, who currently avoid Philipsburg due to the cruise passenger traffic. Create Cultural festivities for residents and visitors.
- Provide Voluntary Kops St. Maarten (VKS) aka the Soualiga Patrols throughout Philipsburg with increased presence on Front Street and the Board walk both during the day and nights on a full time basis. Give them specific mandates to crack down on loitering, littering and destruction of property.

9) Corporate Governance and Accountability

Accountability in general is simply a good business practice and we are of the opinion that the St. Maarten Government should be accountable to its Citizens, like in any democracy, like private businesses are to their clients and community. To achieve this there is a great need for adherence to Corporate Governance structures already in place. In keeping with this we therefore recommend:

- Establish a Government Business Enterprise Act that ensures that Government owned businesses operate within a best practices up-to-date governance framework. This Act should provide the framework that enables Government Businesses to independently manage their operational affairs and to maximize commercial performance, while providing for strategic oversight and accountability to Shareholding Ministers. The expectation is that information on matters such as but not limited to performance targets, financial considerations (including dividend policy) reporting requirements, selection of auditor, director induction and annual general meetings are made public.
- The legal framework of government must include the realization that Country St. Maarten includes a large majority of English speaking Citizens and as such the Laws of the land should be published in both English and Dutch.
- Education about the laws should be an ongoing process with a clear enforcement policy that is in fact enforced.
- Strict adherence to environmental law and policies that protects our lagoons and coast and the strict policing of these laws must be introduced.
- New policy and policy reform must be established across ministries, in order that changes to fiscal policy which will generate economic activity which will effect Labor requirements etc are debated across disciplines.
- Accountability must also include campaign reform.


10) MAPP

In short we propose the implementation and execution of a Multi Annual Policy Plan that encompasses:

- The above recommendations, reviewing past plans and recommendations, many of which are still applicable. And begin the implementation of these measures and policies in as swift an efficient manner as possible.
- Establish Social Development Programs and a Monitoring committee to measure the success and budgets of these activities and make recommendations to Government on ways to ensure that they are and remain successful.
- Make use of existing studies conducted over the past ten years which do not require a repeated investment of time and money and incorporate the findings of studies such as the Capacity Building Study and the MAPP with timelines for implementation of their recommendations.
- Stakeholders in the MAPP creation to include business, labor, government, education, youth and healthcare.
- The MAPP should be reviewed and renewed annually by the stakeholders in order for it to be a living and sustainable roadmap.

End...

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On this date of _____, we the undersigned endorse the Ten Point Position Paper position of the St. Maarten Hospitality & Trade Association SHTA which seeks Government's urgent attention in addressing the many growing concerns of the local business community.

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