

Tourism in Costa Rica
The Challenge of Competitiveness

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Working Paper. Written by Crist Inman with the assistance of Nathalia Mesa, Katuska Flores and Andrea Prado, conducted this study Researcher-Consultant of the Latin American Center for Competitiveness and Sustainable Development –CLACDS-. This work seeks to stimulate thought about: new conceptual frameworks; possible alternatives to framing problems; suggestions to implement public policies; regional, national, and sectorial investment projects; and business strategies. It does not intend to prescribe models or policies. Neither does it make the authors or CLACDS responsible for incorrect interpretation of its content, nor for good or bad management or public policy practice. The objective is to elevate the level of discussion regarding competitiveness and sustainable development in the Central American region. Under the prior stated conditions, CLACDS, and not necessarily its contributing partners, is responsible for its content. March, 2002.

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1. INTRODUCTION

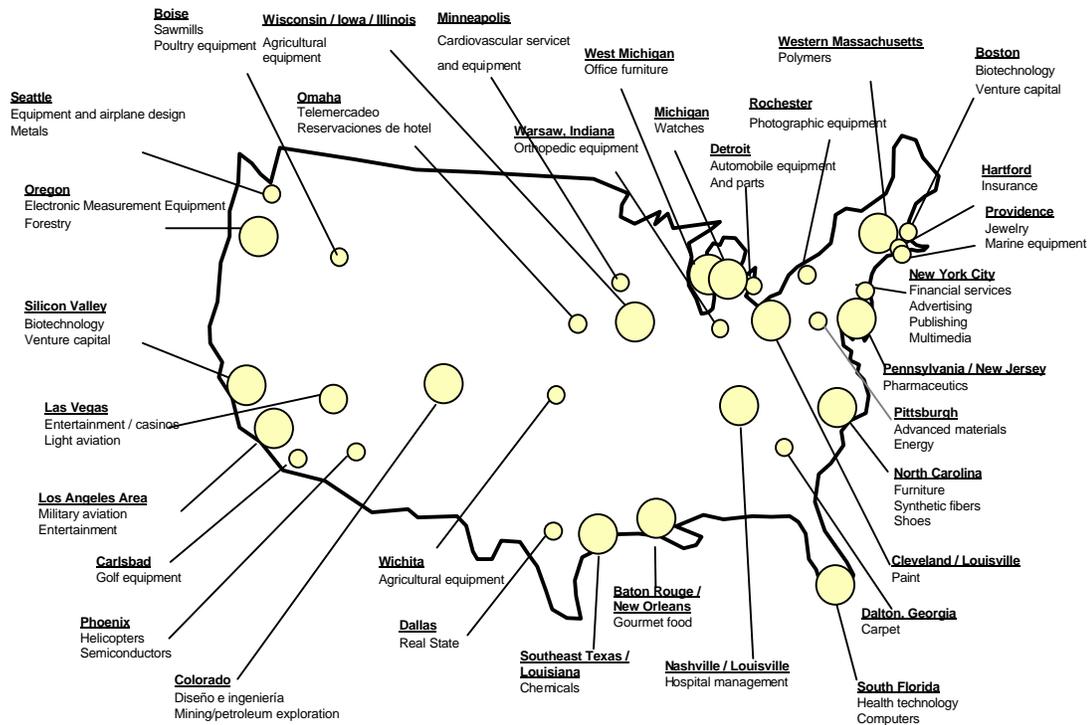
A nation's prosperity is not the unavoidable consequence of its natural resource abundance. In contrast, natural resource abundance has prevented many countries in the past from feeling the need for developing actual competitive skills. A nation's prosperity relies on its businesses' level of productivity and competitiveness. In a globalize world, comparative advantages are easily reproduced and improved upon by competitors: therefore, competitive advantage is determined by a business' or business group's ability to **continuously innovate and improve its products and services**.

No country is competitive in all industries. Japan, for instance, is not competitive in the software industry, in mass consumer products, such as detergents and cereals, nor in chemicals. Conversely, it is highly competitive in fax machines, photographic cameras, and other household electronic products. Competitiveness is not an attribute of countries, but rather of businesses. A prosperous country is that with a significant mass of world-class competitive companies in one or several productive sectors.

Michael Porter's ¹ empirical research on the competitive advantage of different nations evidenced that leading companies, in any field, tend to group in relatively small geographic areas. These groupings have been called competitive "clusters." Thus, within a country or region, whole groups of highly efficient related industries or clusters begin to emerge, creating a sustainable competitive advantage. As an illustration of this phenomenon, Fig.1.1 shows major competitive clusters in the United States.

¹ Michael E. Porter is professor at Harvard University's Business School and author of numerous publications in the area of strategy. His well-known book, "The Competitive Advantage of Nations" is the theoretical foundation of this study.

Figure 1.1
Competitive Clusters in The United States



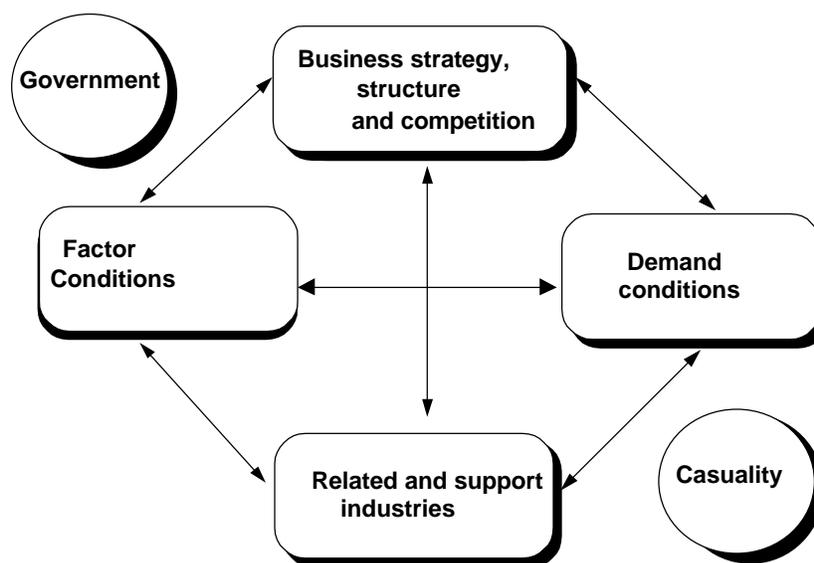
The competitive cluster phenomenon is found throughout the world: Denmark in insulin, the Netherlands in flowers, Portugal in cork products, England in racing cars, Northern Italy in footwear and high-fashion garments, etc. In tourism, competitiveness is also created in focused places. Hawaii, Spain, Cancun in Mexico, Jamaica and the Dominican Republic in the Caribbean are examples of highly competitive tourism clusters.

But, how does one explain this? What are a country's or region's attributes promoting the capacity of its businesses **to continuously innovate and improve** in an industry, and in tourism, in particular?

1.1 Conceptual Framework: The Competitiveness Diamond

According to the conceptual framework proposed by Michael Porter, a company's or company group's competitiveness is determined by four fundamental attributes of its local base. These four attributes and their interaction explain why companies located at particular regions innovate and remain competitive. These attributes or elements are graphically shown in Figure 1.2.

Figure 1.2
Diamond of Competitive Advantage Determinants



1.1.1 Factor Conditions

Classic economic theory on comparative advantages says a nation or region is competitive, in a particular industry, because of its plentiful endowment of required basic production factors: land, labor, and capital. But, then, how does one explain Holland's competitiveness in the flower industry with such an approach? Holland accounts for two thirds of the world's fresh flower exports; however, it is clearly poor in its endowment of basic factors critical to this activity: it suffers from a remarkable scarcity of land, it has a short production season, its climate is ill-suited to flower growing and labor is expensive, compared to competing countries.

The answer to this apparent paradox is that basic factors are not the means to reach competitive advantages, but rather the so-called specialized factors. These specialized factors are not inherited, but created by each country; they come from specific skills derived from its educational system, exclusive technological know-how legacy, specialized infrastructure, etc; and respond to a particular industry's specific needs. Considerable and continuous investments by businesses and governments are required to maintain them and improve on them. Specialized factors foster a country's competitive advantages, because they are unique and hard to replicate or access by competitors from other regions.

Dutch leadership in the fresh flower world market is an interesting example of specialized factor creation. The Netherlands invests a major amount of resources in flower-related research. A large number of public and public-private institutions are involved in this research, allowing them to quickly introduce technologies for creating

new flower types, extending cut-flower life, improving crop techniques, etc. Compensating for their notorious land scarcity and weather rigors, the Dutch have developed enclosed artificial farming systems, using state-of-the-art technology. They have also created an impressive infrastructure to handle and distribute flowers, including warehouses, transport companies, and the largest flower auction system in the world. This and other specialized factors have provided Holland with a formidable advantage in the flower industry.

In tourism, basic factors enabling a country's development are its natural, archaeological, and cultural resource endowment. A country or region's competitiveness, however, lies rather in the quality of specialized factors valuing its inheritance above countries with a similar legacy. Human resources trained in tourism, infrastructure designed to provide access to natural resources, suitable capital markets to finance long-term tourism projects, adequate citizens' safety level, and wide coverage of public support services are an example of this type of specialized factors.

1.1.2 Demand Conditions

In a globalized world it might seem local demand is less important; evidence, however, proves otherwise. The more competitive companies invariably face one of the most exacting and developed local demands.

Demanding customers let firms discern and meet emerging needs, and become one more incentive to innovate. By having these customers nearby, companies are more responsive, due to shorter communication channels, greater visibility, and the likelihood of entering joint projects. When local customers anticipate or shape other country needs, advantages to local companies become even greater.

U.S. fast-food corporations are the industry's unquestionable leaders. A great deal of their success comes from satisfying very demanding local customers, who value convenience, standardized quality, and fast service, since they do not have much time available to eat. Now that these attributes are increasingly valued in other markets, U.S. chains have been able to apply what they have learned in conquering these new markets.

In the tourism industry, local demand is made up of both domestic tourists and foreigners visiting the country. In this industry, instead of exporting products, consumers themselves travel to tourism attractions. In the proposed conceptual model, what is relevant to demand quality is the level of requirements imposed on an industry by its direct customers. Therefore, demand growth trends, volume, source, and extent of segmentation must be analyzed, particularly tastes, requirements, and degree of sophistication of tourists visiting a destination.

1.1.3 Related and Support Industries

The presence of efficient specialized support industries creates competitive advantages to a country. Related and support industries provide companies in the cluster with custom-made high-quality inputs, components, and services, at lower prices and supplied in a quick and preferred fashion. This is the result of closer collaboration linkages, better communication, mutual pressures, and constant learning, which promote continuous innovation and improvement within the cluster.

Italy, the world leader in high-fashion footwear production, accounts for two thirds of this sector's world exports. Italian leadership has been made possible by the existence of a very efficient network of related and support industries: some specialize in high quality skin tanning ; others are leading manufacturers of shoemaking molds and equipment; additionally, world-renowned Italian designers favorably position their country in the field of fashion.

For a tourism cluster to be competitive having a vigorous and innovating support sector is indispensable. This means having good providers of hotel and restaurant food and supplies; good personnel training schools, at the operating, technical, and managerial level; engineers and architects specialized in designing tourism projects, and other service companies related to this activity.

1.1.4 Business Strategy, Structure, and Competition

Creating competitive advantages requires an environment conducive to innovation. A vigorous and intensive local competition is one of the most effective pressures for a company to improve continuously. This situation forces companies to look for ways of reducing costs, enhancing quality, seeking new markets or customers, etc. In Japan, the most successful industries have several world-class players fiercely competing for Japanese market attention. Such is the case of Sony, Matsushita, Casio, and Sharp, in electronics, as well as Toyota, Nissan, and Honda, in automobiles. Intense competition, instead of being a problem, as perceived by some businesspeople, is a blessing to long-term competitiveness.

In tourism, the level of competition and rivalry should be analyzed from two perspectives: local and international competition. In local markets, companies compete in each industry sector, typically not just for market share, but also for employees, excellence in service, and prestige. The higher the degree of rivalry in a sector (i.e., hotels, car rentals, or tour operators), the greater the pressure and incentives to improved standards and introduce new products.

In the international arena, an analysis should be made of rivalry among countries competing as destinations, with various positioning and promotional campaigns meant to attract tourists. It must be stressed, however, that the source of competitive

advantage is found at the company and cluster level, since a country cannot market a product its industry has not been able to produce.

1.1.5 Dynamics Within The Diamond

Interaction or mutual reinforcement of the four national advantage attributes is often more important than the attributes themselves. The degree of impact an attribute has on competitive advantages largely depends on the status of the other determinants. For instance, if companies do not have enough human resources available, the mere presence of demanding local buyers will not insure the emergence of better products.

The dynamics of relationships among attributes in the diamond can take place in various ways. For example, the presence of numerous hotel businesses strongly competing in a tourism market justifies new investments to create and develop better infrastructure in their zone of influence. It also creates an attractive market fostering the emergence of support industries. Tourism customers become more demanding, because companies are forced to offer better products and services to gain consumer preference in face of competition.

On the other hand, a strong tourism demand may influence government and public opinion, concerning resource allocation to enhance specialized factors (tourism training institutes, improving roads to major attraction areas) and stimulates the emergence of such related industries as tour operators and car rentals, meant to serve customers directly. Factors created to serve the main industry may be used by related and support industries. These specialized factors can have much appeal in attracting demanding tourists, which in turn will help create more demanding local customers. Lastly, related and support industries can integrate and become new entrants to increase rivalry within the main industry.

Competitive advantage determinants make up a complex system. Their elements are self-reinforcing and multiply with time. Thus, advantages grow and expand to other related industries. This way, an environment begins to appear, with intricate relationships and interactions, hard to imitate by other potentially competing tourism-destination countries or clusters.

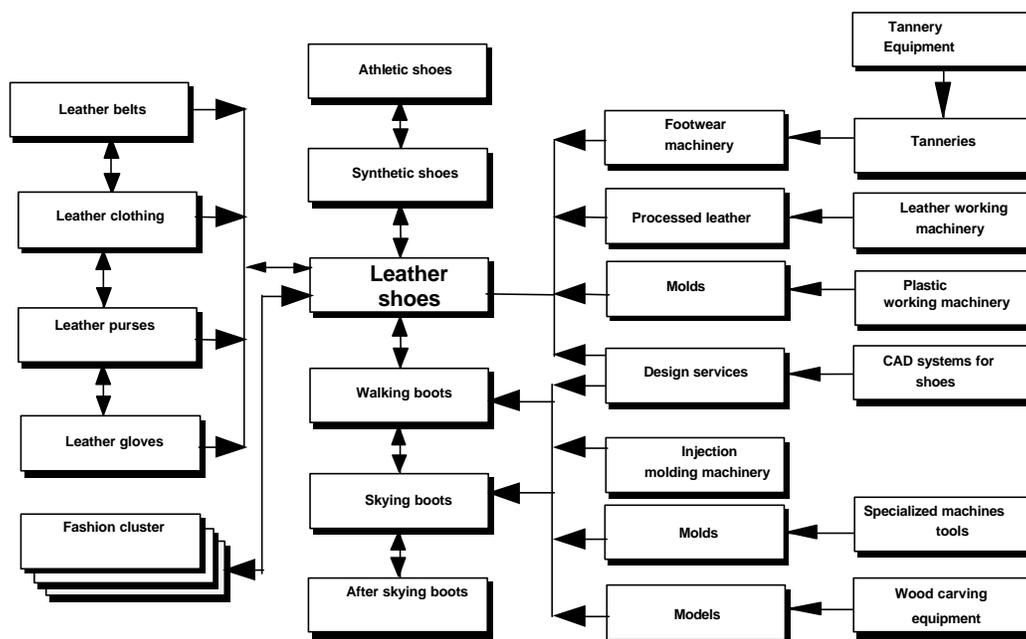
1.2 The Diamond and The Clusters

A business develops its ability to continuously improve and innovate because of its proximity to diamond attribute advantages. Nearness to developed markets, intense company rivalry, access to specialized factors and efficient related industries and suppliers enable companies to continuously innovate and succeed. This dynamics favors the creation of the above-mentioned competitive groups of related industries: the clusters in relatively focused geographic regions.

Once the cluster is formed, the entire group of industries becomes self-reinforcing. Benefits flow from customers to suppliers and among competing

companies. Clusters grow in the direction of new industries emerging as a result of vertical or horizontal business integration. Figure 1.3 illustrates, as an example, the footwear cluster organization in Italy.

Figure 1.3
Example of a World-Class Cluster Footwear Industry in Northern Italy



1.3 Chance and The Role of Government

The four attributes in the diamond are, in turn, influenced by other variables: chance and the role of government. Chance comes from sudden events influencing the competitive position of some companies that know how to respond to changes. These events may be new technological breakthroughs, changes in market trends, political decisions, wars, natural events, etc.

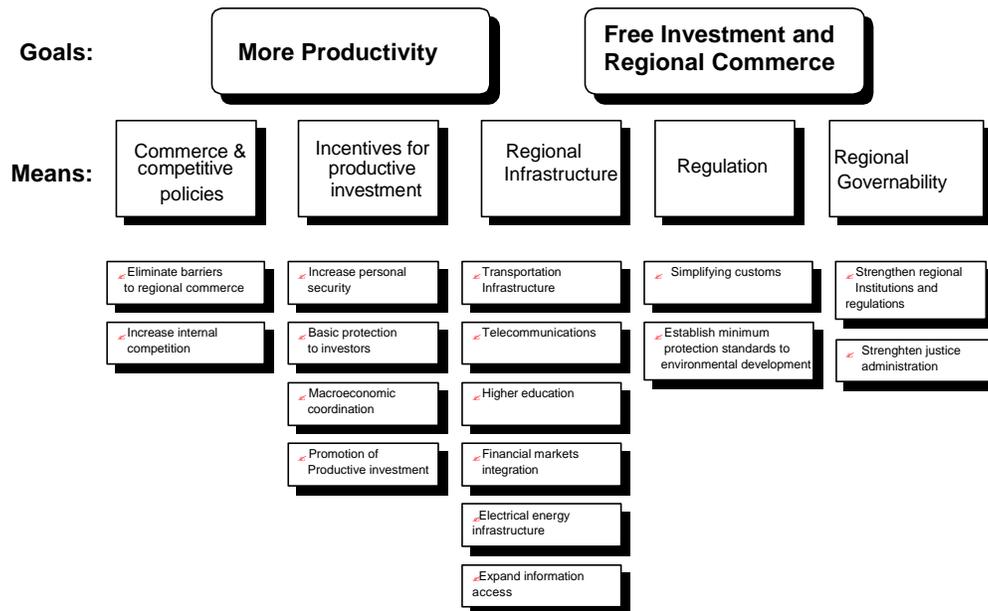
Government can influence and be influenced by any of the elements in the diamond, both positively and negatively. For instance, government defines policies on infrastructure and education, and allocates resources to them. By setting regulations and standards, governments have an impact on the profitability of different economic activities. Clearly, tax policies can motivate or keep away investing in tourism industries or developing related industries in a country.

Government can also be influenced by elements in the diamond. Such is the case when it decides investing in education, in specific areas needed to improve a

cluster, prompted by the rate of tourism demand growth and its relevance as foreign-exchange earner.

Within the context of the “Central American Alliance for Sustainable Development”, Central American governments have agreed on the convenience of working towards a common agenda to make the climate conducive to region’s competitiveness and economic development. In this agenda, priority action areas have been defined, namely, attracting productive investments, promoting international competition and trade, improving infrastructure, streamlining customs, strengthening environmental protection mechanisms, among other things (see Figure 1.4).

Figure 1.4
Action Areas to Improve Climate for The Development of Productivity and Competitiveness



Countries are taking the first concrete steps in improving their performance in the different action areas. Particularly, priority has been given to such areas as transportation infrastructure, customs modernization, and improving citizens’ safety climate, which will favor the national development of tourism industry as a cluster.

1.4 Tourism and Positioning

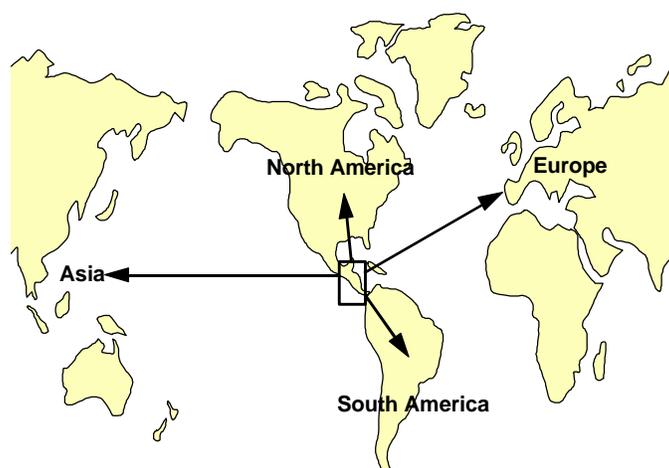
When analyzing Costa Rica’s competitive possibilities in the tourism industry, at the international level, the positioning of both the country and the region must be

considered. There is a high degree of consensus on a Central American positioning proposal based on three elements:²

1.4.1 Central America Is A Bridge Between Nations and Regions

Central America is a geographic, logistic, economic, and cultural bridge between major countries and regions. Because of its geographic position, Central America is a natural bridge between North and South America, and between Pacific and Atlantic Oceans. It is also an important logistic base in freight and passenger transportation. On the economic side, it also acts as a direct manufacturer, offshore assembly, and support service base to the Caribbean islands and other neighboring countries. As to culture, it is a link between the different cultural heritages and languages of Latin America, North America, and Europe (see Figure 1.5).

Figure 1.5
Central America Is A Natural Bridge Between Countries and Regions



1.4.2 Ecological Diversity and Unique Environmental Resources

Central America possesses a privileged biodiversity. Its ecological endowment accounts for a large percentage of species existing in our planet. Its tropical climate favors the development of scientific research on natural resources. As a benefit from this favorable natural legacy, the region could become a major destination for visitors from South and North America.

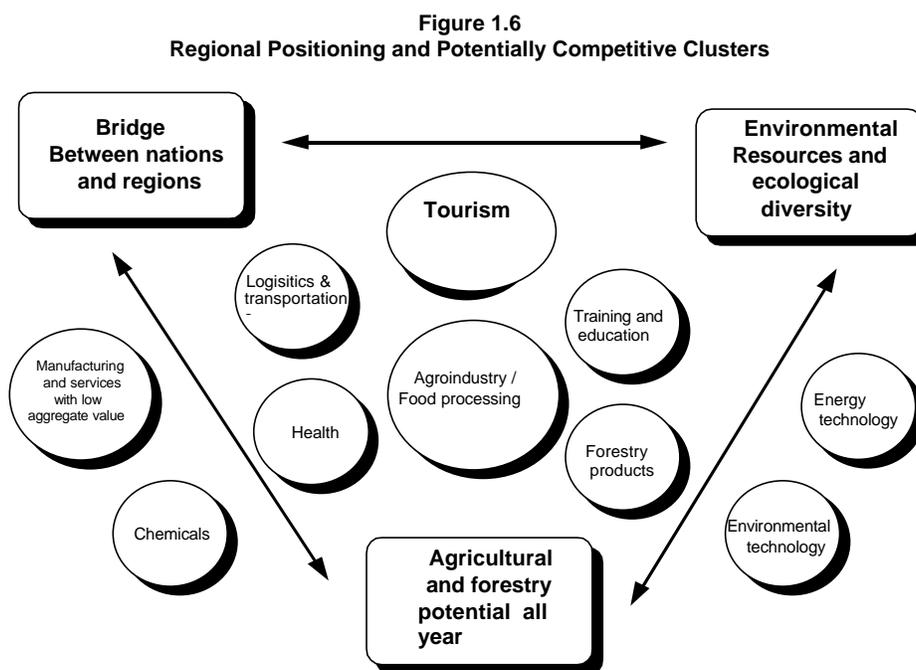
² This positioning was proposed by Michael Porter to Central American Presidents at the October 1995 Summit, in Harvard, as a part of "Central American Alliance for Sustainable Development" activities.

1.4.3 Year-Round Agricultural and Forestry Potential

Central America's location and tropical climate turn into high potential for agricultural and forestry production throughout the year in a wide range of crops, allowing larger production with relatively less seasonality, in a great variety of products that can be targeted to different markets. All these favorable conditions also make the region an attractive destination for agribusiness investment, research, and development.

Using the positioning just described, we can conclude that Central America has natural competitive advantages in particular economic activities. Some very promising examples could be agribusiness and food processing, forestry products, transportation services and international freight logistics, education and health services, energy and environmental services, and tourism based on our natural, archeological, and cultural attractions.

The figure below shows some of the sectors, which, based on this positioning, are identified as potential clusters at the international level.



Given the unique and unrivaled natural resources and characteristics shown by Costa Rica and Central America, tourism, whose ultimate goal is offering visitors all the attractions in a destination, perfectly fits in this positioning and arises as an activity with clear possibilities for creating a competitive and sustainable cluster. This study analyzes the current condition of the tourism cluster in Costa Rica, identifying its strengths and

weaknesses. The main goal is to create a world-class tourism sector, an engine for development in the region. The analysis is developed in the next two chapters. Finally, the last chapter concludes with a brief relation of efforts being made by the tourism sector in reinforcing its international position.

2. EVOLUTION OF THE TOURISM INDUSTRY

2.1 Tourism in The World

In order to analyze tourism into both practical and economic perspective, the global growth rates of visitation and revenue as well as the economic significance to selected countries will be reviewed.

Generally, a tourist is defined as a resident of one country that spends at least one overnight stay in a foreign country. Since the 1950's, tourism in the world has grown dramatically, and has evolved into an industry of significant international economic importance as the amount of revenues it generates annually surpasses petroleum, automobiles and electronic equipment sales. Table 2.1 summarizes the global progression of both tourism visitation and income from tourism.

Table 2.1
World Wide Tourism Growth
(1950-2000)

Period	Number of tourists (Average annual growth)	Income from tourism (Average annual growth)
1950-1959	10,6%	12,6%
1960-1969	9,1%	10,1%
1970-1979	5,7%	19,2%
1980-1989	4,8%	9,6%
1990-2000	4,3%	5,4%

Source: World Tourism Organization 2001

As evidenced in the above chart, tourism activity and the revenue associated with tourism have increased steadily over the last 50 years. According to the World Tourism Organization, the tourism industry is responsible for approximately 12 percent of the world's Gross Economic Product and in 2000; 699 million foreign visitors generated US\$475 billion in annual gross revenue.

For 2001, growth in the tourism sector ground to a halt and international arrivals slipped by 1.3% compared with 2000, due to the terrorist attacks of September 11 in New York and Washington D.C. and the weakening economies of major tourism generating markets such as United States, Germany and Japan. The World Tourism Organization predicts that the tourism industry will pick up its habitual rhythm of growth by the second half of 2002 as business travel resumes and consumer confidence returns. It is considered that the tourism activity for 2002 will depend mainly on the evolution of the world economy rather than on the events of September 11.

Both 2000 and 2001 were exceptional years. The first one because it had special millennium events boosting international arrivals by 7% and, in some cases, causing travelers to advance trips that would have been taken in 2001. For 2001, tourism industry performance was influenced by the terrorist attacks of September 11. WTO estimates that from January to August of 2001, tourist arrivals worldwide grew by 3% -more than one point lower than the average annual gain of 4.3% in tourist arrivals over the past ten years. However, for the last four months of 2001 suffered a drop of

11% in arrivals worldwide and substantial decrease in every region: Africa (-3.5%); Americas (-24%); East Asia/ Pacific (-10%); Europe (-6%); Middle East (-30%) and South Asia (-24%).

Tourism can be cyclical and regional with respect to patterns of popularity and development. Therefore, below is an overview of the most prominent regional tourist destinations in the world with brief commentary on tourism conditions for the last two years.

Middle East. Middle East tourism was set for its best year ever during 2000. Tourists massively visited the historic sites associated with the life of Jesus Christ on the 2000th anniversary of his birth. In the first nine months of the year, arrivals were up by as much as 20%, but the region ended the year with a lower –but still significant- estimated growth rate of 12% due to the renewed violence in the last quarter of the year.

Before September 11 2001, the Middle East showed a small 0.3% growth rate. But the region plunged 30% in the last four months of the year to end with a drop in international arrivals for 2001 of 9%-the worst result of all the regions. Egypt, which accounts for a quarter of all arrivals to the Middle East, decreased by 15.6%, while Jordan managed to recuperate positive growth by December to end the year with an increase of nearly 4% in international arrivals.

Europe. This continent was the start performer of world tourism in 2000, with tourists attracted to Germany for Expo 2000 and to Italy for the Vatican Jubilee. Eastern European countries recovered following the Kosovo conflict and Turkey recuperated after two years of declining tourism due to instability and natural disasters. Despite their cooler temperatures, northern countries emerged as the year's "hot" destinations.

International arrivals were off by 0.7% in Europe in 2001. Big losses in the United Kingdom were offset by gains in the Eastern Mediterranean and in Southern Europe. Spain gained a firm place as the world's number two destination in 2001, despite a change in statistical methodology in 2000 that caused it to drop temporarily to third place behind the United States. In Europe, it is also worth noting that several emerging destinations showed strong growth in 2001, particularly Bulgaria (+14%), Estonia (+9%) and Slovakia (+13%).

Africa. Africa increased its international arrivals by an estimated 4.4% in 2000. While Zambia, Mauritius, Morocco and Algeria all enjoyed strong growth, two of Africa's biggest destinations stagnated or suffered – South Africa and Zimbabwe.

International arrivals to Africa increased by 3% in 2001 with most of that gain coming from the North African countries of Tunisia and Morocco which showed strong growth for the period January to August and a slowed down at the end of the year. South Africa, which suffered from its dependence on the long-haul markets of Germany, UK and USA, showed a decline of nearly 2% for the first 11 months of the year.

South Asia. This region is another of the success stories of 2000, with tourist arrivals growing by 11% -more than twice the world average for the past 10 years. Although it did not host any world-renowned events, tourists are increasingly seeking out its exotic destinations –especially Iran and India.

International arrivals fell by 6% in 2001, due mainly to the proximity of fighting in Afghanistan. The period September through December resulted in a drop of 24% in tourism to the region. Countries such as Nepal (-22%) and Sri Lanka (-16%) were also affected by civil unrest throughout the year. A bright spot in the region was the Maldives, which achieved strong growth of 9% in the first half of the year, but expects to end the period with a loss of just over 1%.

East Asia and the Pacific Rim. Australia enjoyed its own tourism boom due to the Sydney Olympics and surrounding publicity in 2000. The region saw growth in tourist arrivals that was driven by big increases in China and its special administrative regions of Hong Kong and Macao. Southeast Asia, specially Malaysia, Thailand, Indonesia, Viet Nam and Cambodia, is becoming one of the world's favorite tourism destination with demand outstripping tourist facilities.

For 2001, international arrivals to East Asia and Pacific grew by 4%, although the pre-September 11, growth rate was more than twice that much. Several destinations were affected by economic problems in Japan, which accounts for 17% of the region's tourism. Japanese outbound tourism fell by an estimated 4-6% in 2001.

The Americas. The Americas recorded its fastest growth in the Caribbean (7.5%), while Central and North America also showed solid increases of 7.0 % and 5.7% respectively. Despite the strength of the US dollar, international arrivals to the United States were up by 4.9% due to continuing growth from major overseas markets, especially the UK and Japan, as well as recuperation of leisure and business tourism from Canada and Mexico.

For 2001, international arrivals dropped by 7%, reflecting a trend that began well before September 11 due to economic problems in Brazil, Argentina and Japan, as well as decreasing levels of consumer confidence in the United States. Inbound and outbound tourism to the United States suffered as a result of the attacks, arrivals for 2001 fell by almost 13% and countries dependent on US tourists also suffered, including Mexico (-5%), Jamaica (-4%), Bahamas (-4%), Dominican Republic (-5%) and Canada (0.1%). Economic instability plagued Southern Cone countries causing decreases in Brazil (-8%), Argentina (-9%) and Uruguay (-4%).

Provided in the chart below is a summary of tourism arrivals and receipts for the ten most visited countries in the world. As evidenced by the statistics below, tourism is a multi-billion US\$ dollar industry in many countries. Table 2.2 provides comparative statistics for Costa Rica and its relative standing.

Table 2.2
Major In-Coming Tourist Markets in the World
2000

Nº	Country	Nº of tourists	Variation 1999-2000	Income (US\$M)	Variation 1999-2000	Per arrival income (US\$)
1	France	75 600 000	+3,4	29 900	13,7	396
2	US	50 900 000	+4,9	85 200	-5,1	1 673
2	Spain	47 900 000	+3,0	31 000	-4,3	643
4	Italy	41 200 000	+12,8	27 400	-3,2	665
5	China	31 200 000	+15,5	16 200	+15,1	519
6	England	25 200 000	-0,8	19 500	-3,4	773
7	Russian Fed ¹	21 200 000	+14,5	7 500	+15,4	353
7	Mexico	20 600 000	+8,4	8 300	+8,3	402
9	Canada	20 400 000	+4,9	10 800	+5,9	529
10	Germany	19 000 000	+10,9	17 800	+6,5	936
	Costa Rica	1 088 075	+5.48	1 229	22.76	1 130

¹ Income information is for 1999 and the variation rate is between 1998-1999.

Source: World Tourism Organization.

France is the world's leading country in the number of tourists attracted with nearly 76 million visitors in 2000, representing over 10 percent of the world's tourism arrivals. With respect to tourism receipts during the same year, the United States lead the world, earning US\$85 billion in tourism receipts, representing 17,9 percent of tourism receipts worldwide.

In 2000, Costa Rica received 0.15 percent of the world's tourist arrivals and approximately 0.84% percent of the tourists that arrived to the Americas. These figures indicate the enormous size of the world market, as well as Costa Rica's growth potential, provided it adequately develops its industry and product offering. If Costa Rica's market share is analyzed over time, it has gone from 0.10 percent in 1990 to 0.15 percent in 2000. This could be considered a success, as the Americas have decreased its market share in the last 10 years from a 20.3 percent in 1990 to 18.5 percent in 2000.

September, October and November 2001 were a disaster for international travel according to the WTO. However, there have been indications that December was not as bad and these statistics do not reflect the dramatic changes in travel habits in the fourth quarter of 2001, as many tourists substituted domestic trips for international travel³. Holidaymakers also chose to travel by car or rail rather than by air. Consequently, tourists visited destinations that were closer to home rather than long-haul destinations and they chose more familiar places that were perceived as being safer. In France, for example, passengers on domestic flights declined by 15% in November, while rail passenger numbers increased by 9% during the same period. These shifts in travel habits benefited rural tourism accommodations, ski resorts, campgrounds, and bed & breakfast inns.

Other events that had a negative impact on the tourism industry last year included the outbreak of foot and mouth disease in the United Kingdom, Ireland and the Netherlands, the strength of the US dollar; the year-long Israeli-Palestinian conflict, that depressed travel throughout the Middle East; and the economic crisis in Argentina.

³ WTO Secretary-General Francesco Frangialli, January 2002.

Tourist spending per trip averaged US\$680 in the world for 2000. Comparatively, each foreign tourist who visited Costa Rica in the same year spent an average of US\$1,130. The income per tourist in Costa Rica is fast surpassing global standards. This can be shown by the market share of the receipts generated by tourism in Costa Rica, which represents a 0.27 percent of receipts generated worldwide. Therefore, the receipts market share is higher than the arrivals one. There is no data available for 2001.

The outlook for Eastern holiday travel and the 2002 summer season is positive and will depend mainly on the evolution of the world economy, rather than on the events of September 11. World tourism is expected to grow at an annual rate of 4.2 percent over the next decade. Although this growth rate is lower than that during the past 45 years, it is significant in real terms as the absolute number of travelers and tourism related revenue would steadily increase.

According to World Tourism Organization estimates, approximately 1 560 million international tourists are expected to visit foreign countries in the year 2020. The tourism to the Americas is expected to be 282 million for the end of 2020.

2.2 Tourism on the American Continent

In 2000, tourism destinations on the American continent recorded a growth rate increase of 5,5 percent in tourist arrivals from the previous year, totaling 129 million. Of greater significance, was that during the same year tourism receipts increased at a rate two times greater than that of visitation, 11,5 percent, accounting for a total of US\$136,4 billions.

The estimated number of tourist that visited America for 2001 is 119 million, 7.75% less than 2000. There is not receipt data available for 2001. The following table summarizes the tourism visitation and receipt statistics for the 10 leading countries of the Americas, and Costa Rica's comparative figures.

Table 2.3
Main tourism destination markets in the Americas
2000

Nº	Country	Number of tourists	Variation 1999-2000	Income (US\$M)	Variation 1999-2000	Per arrival income (US\$)
1	US	50 891 000	+4,9	85 153	+13,7	1 673
2	Mexico	20 643 000	+8,4	8 295	+14,8	401
3	Canada	20 423 000	+4,9	10 768	+5,9	527
4	Brazil	5 313 000	+4,0	4 228	+5,9	795
5	Puerto Rico	3 341 000	+10,5	2 541	+18,8	760
6	Argentina	2 991 000	+3,2	2 903	+3,2	970
7	Dom. Republic	2 977 000	+12,4	2 918	+15,6	980
8	Uruguay	1 968 000	-5,1	652	-0,2	331
9	Chile	1 742 000	+7,4	827	-7,9	474
10	Cuba	1 700 000	+8,9	1 756	+2,5	1 032
19	Costa Rica	1 088 075	+5.5	1 229	+18.6	1 130

Source: World Tourism Organization.

The statistics in the above table indicate Costa Rica's current position in relation to the 10 leading tourism destinations in the Americas and the Caribbean. With respect to

all of the Americas, in 2000, Costa Rica accounted for 0.84 percent of the number of arrivals and 0.95 percent of tourism receipts of all the Americas.

2.3 Tourism in Central America

As the United States, Canada and Mexico are large countries and attract such large numbers of tourists, the visitation statistics to Central America are somewhat distorted. Although Central America is attracting a smaller number of visitors, the growth rates for both tourist arrival and receipts are substantial. In fact, the number of arrivals to Central America increased at a rate of 6.8 percent in 2000 while receipts increased at a rate of 12 percent. For 2001, the estimated number of tourists in the region was 4,5 million, which means that the flow of tourist increased during this difficult year. There is still not receipts information available for 2001.

Table 2.4.
Major destination markets in the Central American region
2000

Nº	Cou try	Nº of tourists	Variation 199 -2000	Income (U S\$M)	Variation 1999- 000	Per arri val income US\$)
1	Costa Rica	1 088 075	+5,5	1 229	+18,6	1 130
2	Guatemala	826 000	+0,4	535	-6,1	647
3	Panama	479 000	+4,8	576	+7,1	1 202
4	Nicaragua	486 000	+3,8	116	+8,4	238
5	El Salvador	795 000	+20,8	254	+20,4	319
6	Honduras	408 000	+10,0	240	+23,1	588
7	Belize ¹	181 000	+2,3	112	+3,7	618
	Total	4 263 075	+6.8	3 062	+12.0	685

¹ Belize's data is for 1999 and the variation rate is for 1998-1999.

Source: World Tourism Organization and ICT Statistical Bulletin.

With respect to Costa Rica's tourism statistics in relation to the Central American region, the country accounted for nearly 26 percent of the region's tourist arrivals and 38 percent of all tourism receipts.

2.4 Tourism in Costa Rica

2.4.1 Historical Development

Tourism is ranked as the second major source of income, surpassed only by export of computer chips. In 2000, foreign exchange originating from tourism totaled US\$1,229.2 millions, equivalent to 21 percent of Costa Rica's total exports that year⁴. Tourism contributes substantially to Costa Rica's Gross Domestic Product (GDP), and has replaced traditional agricultural exports as the number two source of foreign exchange. Given Central America's tourism growth rate, in general, and Costa Rica's, in particular, during the last decade, it is foreseeable that the Costa Rican economy will keep moving towards the service based products and leaving the agrarian sector

⁴ ICT, Statistics Area.

behind. Tourism statistics for the period 1997 to 2000 are provided as evidence of the increasing importance tourism has in the Costa Rican economy.

Table 2.5
Tourism Indicators
1997-2000

Concept	1997	1998	1999	2000
Foreign exchange (millions)	719.3	883.5	1,001.6	1,229.2
Average tourist spending	886.4	937	971	996
Average daily spending	93.44	93.86	95.56	85.6
Average stay (days)	9.73	9.52	10.2	11.1
Hotels	1,720	1,750	1,777	1,826
Hotel rooms	27,860	28,084	28,826	29,497
Employees by investment in the sector (1)	895	1,497	856	825

(1) Number of jobs generated by the investment of companies with ICT declaration. In 1998 the number is higher due a specific lodging project.

Source: 1996-1999, 2000 ICT Statistical Bulletin.

Tourism is an important source of direct and indirect employment. It is estimated that, at a macroeconomic level, the industry generates approximately 140,000 jobs. This represents a 10.6% of the labor force at July 2000. According to data from the National Tourism Chamber (CANATUR), over US\$980.9 million have been invested in tourism alone in the period from 1986-1998.⁵ Table 2.6 shows the receipts generated by the tourism industry compared with other export products.

Table 2.6
Tourism with respect to other export products
(Millions US\$)
1997-2000

Year	Micro hips	Tourism	Coffee	Bananas	Meat	Sugar
1995	-	659.6	417.1	680.2	43.6	46.1
1996	-	688.6	385.4	631.1	42.2	44.4
1997	-	719.3	402.3	577.3	28.3	41.1
1998	987.2	883.5	409.5	667.5	24.0	41.8
1999	2,558.6	1,036.1	288.7	629.0	27.2	30.0
2000	1,676.1	1,229.2	273.7	546.1	30.7	28.6

Source: ICT Statistical Bulletin, 2000.

In the following table, the number of international tourist arrivals and corresponding annual growth rates are presented. Despite political challenges in Central America during the 1980's, Costa Rica has more than doubled the amount of tourist arrivals for 2000 compared with 1990. With insightful government and long-term planning, Costa Rica could double again the amount of tourist arrivals it receives in the next ten years.

⁵ CANATUR (1995a), p. 3

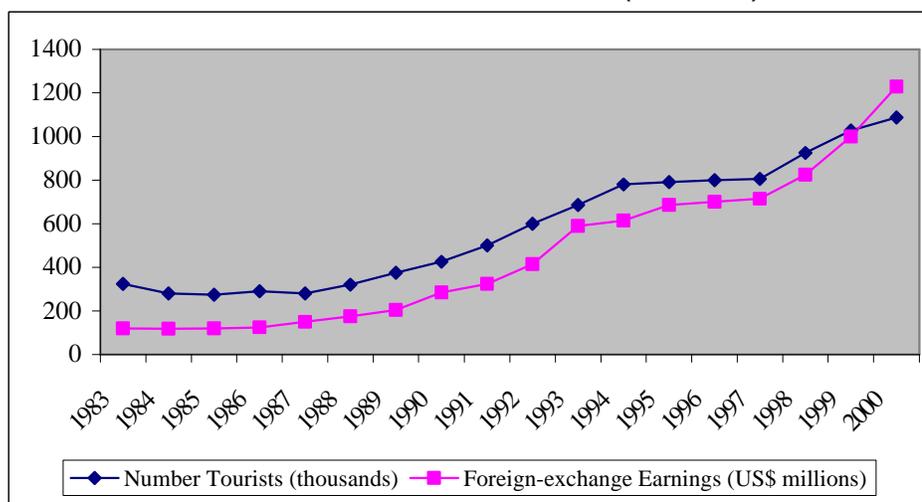
Table 2.7
Costa Rica Tourism Arrivals Growth Rate
1990-2000

	Arrivals	Net Variation (000)	Growth (%)
1990	435.0	59.0	15.69%
1991	504.6	69.6	16.00%
1992	610.6	106.0	21.01%
1993	684.0	73.4	12.02%
1994	761.4	77.4	11.32%
1995	784.6	23.2	3.05%
1996	781.1	(3.5)	-0.45%
1997	811.5	30.4	3.89%
1998	942.8	131.3	16.18%
1999	1,031.5	93.3	9.90%
2000	1,088.1	52.0	5.50%
Average		65.0	10.33%

Source: 2000 ICT Statistical Bulletin, 2001 ICT

In 1998, Costa Rica's tourism cluster revived and grew at outstanding rates, fueling its increasing impact on the country's economic and social development. Also, tourism has promoted regional development due to its extensive geographical coverage. Tourism has been where no other industry has been before, outside of the Central Valley and into the most rural areas. Figure 2.1 clearly illustrates this explosive development of the industry since the late eighties.

Figure 2.1
Tourism Evolution in Costa Rica (1983 – 2000)



Source: ICT Statistical Bulletin 2000.

Costa Rican tourism showed symptoms of stagnation during 1995, and during 1996 it suffered a worrisome decrease. After having low growth rates in the number of

arrivals, since 1994, even passing by a 0.4% shrinking during the 1995/96 period, tourism arrivals grew strongly during 1998, by 16.2% followed by a 9.9% and 5.5% growth rate in 1999 and 2000 respectively.

2.4.2 Costa Rica's Positioning As A Tourism Destination

Several reasons contributed to Costa Rica's accelerated growth in tourism, and helped define its positioning as a tourism destination:

- ?? The country's geographic location and its relative proximity to the largest out-bound tourism markets in the world (United States and Canada).
- ?? In 1987, Dr. Oscar Arias Sánchez (then President of Costa Rica) was awarded the Nobel Peace Prize. This event placed Costa Rica on the headlines of major world news agencies and increased interest in the country. International advertising stirred by this prize, enabled Costa Rica to position itself as a peaceful destination with a long-standing democratic tradition within the international community.
- ?? The government decided to diversify non-traditional exports and enacted the Law of Tourism Incentives in 1985. This law provided major tax benefits for most of the direct suppliers of tourism services; the country's tourism supply has significantly increased since then⁶.
- ?? In the late eighties, the world trend towards environmental conservation and ecology gathered momentum. Costa Rica, politically stable and with incredible biological diversity, attracted entities like the Organization for Tropical Studies, which gathers 55 internationally renown universities, the Center for Research and Education of Tropical Agronomy (CATIE), and the Inter American Institute of Cooperation for Agriculture (IICA). These institutions have been for many years doing first-class research in the country and had spread the name of Costa Rica among the academia, environmental groups, and the general public interested in the subject, as a country characterized by its biodiversity and commitment to environmental conservation. Also, Costa Rica created an exemplary national park system, which has relatively easy access and covers a large percentage of the national territory. All of this contributed to position the country as a very attractive destination for those tourists who, for professional or personal reasons, were interested in the environment or nature.
- ?? Costa Rica is so small, that a large variety of activities can be carried out in a relatively short period of time. In a few hours tourists may go from the Atlantic to the Pacific Ocean, and in a few days they can visit forests, beaches, national parks, and other diverse attractions.

⁶ This law was subject to major revisions in 1992.

Merging up all of these independent conditions, the Costa Rican Tourism Board (ICT) launched a powerful and well-directed \$3 million marketing campaign in 1996 that clearly positioned the country. With the slogan "Costa Rica, No Artificial Ingredients", Costa Rica was portrayed as a diversified nature destination to the strategically chosen target markets. This has been an extremely successful campaign positioning the country in terms of the type of tourists the country targets, tourism supply, and the role of the tourism industry in the country's development⁷. It is also interesting that MkCann-Erickson, the private firm hired to develop and manage ICT's promotion account, won more than five international awards with this campaign.

ICT develops the marketing and strategic plans for the country's promotion. According to its 1999-2002 Marketing Plan, the board will promote selling a Costa Rica that is:

- ?? A place to relax physically and mentally
- ?? An exotic destination, unknown and unsaturated
- ?? A combination of quality services and a natural environment
- ?? Great diversity of attractions in a small country, allowing the tourist to see in a few days two oceans, mountains and beaches.
- ?? Accessibility to natural attractions
- ?? Educated and friendly people
- ?? Varied, colorful and spectacular scenery
- ?? Adventure with low risk

The private sector has also thought about its long-term positioning strategy. During the IX National Tourism Congress on September 1998, the private sector elaborated a long-term vision of the tourism sector:

Costa Rica's Tourism In The Year 2020:

"Costa Rica will be a destiny where the tourist will experiment the unique Costa Rican hospitality, with the fabulous mix of well-conserved natural attractions, which together provide a unique and hard to forget travel experience, filled with enriching moments and natural relaxation.

The tourist will be able to enjoy our environment safely, interacting with friendly and educated people that will delight them with their service.

Our tourism supply is clearly differentiated in the market and well positioned as the main nature destiny in the world. It will be diversified, innovative, constantly rediscovering itself, and respectful of the environment. Many interest groups will have the opportunity to enjoy our country, all within a frame of appreciation and respect for nature.

What is good for tourism is good for Costa Rica. Tourism will be the most efficient way to develop the rural areas in the country".

Costa Rican Tourism Private Sector, 09/1998

⁷ See also, Segura, Gustavo /CLACDS-INCAE *Comentarios acerca de la Campaña de Promoción Turística de Costa Rica ne los E.U 1996-1997.*

Both, the private and public sector of Costa Rica agree on the importance of maintaining a positioning based on nature and conservation. However, sometimes the fear of attracting massive tourism to the country has become a dilemma that creates some tension in the sector. The unusual inflow of visitors would ruin all of the country's natural wealth.

Competitiveness is not against preserving the environment⁸ and such an example is provided by the Monteverde Cloud Forest biological reserve, which has been able to devise an advanced system to protect its natural resources, in face of an increasingly larger tourism inflow from year to year.

Also, ICT's Certificate for Sustainable Tourism is a great example of how the sector will help in conservation. In 2002, this voluntary evaluation program already has 200 hotels inscribed and ICT pretends to start evaluating travel agencies during this year.

Due to the September 11th terrorist attacks in New York and Washington DC, and the economic slowdown in the world economy the tourist arrivals decrease during the period October 2000 – October 2001. The following table shows the number of arrivals by air during this period and the region of origin.

Table 2.8
Costa Rica Tourism Arrivals Growth Rate
Oct 2000-2001

Country of origin	Oc 2000	Oc 2001	Var ation %
North America	24,650	23,619	-4.2
Central America	5,836	5,273	-9.6
Caribbean	562	555	-1.2
South America	7,400	6,306	-14.8
Europe	9,791	9,043	-7.6
Asia	1,348	1,146	-15.0
Others	461	260	-43.6
Total	50,511	45,257	-7.7

Source: ICT Statistics Department.

The ICT authorities consider that the coming high season -December 2001-abril 2002- will contribute get over, what the industry have called a crisis. From January to September 2001, the numbers of tourist arrivals increased by 5.6 percent compared with 5.4% for the same period on 1999, which make the industry believe this is a temporary situation. Moreover, the fact that Costa Rica offers a different and

⁸ This thesis is defended by Michael E. Porter and Claas van der Linde, in a study they made in collaboration with the Management Institute for Environment and Business (MEB), where industries and sectors seriously affected by environmental regulations were analyzed. The conclusion of this study is that, through innovation, companies are able to minimize or even eliminate the costs of complying with a strict ecological legislation. According to this thesis, should high standards be imposed in Costa Rica to mitigate environmental impact brought about by a higher tourist inflow, the most competitive companies would be favored by innovation, instead of being harmed. For more information on the subject, see the article "Green and Competitive" in the September 1995 issue of Harvard Business Review.

specialized type of tourism product, eco-tourism; contributed for the situation not to be worse

2.4.3 Tourism industry growth rates: forecast

In 2000, an estimated 1,088,075 foreign tourists, who spent approximately US\$1,229.2 million, visited Costa Rica. This represents an increase of 5.5% percent over the previous year in the number of visitors to Costa Rica and an increase of 18.6 percent in tourism receipts during the same period. The compounded average annual growth rate for visitor arrivals to Costa Rica for the 10-year period was 10.3 percent, which was used as a baseline for estimating future growth.

Table 2.9 presents four possible growth scenarios for future tourist arrivals. Scenario "A" is a conservative approach that assumes a 4.2 percent annual growth rate (which is the global rate estimated by the WTO for growth in tourism arrivals for next decade). Table 2.7 shows that the absolute number of tourists per year increases in more than 50 thousand, except for the period between 1995 and 1997. Therefore Scenario "B" assumes an absolute increase per year equal to the average increase in number of tourists 65.000.

Scenario "C" is optimistic, assuming Costa Rica's historical growth of 10.3 percent in market participation for tourist arrivals follow, as like the last 10 years. This scenario would require diligent effort and complete success with promotional, product and infrastructure development. Scenario "D" assumes a tourism "boom" in the country over the next decade, growing at an average annual rate of 15 percent.

Table 2.9
Costa Rica: Estimated Growth of Tourism Arrivals
(Thousands)
2002-2012

Year	A 4.20%	B 65.0	C 10.33%	D 15%
2002	1,133.78	1,153.08	1,200.48	1,251.29
2003	1,181.40	1,218.08	1,324.49	1,438.99
2004	1,231.02	1,283.08	1,461.31	1,654.83
2005	1,282.72	1,348.08	1,612.26	1,903.06
2006	1,336.59	1,413.08	1,778.81	2,188.52
2007	1,392.73	1,478.08	1,962.56	2,516.80
2008	1,451.23	1,543.08	2,165.29	2,894.31
2009	1,512.18	1,608.08	2,388.96	3,328.46
2010	1,575.69	1,673.08	2,635.74	3,827.73
2011	1,641.87	1,738.08	2,908.02	4,401.89
2012	1,710.83	1,803.08	3,208.42	5,062.17

Although both the public and private sectors of the Costa Rican tourism industry have acknowledged the need for a collaborative and interactive approach coupled with insightful strategic planning, a fully developed plan will likely not reach the implementation phase for at least another year. Until such a plan has been

implemented, the possibility of achieving the growth rate assumed in scenario “D” is unlikely.

At the same time, as Central America, and Costa Rica in particular, have been recording growth rates in tourist visitation well above the global average in the last years, it is expected that Costa Rica's visitation rate will continue to increase at a rate above that assumed in scenario “A”. It is also likely that Costa Rica's visitation variation over the ten-year period remain relatively constant if other factors remain status quo as proposed in scenario “B”.

If a long-term development plan was implemented over the next several years, including a successful promotional campaign and product development program, it is feasible to foresee Costa Rica's tourist arrival growth rate approaching that assumed in scenario “C”. Given the probability that a new long-term tourism development plan could be at least partially implemented in the next few years, it is most reasonable to expect that Costa Rica will achieve and a compound average growth rate in tourism arrivals of between 6.0 and 8.0 percent provided the region remains stable.

2.4.4 Costa Rica Tourism Demand

2.4.4.1 International Tourism

Since 1992, North America, which accounts for 47 percent of all tourist arrivals, has been the greatest source of tourists arriving to Costa Rica, with a total of 515,853 in 2000. Other Central American countries, which account for nearly 27 percent of all visitor arrivals to Costa Rica, are an important source of demand, with a total of 286,466 in 2000. Europe, the point of origin for an estimated 151,393 tourist arrivals in 2000, accounts for approximately 14 percent of Costa Rica's total tourist arrivals. In terms of market potential, North America and inter-regional tourists are clearly of paramount importance given geographic proximity and access. Table 2.10 provides Costa Rica's tourist arrival statistics according to region of origin, for the period 1993 to 2000.

Table 2.10
Origin of tourists arriving to Costa Rica
(Thousands)
1993 - 2000

Country Region	1993	1994	1995	1996	1997	1998	1999	2000	%99-00
North America	302.7	332.7	349.3	329.9	347.7	419.6	469.9	515.9	9.8
Central America	193.5	221.4	218.0	234.0	247.0	293.8	310.6	286.5	-7.8
South America	52.9	54.0	58.6	58.9	59.0	68.8	73.3	95.6	30.4
Caribbean	6.4	7.4	7.1	6.7	7.7	8.9	9.3	9.5	1.3
Europe	113.9	129.6	132.0	129.5	126.7	127.5	141.3	151.4	7.1
Asia	2.0	2.5	2.6	17.6	18.4	18.6	20.1	21.2	5.1
Africa	10.6	11.2	10.7	0.7	0.6	0.7	0.9	0.8	-12.0
Other Countries	1.8	2.0	1.1	3.5	4.0	4.8	5.9	7.4	24.7
Total	561.9	537.4	563.5	781.1	811.5	942.9	1,027	1,088	5.5

Source: 1992-2000 ICT Statistical Bulletins

Further market definition confirms that not only is North America the greatest source of tourist arrivals, but that the United States alone accounts for 39 percent of all tourist arrivals while Nicaragua and Panama account for 13 percent and 5 percent, respectively for 2000. These countries are followed by Canada (4.84%), Colombia (3.72%), Mexico (3.07%), Guatemala (3.05%), El Salvador (2.86%), Spain (2.47%), Germany (2.43) and Honduras (2.23%).

Given these statistics, the development of a strategic marketing plan must be prepared with special consideration given to the demographic profiles of the typical traveler from primary feeder markets. Specifically, a generic approach cannot be taken to marketing and promoting Costa Rica, as its demand is not concentrated but it is very diverse. Moreover, under the hypothesis that this market share changes according to the receipts generated, it could be assumed that North America and Europe are the more attractive regions because they are the ones that could generate more income for the country.

In 2000, there was an interesting change in Costa Rica's tourist markets, even the percentages in the same region changed. For example, tourist arrivals from South America increased by 30.4%, thanks to countries like Colombia, Argentina, Venezuela and Chile. However, in 1998, Brazil and Ecuador's market share was more important. Moreover, many of this people are running away from a bad political or economic situation in their countries.

Europe maintains its participation with respect to 1999, even though it has not reached the levels shown in 1997. Spain has been the country to increased more its market share, until been the most important tourist generator from this region. However, Germany has shown an increase since 1998. Currently is holds a position similar to Spain, in the Costa Rican market. It is amazing the explosive increase that Holland, England and Sweden have shown in the last year, which means that these markets have an interest in the products offered by the country.

Despite North America continuing to be the primary generator of tourists, the European and South American markets have increased significantly during the last ten years, which provides the country with a clear opportunity to diversify the risk of the industry concentrating on a sole economy, North America. The standards for product and facilities development must meet the requirements of the North American, European and South American travel markets in order to capture and sustain greater market share.

Table 2.11
Tourist arrivals by region
(Thousands)
1990 a 2000

Regions	1990	2000	Variation
North America	191.284	515,853	169.68%
Central America	139.913	286,466	104.75%
Caribbean	4.192	9,450	125.43%
South America	32.575	95,612	193.51%
Europe	57.177	151,393	164.78%
Other	9.896	29,301	196.09%

Source: 2000 ICT Statistical Bulletin

Although other potential markets have not been deeply penetrated, comparative statistics between the countries of departure for Costa Rica bound tourists are more diverse than those of other regional destinations. Table 2.12 lists the countries of origin to other selected destinations in the region. Costa Rica is less dependent on U.S. tourists than Mexico (92%), Bahamas (83%) and Jamaica (70%). The lower level of dependence on a specific market is likely the result of Costa Rica being the destination for a more affluent class of tourist. This is also reflected in the average income per tourist, where Costa Rica, with \$1,130, is above the world's average \$680.

Table 2.12
Origin of tourists in selected destinations
(Thousands and %, 1999)

Country Region	Costa Rica	Guatemala	Bahamas	Jamaica	Mexico
Canada	45.6 (4%)	19.1 (2%)	76.7 (5%)	100.3 (8%)	501.9 (3%)
United States	392.6 (38%)	182.6 (22%)	1 306.3 (83%)	870.0 (70%)	17 463 (92%)
Central America	310.6 (30%)	400.8 (49%)	N.D.	3.19 (0%)	ND
South America	73.3 (7%)	30.8 (4%)	N.D.	10.1 (1%)	ND
Europe	145.6 (14%)	113.7 (14%)	140.8 (9%)	209.6 (17%)	562.8 (3%)
Asia	15.9 (2%)	15.1 (2%)	N.D.	12.2 (1%)	N.D.
Other	33.2 (4%)	72.1 (13%)	43.9 (3%)	35.8 (3%)	297.4 (2%)
Total tourists	781.1	822.7	1 577.0	1 248.4	19 042.7

Source: World Tourism Organization (2000).

2.4.4.2 Characteristics of the tourist that visits Costa Rica

According to the 2000 high-season survey done by the Costa Rican Tourism Board, the average international tourist is between the ages of 15 and 45; 42 percent are single; 50.1 percent are married; 40 percent travel on their own; 13.6 percent travel with their family; and 21.8 percent travel with their friends.

Regarding the activities desired by foreign travelers, the most frequently sought activities have been summarized for both Costa Rica bound tourists and tourists worldwide and are presented in the table below. The activity statistics for worldwide tourists were prepared by the World Tourism Organization figures.

Table 2.13
Activity Distribution Among International Tourists
2000

Reason For trip	% Costa Rica	Tourists in Costa Rica	% Worldwide*
Vacation	61.5	669,166.13	40.6
Business, Congresses	21.7	236,112.28	23.4
Family visit	8.4	91,398.30	25.0
Studies	3.8	41,346.85	2.3
Other	4.6	50,051.45	8.5

Source: ICT & WTO, * 1998 figures

In further support of these global statistics, according to the 2000 high-season survey done by the Costa Rican Tourism Board, to develop a detailed profile of the international tourists visiting Costa Rica resulted with similar results. The average Costa Rican tourist has the following characteristics.

- ?? Between 15 and 60 years old (26% was between 15-30 years old, 40.8% in the 30-45 range and 24.4% was in the 45-60 age range)
- ?? Educated (8/10 had college or graduate degrees)
- ?? Spent between \$15 and \$85 a day (56.1% did, 24.3% spent more than \$120, and 7.7% less than \$15)
- ?? Traveling for the first time to Costa Rica (58.5% were first time visitors; 41.5% were repeating)
- ?? Accompanied (40.0% traveled alone)
- ?? First time visitors coming to Costa Rica based on a friend/relative's recommendation (51.3% were, opposed to 10.3% who read about the country)
- ?? Willing to go to the sun/sea/beach (84.0%), observed wildlife (64.4%), and walked through paths (42.7%)
- ?? Willing to go to a natural park (58.4%).
- ?? Stay from 7 to 15 nights (44.4% did, 16% more than 22 nights and 14.3% from 1 to 3 nights). The average stay is 11.1 nights.

The profile of the Costa Rican bound tourist more closely resembles the typical worldwide tourist than the typical Central American tourist as more Costa Rican tourists come for the purpose of vacation (61.5%) rather than for business (21.7%). Table 2.14 lists the most frequently visited destinations by international tourists in 2000.

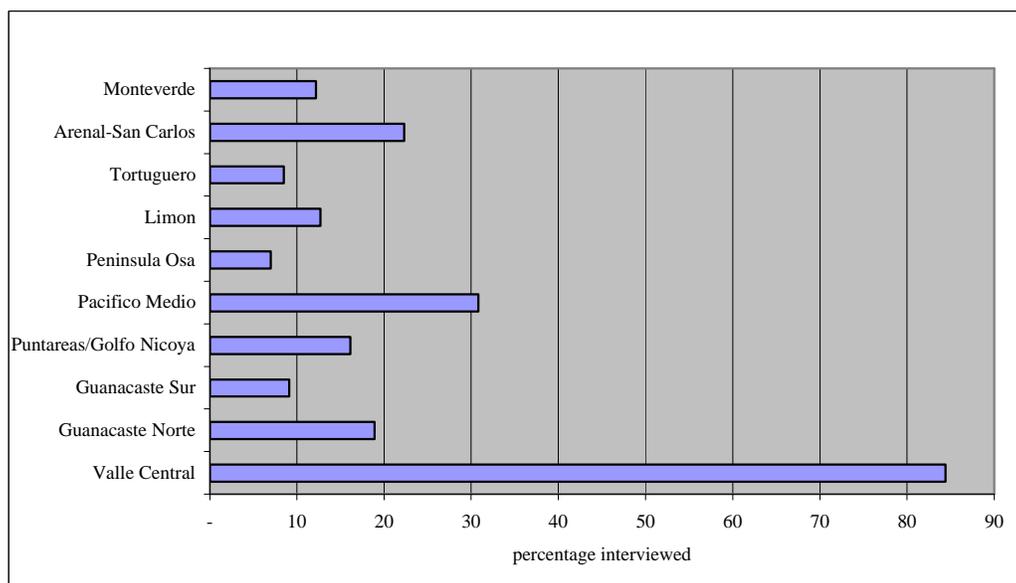
Table 2.14
Most frequently Visited Tourist Destinations
2000

DESTINATION	% Of total number of tourists	No. Of total tourists in 2000
Central Valley	84.4	918,335
Northern Guanacaste	18.9	205,646
Southern Guanacaste	9.0	97,926
Puntarenas & Gulf of Nicoya	16.1	175,180
Middle Pacific	30.8	335,127
Osa Peninsula	7.0	76,165
Southern Caribbean	12.7	138,185
Northern Caribbean	8.5	92,486
Arenal, La Fortuna, San Carlos	22.3	242,640
Monteverde	12.2	132,745

Source: ICT 2000

The following chart presents the percentages of visitation to the most commonly reported sites:

Figure 2.2
Most frequently Visited Tourist Destinations
2000



Source: ICT

In consideration of the established patterns of destination/site visitation as indicated in the above table, estimations can be calculated for the future demand of Costa Rica's tourism products. The estimations for visitation are provided in the following tables (Conservative, Optimistic and "Boom").

Table 2.15.a
Estimation of arrivals for the most popular tourism products of Costa Rica
(Conservative Scenario -B-)
Years 2002, 2007, 2012

DESTINATION	% of total number of tourists	2002 (1,153,080 tourists)	2007 (1,723,158 tourists)	2012 (2,651,293 tourists)
Central Valley	84.4	1,153.08	1,478.00	1,803.08
Northern Guanacaste	18.9	973.20	1,247.43	1,521.80
Southern Guanacaste	9.0	217.93	279.34	340.78
Puntarenas & Gulf of Nicoya	16.1	103.78	133.02	162.28
Middle Pacific	30.8	185.65	237.96	290.30
Osa Peninsula	7.0	355.15	455.22	555.35
Southern Caribbean	12.7	80.72	103.46	126.22
Northern Caribbean	8.5	146.44	187.71	228.99
Arenal, La Fortuna, San Carlos	22.3	98.01	125.63	153.26
Monteverde	12.2	257.14	329.59	402.09

Table 2.15.b
Estimation of arrivals for the most popular tourism products of Costa Rica
(Optimistic Scenario -C-)
Years 2002, 2007, 2012

DESTINATION	% of total number of tourists	2002 (1,200,480 tourists)	2007 (1,962,560 tourists)	2012 (3,208,420 tourists)
Central Valley	84.4	1,200.48	1,962.56	3,028.42
Northern Guanacaste	18.9	1,013.21	1,656.40	2,555.99
Southern Guanacaste	9.0	226.89	370.92	572.37
Puntarenas & Gulf of Nicoya	16.1	108.04	176.63	272.56
Middle Pacific	30.8	193.28	315.97	487.58
Osa Peninsula	7.0	369.75	604.47	932.75
Southern Caribbean	12.7	84.03	137.38	211.99
Northern Caribbean	8.5	152.46	249.25	384.61
Arenal, La Fortuna , San Carlos	22.3	102.04	166.82	257.42
Monteverde	12.2	267.71	437.65	675.34

Table 2.15.c
Estimation of arrivals for the most popular tourism products of Costa Rica
(Tourism "Boom" Scenario -D-)
Years 2002, 2007, 2012

DESTINATION	% of total number of tourists	2002 (1,251,290 tourists)	2007 (2,516,800 tourists)	2012 (5,062,170 tourists)
Central Valley	84.4	1,056.09	2,124.18	4,272.47
Northern Guanacaste	18.9	236.49	475.68	956.75
Southern Guanacaste	9.0	112.62	226.51	455.60
Puntarenas & Gulf of Nicoya	16.1	201.46	405.20	815.01
Middle Pacific	30.8	385.40	775.17	1,559.15
Osa Peninsula	7.0	87.59	176.18	354.35
Southern Caribbean	12.7	158.91	319.63	642.90
Northern Caribbean	8.5	106.36	213.93	430.28
Arenal, La Fortuna , San Carlos	22.3	279.04	561.25	1,128.86
Monteverde	12.2	152.66	307.05	617.58

Based on the above reported visitation statistics, it is evident that the vacation/leisure tourists visiting Costa Rica stay in San José, which indicates that it is the site of the international airport, coupled with brand name hotels, entertainment and shopping. Supporting the importance of eco-tourism is the high level of visitation to Arenal-San Carlos area and to the Mid Pacific. The high level of visitation to North Guanacaste, Limon and Puntarenas justify the survey done by the ICT, where it was shown that 84.0% of the Costa Rican tourist is willing to go to the sun/sea/beach. Although many of the leisure tourists that visit Costa Rica are seeking a unique experience and/or adventure, particular attention should be given to the negative perceptions recorded in recent surveys of Costa Rican tourists. The mitigation of these general negative perceptions will be of paramount importance in both the short and long-term development of tourism. Visitors perceive Costa Rica as a tourism destination as follows:

Table 2.16
Perception of Tourists in Costa Rica
2000

Points Assigned	Percentage
0 – 5	3.6
6	3.2
7	13.6
8	35.7
9	23.1
10	20.8

Aerial Survey of Foreigners: Alta 00

In addition to survey results, hotel managers and tour operators report that one of the main causes of dissatisfaction among tourists results from the country's lack of infrastructure. Given the high number of visitors who are compelled to visit Costa Rica as a result of recommendations from friends or relatives (word-of-mouth), it is critically important that tourists do not have unsatisfactory experiences. These experiences could become a powerful source of negative publicity and create negative stereotypes of Costa Rica.

Conversely, the majority of tourist reports that their visit to Costa Rica was on average a very gratifying experience. This is confirmed statistically as in 2000, 79.6 percent of tourists stated that their stay could be rated from 8 to 10 on a scale of 10. It is the positive perceptions coupled with unique natural experiences that have attracted tourists to Costa Rica, and who continue to visit as a result of recommendations from relatives and friends.

2.4.4.3 National Tourism

Domestic tourism in Costa Rica is defined as travel that begins from Costa Rican citizen's place of residence to another location within the national territory, with a minimum stay of one night.

According to a survey done by ICT/EYM S.A.(between January and June 2000) that interviewed families from the Central Valley:

1. 90.7% of the vacation trips from Costa Ricans were in the country, while the rest 9.3 % went outside the country.
2. Between January and June 2000, Costa Ricans between the ages of 18 and 65 years old did on average 1,5 vacation trips.
3. On average the local tourist slept 6,2 nights outside its house and the average number of people in the family group that traveled was 5,3 persons.
4. The most important reason for traveling was leisure and vacations (82.2%) followed by visits to relatives or friends (9.9%).
5. During the period studied (January-June), 27.6% of the trips were during January and 25.2% during Eastern. The second most important period with more travel were June and February with a 15.6% and a 13.6% respectively.

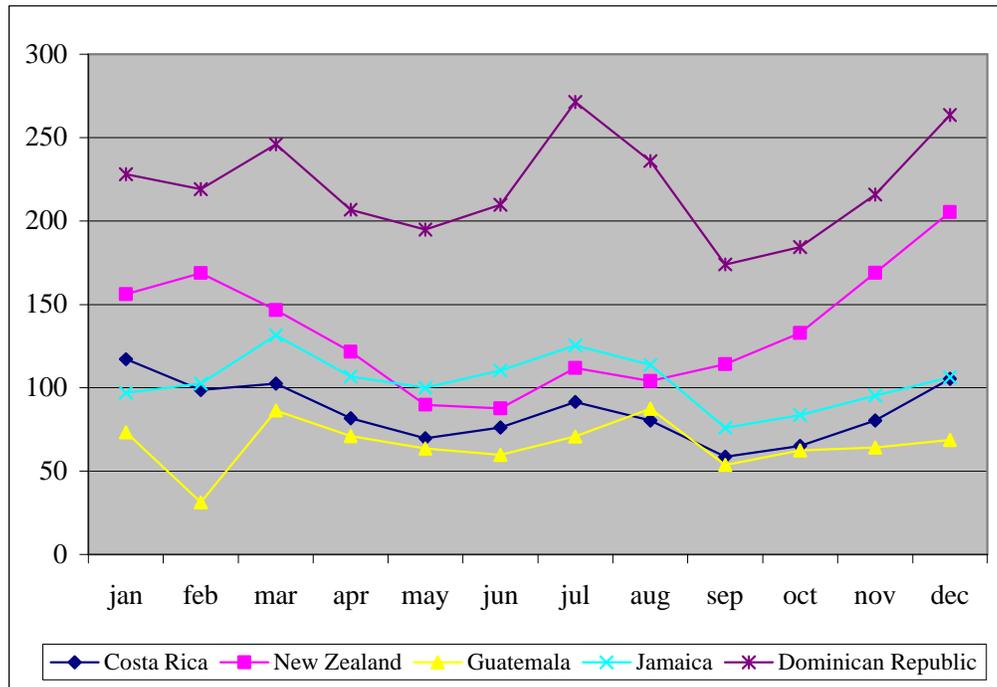
6. During 2000, Costa Ricans had an average expenditure per family trip of approximately U\$350. This expenditure was divided in lodging 22.2%, food and beverages 31.4% and transport 23.0%.
7. Among the places more visited by Costa Ricans are Middle Pacific (21.7%), Puntarenas and Gulf of Nicoya (18.6%), Northern Guanacaste (15.0%) and destinations outside Costa Rica (8.6%).

The survey showed that a medium-high income family spends approximately 101.000 colones (approximately US\$320) in a trip inside the country. Moreover, many Costa Ricans considered that foreigners usually receive better service than nationals in the hotels, sites and related industry. Finally, 90% of the interviewed people consider that the tourism development have beneficiated the country due to the foreign exchange that provides, increase in the government income, employment and infrastructure development.

2.4.4.4 Seasonal Demand

Costa Rica, as most tourism destinations, experiences some seasonal variation with tourist arrivals and tourist activity. Fortunately, and atypically, Costa Rica experiences less tourism variation than the Dominican Republic and New Zealand. However, its seasonality is such that it affects the cyclical nature of tourism receipts, employment opportunities and returns on investment. Figure 2.3 presents the seasonal indicators for selected destinations.

Figure 2.3
Demand Seasonality in Selected Countries
2000



Source: World Tourism Organization (1999).

Seasonality in the region is less than in some European countries, such as France, Spain and Greece (not shown) which experience severe climatic variation. Destinations such as New Zealand and Egypt (the latter not shown) also have more distinct seasons. Costa Rica has seasonality patterns very similar to neighboring countries, such as Guatemala, Jamaica and other Caribbean islands that tend to have pleasant weather all year around.

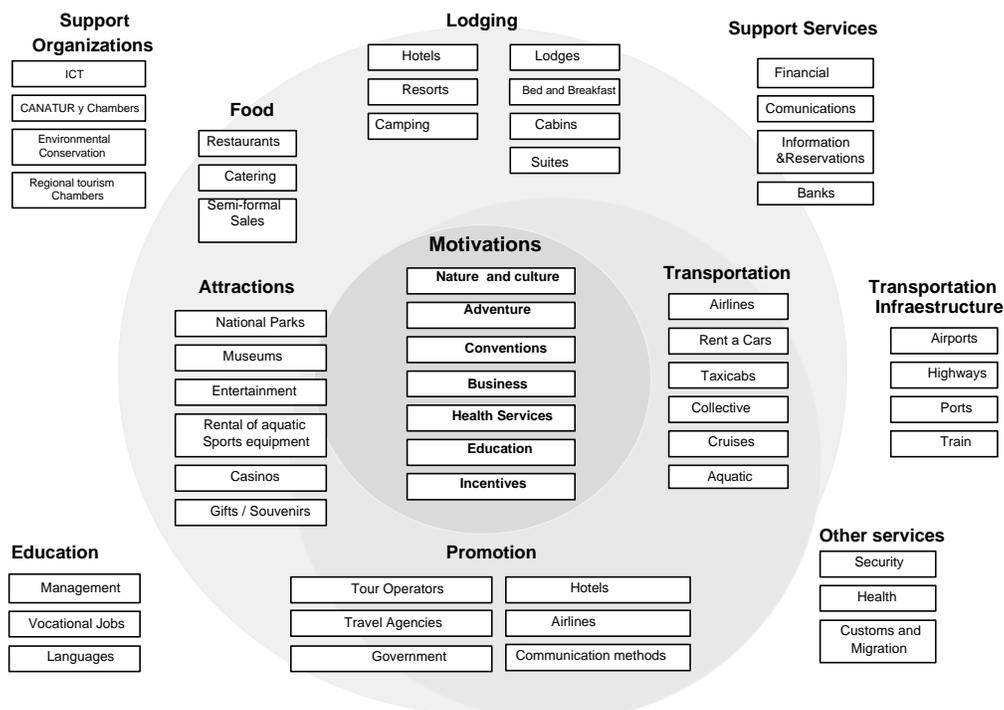
The peak of tourism in Costa Rica occurs in the months of January, March, July and December. All of the months coincide with the traditional vacation months in the primary source markets of North America and Europe, as well as the Costa Rican vacation months. With the exception of the traditionally off-peak months of May and October, the remaining months of the year remain relatively stable.

3. THE TOURISM CLUSTER IN COSTA RICA

3.1 Cluster Description

The Costa Rican tourism cluster is composed of visible actors-like hotels and airlines-, as well as related tourism industries, like transportation, food, attractions, tour operators, support services, and training. The following diagnostic of the cluster members has the main goal of strengthening and promoting their competitiveness. The cluster must **innovate and improve continuously its products and services** to succeed.

Figure 3.1
Tourism Cluster in Costa Rica



The motivations to visit Costa Rica are at the center of the cluster. Around these are the industries that have direct contact with the tourists: lodging, transportation, food, attractions, tour operators, and promotion. Around the direct industries are those

industries that provide support to the direct ones. These don't have any contact with the tourists, but play an important role in the final service.

The following is an assessment of each of these sectors. It includes analysis of their size, evolution, participation, management, and performance. Also, SWOT analysis evaluates the rivalry among sector players, and their ability to innovate and provide tourists with quality products aligned with the country's positioning as a tourism destination.

The study focuses on only one motivation--nature--because it is used to position the country, and it is the main reason why tourists are coming to the country.

3.2 Directly Related Sectors

3.2.1 Tourism Attractions of Costa Rica

Costa Rica has an excellent geographic location, as it is located proximate to one of the top ranked tourist origination markets in the world: the United States. The country is also so small, that a large variety of activities can be carried out in a relatively short period of time. In a few hours tourists may go from the Atlantic to the Pacific Ocean, and in a few days they can visit forests, beaches, national parks, and other diverse attractions.

In the late eighties, the world trend towards environmental conservation and ecology gathered momentum. Costa Rica, politically stable and with incredible biological diversity, attracted institutions that have been for many years doing first-class research in the country. These entities have spread the name of Costa Rica as a country characterized by its biodiversity and commitment to environmental conservation. Also, Costa Rica created an exemplary national park system, which has relatively easy access and covers a large percentage of the national territory.

As a result, Costa Rica is well positioned to capitalize on the depth of its ecological tourism products, which continues to increase in international popularity, in general, and among "Baby Boomers" from the United States, in particular. Moreover, Costa Rica offers a variety of tourism products with high tourism potential, such as nature tours, adventure tourism, business tourism, and other various activities.

As Costa Rica is a diverse country with a variety of tourism opportunities, often exclusive to certain geographic regions within the country, the review and analysis of tourism product supply is based on product type.

The products are presented by region, according to how the ICT divided its destinations⁹:

⁹ ICT: 2000 statistics

3.2.1.1 North Pacific

To date, this area is one of the most successful attractions for tourists and one of the most developed so far with respect to tourism infrastructure and services. It includes most of the beaches, such as Bahia Culebra, El Coco, Tamarindo, Conchal and Flamingo.

The products with the greatest potential for this area are those related to ecological and adventure tourists. Accordingly, the leisure tourist segment has the highest potential and a propensity to utilize this product. Most of the products combine either ecology and beach/sun/sea or ecology and adventure. Some of these destinations include: Villa Baulas, Ostional, Barra Onda and Palo Verde, amongst others.

At the same time, one of its biggest potentials is that the region allows tourists to have direct contact with local communities. The incredible art objects elaborated by the people of Guaitil stand out. It is also, one of the few regions, which has preserved its agricultural and ranch lifestyles, calling themselves the "land of folklore". This can all be experienced through the agro-tourism, which has been implemented in many cattle ranches. In further support of the increasing popularity of this concept, according to recent studies, an increasing number of tourists are attracted by the opportunity to interact and have direct contact with "living" or different contemporary cultures.

North Pacific primary characteristics include:

- ?? Beaches and sun
- ?? Nature and landscape
- ?? Scuba diving and snorkeling
- ?? Handicrafts
- ?? Folkloric culture
- ?? Agro-tourism

Tourist Activities	Resources of the system
<u>North Pacific</u>	
?? Visit to National Parks	?? Rincon de la Vieja
?? Visit to Volcanoes	?? Playa Ostional
?? Visit to the beaches	?? Playa del Coco
?? Visit to the markets	?? Scuba Diving
?? Sports events	?? Surfing
?? Agrotourism	?? Farms, live tourism
?? Adventure tourism	
?? Handicrafts	?? Golf and Tennis courses
?? Bicycle/horseback-riding	?? Guaitil
?? Climb volcanoes	?? Nature and landscape

The Tempisque bridge construction, 780 meters long and with a cost of US\$27 millions, was donated by Taiwan's government and will be ready for December 2002. It will offer a variety of development possibilities for the Nicoya Peninsula, which would be integrated to Guanacaste's development process. The investment in infrastructure at the international airport Daniel Oduber in Liberia could also influence positively the tourism industry of the area, by increasing the number of international flights. Papagayo is where the authorities forecast a significant growth during the next years. The most ambitious projects such as Four Seasons and Costa Smeralda, would be built here and there is interest from other brands such as Hilton, Hyatt and Sheraton, to develop projects in the area.

3.2.1.2 *Central Pacific*

The Pacific Coast ranges over 500 miles from its northernmost tip to its border with neighboring Panama. This vast extension holds countless beaches and picturesque towns and villages. There are also several protected areas and national parks to visit in the region. The Central Pacific is the second most utilized product, after the Central Valley and receives a high percentage of international tourism.

The peak season for the mid Pacific region is from December to April. There is a variety of lodging supply, from bed and breakfast to five star hotels. The Central Pacific includes Manuel Antonio, Quepos, Jacó and its bustling town, Carara National Park, Punta Leona Private Reserve, and Dominical.

The opportunities inherent the Central Pacific for sports tourism are impressive. Activities overflow and even the most discriminating traveler will find an adventure to participate in; surfing, kayaking, rafting and hiking are just a few of the activities.

This product, as well as the North Pacific, has sun and sand vacation tourism potential, but also faces a high level of international competition for this product type. However, it has potential for local tourists and, combined with visits to the region's farms, could represent a unique opportunity to domestic and international travelers that seek a more experiential leisure vacation.

Central Pacific primary characteristics include:

- ?? Sports tourism
- ?? Biological reserves
- ?? Nature and landscape
- ?? Water activities: surfing, kayaking, rafting

Tourist Activities	Resources of the System
?? Visit beaches	?Punta Leona Private Reserve
?? Visit natural parks and reserves	?Carara Biological Reserve
?? Contact with nature	?Manuel Antonio
?? Water sports	?Quepos
?? Learn about flora and fauna	?Jacó
?? Surfing competitions	?Dominical
?? Horseback riding	
?? Nightlife in Jacó	

3.2.1.3 *Puntarenas and the Islands of the Nicoyan Gulf*

Another “sun/beach/sea” destination in Costa Rica is the Puntarenas and Nicoyan Gulf region. This region is fourth in utilized products, along with the Caribbean and Guanacaste North, and receives a high percentage of national and international tourism.

The Puntarenas region includes two of the major ports for Cruise Lines, Puntarenas and Caldera. In 2000, 86 cruises disembarked in Puntarenas and Caldera, which represents 43 percent of total cruises that arrived in Costa Rica.¹⁰ Due to the ports, Puntarenas is the largest town, and it sits on the long, narrow peninsula of the Gulf of Nicoya. Though the water is not as clean as one would appreciate, the beach and its town are “hopping” during the weekends when a lot of Costa Ricans head to its waterfront cafes and bars. Puntarenas has also developed its handicrafts market and its restaurants and created the “Paseo Cortés” which attracts both locals, national and international tourists.

The Puntarenas Peninsula offers, second after San José, the greatest number of hotel rooms in Costa Rica. The Nicoyan Gulf offers a variety of islands with nature at its best, most of them offer something very unique: solitude! Others offer incredible cultural experiences, such as Chira’s Island.

Puntarenas and the Nicoyan Islands primary characteristics include:

- ?? Easy access
- ?? Beaches and sun
- ?? Nature and landscape
- ?? Shopping
- ?? Local restaurants and bars

¹⁰ ICT: Statistical Journal 2000.

Tourist Activities	Resources of the System
?? Visit beaches	?Paseo Cortés
?? Visit near nature attractions	?One-day tours from cruises
?? Contact with nature	?Beaches
?? Local restaurants	?Tambor
?? Shopping	?Hotel Fiesta
?? Hotel developments	

In September 2001, it began the construction of the Marine Park in Puntarenas, that would cost approximately ¢950 millions and would be located in front of the entrance to the port at the Tourists Boulevard. The project has an area of three hectares and it will develop a marine theme park that would be able to satisfy training, research, touristy and leisure needs in the first stage that would be ready in May 2002. An aquarium and an auditorium would be built in the second stage of the project. The Park would be an attraction for the cruise passengers and would contribute to the development of the tourism industry in the area.

3.2.1.4 *The Osa Peninsula and the South Pacific*

The South Pacific region of Costa Rica is known for its biological diversity, natural beauty and intensely complex ecosystems. National Geographic magazine has called the area “the most biologically intense place on earth”¹¹. In this incredible place tourists can enjoy unforgettable scenery and different sorts of adventure.

Lodging in the area varies from small bed and breakfast to one of the most prestigious ecolodges in the region. Daily flights will transfer tourists from the capital to this magnificent region. Within the coastal areas of the peninsula, boats are the main means of transportation.

Within this destination, the tourist can find destinations such as the Corcovado National Park, which extends over 40,000 hectares of primary forest, Cocos Island, declared by the UNESCO World Patrimony in 1997, and Caño Island, with rich archaeological sites combined with an complex forest system.

The Osa Peninsula and South Pacific primary characteristics include:

- ?? Archaeological sites
- ?? Nature: primary forests, reserves and national parks
- ?? A part of the World’s Patrimony
- ?? Scuba diving and snorkeling
- ?? Hiking and bird watching

¹¹ CANATUR: www.tourism.co.cr

?? Learning about flora

?? Beaches

Tourist Activities	Resources of the System
?? Visit to archaeological sites	?? Caño Island's burial site
?? Photography	?? Coco's Island
?? Diving and snorkeling	?? Carate Beach
?? Surfing	?? Pan Dulce Beach
?? Bird watching	?? Carbonera Beach
?? Water sports	?? Corcovado National Park
?? UNESCO-World Patrimony	
?? Ecocircuits (walks, horseback-riding)	
?? Rain forests	
?? Observation of flora and fauna	
?? Fishing	

3.2.1.5 Northern Mountains

This region offers from cloudy forest environments to active volcanoes. One of its striking characteristics is the contrast in topography, which varies from Cordilleras to major plains. Of the 850 bird species identified in Costa Rica, 600 are permanent residents in this region.

The natural beauty of Lake Arenal, Arenal Volcano and La Fortuna area makes this region one of most attractive spots for development in all of Costa Rica. The lake and the volcano are unrivaled in all of Costa Rica with regard to tourist potential. Lake Arenal not only is man-made spectacular, but its surroundings create a landscape that tourists don't want to miss. There are several hotels and cabins that range in price and quality. The lake is also famous for its international windsurfing competitions.

Arenal's Volcano last explosion was more than 30 years ago; however, the volcano is far from dormant. After nightfall the spectacle of the volcano's bright red lava coursing its way down from the cone attracts most visitors to the area, making this region the third most visited one in Costa Rica, after the Central Valley and The Mid-Pacific.

Monteverde is one of the most popular tourist destinations in Costa Rica. Quakers founded its small community in 1951. Monteverde's major attractions include the cloud forest, walking trails, bird watching, a cheese factory, a butterfly garden and a number of art galleries.

Tilaran's picturesque town offers a variety of hotels and restaurants which to choose from. La Fortuna is also an ideal place to stop for local food, horseback ride to waterfalls and hike through surrounding forests. Caño Negro Wildlife Refuge is found in the low-lying northern plains, thus water is the key word. During the wet season, the

refuge must be accessed with boats. Rincón de la Vieja is also a spectacular site to visit.

Northern Mountains primary characteristics include:

- ?? Adventure and sports tourism
- ?? Wildlife refuges
- ?? Volcanoes
- ?? Cloud forests
- ?? Sightseeing and bird watching
- ?? Picturesque towns
- ?? Local restaurants and typical Costa Rican food

Tourist Activities	Resources of the System
?? Volcano eruptions	?? Arenal Volcano
?? Windsurfing competitions	?? Lake Arenal
?? Cloud forest trails	?? Monteverde
?? Cheese factory	?? Caño Negro
?? Bird watching	?? Tilaran and Fortuna
?? Observation of flora and fauna	
?? Wildlife refuge	
?? Picturesque towns	

3.2.1.6 *Central Valley*

San José is the largest and most populated city in Costa Rica, with intense business activities and other modern city amenities. It could be said that San José is the “central nervous system of the country”¹². The government, finance and economic sectors all have their headquarters here. The products with the greatest potential for this area are those related to professional tourism, conventions and language learning trips. Accordingly, both the business class traveler and leisure tourist segments have the highest potential and a propensity to utilize this product.

The Central Valley can be combined with nature-oriented tourist products, with such destinations as Poas Volcano, Barva Volcano, Coffee Britt Tour, among others. Although there is strong competition for this type of tourism, especially in Guatemala, Belice, Panama, Ecuador and Venezuela, ecological, or nature-oriented tourism in the Central American region continues to attract increasing number of visitors each year.

The City also offers different historical and cultural sites such as the Gold Museum, the Jade Museum, the National Theater and its Cathedral. Needless to say,

¹² CANATUR: www.tourism.co.cr

there are a great variety of hotels and restaurants in the area. Tourists can also find souvenir shops in San José, downtown and Moravia, which are the most developed markets.

At the same time, there are a lot of one-day tours that can be carried out from San José. Among these tours are the Poás Volcano, the Barva and Irazú Volcano, the Coffee Britt Tour, a trip to Sarchí for souvenirs, the ruins in Cartago, for example.

The Central Valley characteristics include:

- ?? Historic and cultural sites
- ?? Souvenir and handicrafts
- ?? Business tourism
- ?? Congresses and Conventions
- ?? Sports: golf and tennis

Tourist Activities	Resources of the system
?? Visit to museums and churches	?? Cathedral of San José
?? Congresses and Seminars	?? Markets/ Stores
?? Shopping	?? Museums/ Churches
?? Visit to the markets	?? Convention Center
?? Business	?? Clubs (golf, tennis, squash, etc.)
?? Sports and artistic events	
?? Seminars and conventions	

3.2.1.7 *Caribbean*

The Caribbean though relatively undeveloped, represents significant opportunity to develop various tourist products ranging from traditional products (sunshine, beaches, recreational sports, etc.) to adventure-related products (rafting, expeditions, caves, etc.). Of particular importance, is Tortuguero National Park, it is the most important Caribbean breeding ground of the green sea turtle, and has plenty of birds, monkeys and lizards. There are a few biological stations set up inside the park and are managed by scientists and volunteers. Besides studying the flora and fauna found in the area, their purpose is to try to keep the park as impact free as possible.

In Limón, the most developed Caribbean town offers the heritage of the Afro-Caribbean culture. It also hosts the second most important port for tourism cruise arrivals. The number of parks in the immediate area makes it a great base point for traveling up and down the coast. The central market found downtown offers from fruits and clothing to local handcrafted items. Limón hosts one of the most renowned carnivals in all of Central America, which attracts both national and international tourists.

The Cahuita National Park protects a well-developed coral reef and is one of the most visited parks on the Caribbean Coast. It runs along the coast for 1,067 hectares

and over 23,000 hectares make up the marine park including the reef system. The park is excellent for both land and water activities.

The Hitoy-Cerere Biological Reserve has a great disadvantage for its tourism potential, but a great advantage for its ecological life: it is hard to access. The park is within 9,050 hectares and protects the wet tropical forest.

The Caribbean primary characteristics include:

- ~~///~~ Nature (flora and fauna) and aquatic-nautical activities
- ~~///~~ Biological reserves
- ~~///~~ Contact with Afro-Caribbean culture
- ~~///~~ Wet tropical forest
- ~~///~~ Unexplored beaches and forests
- ~~///~~ Sunny beaches
- ~~///~~ Handicrafts

Tourist Activities	Resources of the System
?? Visit to beaches	?? Cahuita National Park
?? Visit to biological reserves	?? Hitoy-Cerere Biological Reserve
?? Learn about the Afro-Caribbean culture	?? Tortuguero National Park
?? Handicrafts shopping	?? Puerto Limón
?? River adventures (rafting, etc.)	?? Puerto Viejo de Talamanca
?? Practice water sports	?? Yearly carnivals
?? Relaxation (sunshine, beaches)	
?? Observation of flora and fauna	
?? Flora and fauna	
?? Fishing	

3.2.1.8 Museums

There are currently 44 museums scattered throughout Costa Rica and dealing with various themes, from pre-Columbian Art to railroad history. Private organizations, such as community associations, religious and educational institutions, foundations, etc manage most. Others are administered by government entities, such as autonomous and semi-autonomous institutions, or the Ministry of Culture, Youth and Sports.

Until recently, museums had been mainly located at the capital. However, there is an ongoing regional project promoting cultural development in all provinces of the country. As a result, over 50% of museums are now outside the capital city.

The most important museums in San Jose are:

- ~~///~~ The National Museum
- ~~///~~ The Jade Museum
- ~~///~~ The Gold Museum

~~✍~~ The Costa Rican Art Museum

~~✍~~ The Children's Museum

The National Museum, former army barracks, hosts one of the most active research facilities and educational programs. It really shines when it comes to Costa Rica's indigenous heritage and environmental exhibits. The Jade Museum is considered one of the world's largest museums of its type; visitors should plan at least one hour or two in this impressive facility. Below the Plaza de la Cultura, the Gold Museum is part of a complex of museums operated by Costa Rica's Central Bank.

The Costa Rican Art Museum located at Parque Nacional La Sabana, depicts the best of the fine arts created in Costa Rica throughout history, with the work of national masters in techniques such as watercolor, oil, and sculpture. The Children's Museum, a project of former First Lady Gloria Calderon, is built in an old penitentiary. The once city's prison is now a place where families traveling with children want to visit.

Outside of San Jose the tourist have several options such as:

The Juan Santamaria Museum, which highlights the battles against William Walker, and the life of our national hero Juan Santamaria, is located in Alajuela. In the 37,000-hectare dry tropical forest reserve of Santa Rosa National Park, you can find the Santa Rosa Historical Museum, in Guanacaste. This museum is the site of conflict between Central American troops and notorious U.S. invader William Walker and his Filibusters. Other small museums, like the San Ramon Museum (San Ramon) and the Tobosi Museum (Cartago), exhibit the region's role in Costa Rica's history.

Costa Rica's most important archeological site is Guayabo National Monument. It contains still-being-excavated ruins dating back to 1000 B.C. New evidence of pre-columbian cultures came to light this year with discovery of 42 sites in the Angostura Archeological Area. Pre-columbian ruins can be found in Cartago, our former capital. Cartago was Costa Rica's capital for over 300 years, until the honor was shifted to San Jose in 1823. The garden-filled ruins of the Saint Bartholomew Temples, remains of the never-finished colonial cathedral, stand in the city's center. The Orosi Valley contains historic ruins, religious museums and an 87-year old sugar mill. The Ruins of Ujarras show what remain of the country's first colonial church.

Unlike other Latin American countries with a richer historical legacy, such as Mexico, Guatemala or Peru, Costa Rica's museums are not a source of differentiation or a major attraction to tourists.

3.2.1.9 Handicraft Centers

Costa Rica offers attractive and unique handicrafts to tourists: wood carvings, feather paintings, banana paper products, and ceramics among others. Furthermore, using sophisticated packaging, mixing products into gift boxes, creating websites, and negotiation with carriers like UPS to deliver goods worldwide, handicraft manufacturers have developed mechanisms to make their products more suitable for tourists.

Prices range depending on the quality of the products and the materials that are used, as well as the point of sale. Products range from inexpensive T-shirts with brightly colored logos to very expensive woodcarvings.

Tourists can easily find souvenir shops in San José, downtown and Moravia are the most developed markets. Most Costa Rican hotels have also managed to maintain nice souvenir shops selling most of these handicrafts.

Even though one could not say that handicrafts have contributed to the increase in tourism, they have become a major tourism attraction. La Rueda in Moravia, the Oxcart Factory in Sarchí and the International Handicraft Market and La Casona in San José are gaining importance as a one-day tour option in San José, and as a complement to tours to natural attractions, such as volcanoes and botanical gardens.

3.2.2 Protected Areas

The diversity of flora and fauna complement the cultural attractions. About 9,000 different kinds of flowering plants grow in the country, including more than 1,300 species of orchids. Nearly 850 species of birds have been identified in Costa Rica, which is more than are found in all of the United States, Canada and the northern half of Mexico combined. Though Costa Rica covers only 0.01% of the surface of the Earth, about five percent of the planet's plant and animal species are found in it¹³. In 2001, country had 161 protected areas, classified as follows:

Table 3.1
Total number of Protected Areas
September 2001

Protected Areas	#	Area in Hectares	% Total territory
National Parks	25	623.771	12.23
Biological Reserves	8	21.674	0.42
Forestry Reserves	11	227.834	4.47
National Wildlife Refuges	58	180.035	3.53
Protected Zones	32	155.817	3.06
Wetlands (no mangroves)	15	77.869	1.53
Others (monuments, natural reserves, etc)	12	17.306	0.34
Total	161	1.304.306	25.58

Source: SINAC

These conservation areas cover 25.58% of national territory, up from a scant of 14% in 1970, when the national park system was created. Visits to the parks had declined after 1994, mainly due to an increase in the national park admission fee, which was set at US\$15 for foreign tourists (a 1200% increase). The controversy this caused led to a reduction of fees to US\$6 by 1996.

Comparing Costa Rica to the rest of Central American countries, it has one of the smallest coverage, in terms of conservation areas. The system, however, is the

¹³ Report 5 on the State of the Nation

most robust in Central America, considering that Costa Rica, that is only 11.31% of the total Central American forest, protects 60% of it.¹⁴ Also, in 1998, Costa Rica was the first country to obtain jurisdiction of the conservation of bio-diversity.¹⁵ Conservation areas in the other countries were “parks on paper” and over 60% had not yet solved land ownership problems. Moreover, for December 2001, Central American governments have protected 22% of the total territory (11.5 millions hectares) with an annual deforestation of about 460.000 hectares.

Nevertheless, despite our system relative robustness, management problems faced by SINAC¹⁶, the entity in charge of planning and managing protected areas in the country are very significant. For September 2000, 44% of the conservation areas were still considered private property, as the Government does not have the capacity to pay the ¢171.348 millions debt. Therefore MINAE (Ministry of Energy and Environment) have given priority to those conservation areas that provide total protection (such as National Parks and Biological Reserves), however the Ministry, Elizabeth Odio considers that in order to solve the problem the government needs to work with the communities, as not everything can be provided by the State¹⁷.

For 2000, MINAE´s initial budget was ¢12.322 millions (including ¢4.500 that was used to pay for the expropriated lands of Santa Elena in Guanacaste). The estimated budget for 2001 was ¢7.013 millions.

Moreover, international organizations and industrialized countries slowly decrease its interest in financing ecological projects in the country because 25% of the territory is already protected. Problems for SINAC also arise when trying to attain sustainable tourism development in these areas, in such a way that their biological diversity and local communities are not harmed.

Economic Sustainability: This concept deals with developing profitable tourism in parks and other conservation areas. One problem is the lack of coordination between ICT and SINAC when designing advertising campaigns to promote them, resulting in marketing tasks, sometimes, inconsistent and ineffective in attracting visitors.

In parallel, if we take into account most tourists coming to Costa Rica have college education, when they visit a park they not only want to watch and enjoy nature, but also value the presence of bilingual guides and gamekeepers to orient them and give them information.

NGOs, tour operators, and parks themselves supply this personnel; the estimated number of officials available for this purpose are 800 persons. Besides, a criticism mentioned by some tour operators is the existence of improvised “guides” serving tourists inadequately. If this turns out to be true, the entire potential offered by the main tourist attraction in the country is being wasted and its tourism development is being limited by an inadequate service.

¹⁴ SINAC

¹⁵ Law 7788, Information given by Gabriela Paez, MINAE

¹⁶ National System for Area Conservation

¹⁷ “Áreas protegidas a punto de asfixia”, El Financiero, Monday, September 4, 2000.

In terms of tourism infrastructure, national parks could do with more information centers, signs, lookout stations, trails, bathrooms, and others adding value to visits and enabling higher admission fees to be charged, which, in turn, would improve the likelihood of developing the system.

Other troublesome issue to be considered is the current admission fee schedule. Presently, national park admission fees are all set at US\$6, thought to be too low for such parks as Manuel Antonio or Cahuita, given their natural beauty and facilities provided. This explains why they are among the four most visited of the 25 national parks in Costa Rica (Irazú, Manuel Antonio, Poas y Santa Rosa); concentrate more than 65% of total national park visits.

However, for such parks as Tapantí the same fee seems excessive, because it does not offer attractions comparable to Manuel Antonio and Cahuita. For this reason, fees should be in line with park biological diversity, infrastructure, and facilities offered to visitors, so the cost-benefit ratio will be satisfactory to tourists; otherwise, the system will lose its customers.

In achieving economic sustainability conservation areas must be viewed in an integrated fashion, in such a way that parks with the highest number of visitors should share their receipts with those receiving less visits, to thus develop infrastructure and improve human resource quality, as a way of attracting more tourists and attaining system sustainability.

Environmental Sustainability: At the majority of these areas there is a need for scientifically determining the visitor carrying capacity they can tolerate and for providing management with the resources needed to keep control over visitors; otherwise, the system ecological endowment will end up being ruined by progressive tourism development.

In this sense, both nationally and internationally, there have been negative experiences showing how a lack of planning for tourism growth can have an impact on a conservation area. Examples of negative experiences are Manuel Antonio National Park and the Galápagos Islands in Ecuador.

However, control cannot become an obstacle to this growth, but use must be made of innovation, so both concepts, environmental sustainability and development, are compatible.

Social Sustainability: Social sustainability in conservation areas is based on community involvement in developing and managing said areas. Through their involvement in tourism activities, two objectives are reached: economic benefits to community members --creating more jobs and building infrastructure and support services -- and reduced demand for pastures, since they will no longer need them to survive. This way deforestation is curbed.

Nevertheless, tourism negative effects are also evident. One of the most noticeable is the change in cultural and social habits of individuals in communities bordering the tourism attraction. For instance, according to a study carried out in the Jacó community, 100% of respondents think the community has undergone changes caused by tourism; of them, 20% believe these changes have been positive to citizens.

The role played by tourism in the economy and social development of communities bordering national parks and other protected areas is clearly reflected on Barra Honda National Park, where visitors find services that are typically non-existent in these zones: a typical-food restaurant, lodging, camping facilities within a natural dry forest, a deer nursery, a handicraft shop, a parking area, and local guides. All these services are the responsibility of a Pro-Development Association, made up of community members, and are offered on the park periphery to leave the natural reserve untouched. Additionally, they are voluntarily involved in controlling fires within the park and reforestation with pochote (*Bombacopsis quinatum*) trees. They also provide training in such diverse topics as food handling, English, fire control, and soil conservation (by 1995, 187 people had taken courses at INA, UNA and InBio).¹⁸

Costa Rica is a continental territory with approximately 52 thousand square kilometers. Nevertheless, it has ten times more marine territory. The main contribution by the marine and coastal ecosystems comes from fishing and tourism activities. Around 7% of the national population lives in the maritime-coastal zone.

The primary system of maritime interest because of its importance to the country is the Gulf of Nicoya. It is the most degraded marine area both because of resource over-exploitation and the high pollution levels. The second most important on the Pacific coast is Dulce Gulf. Research carried out to date indicates that because of its characteristics, it is an ecosystem that is unique on the continent and is in a relatively unaltered state, which makes it a site of enormous scientific interest, as well as for international nature tourism. The third system of relevance is the Gulf of Papagayo, which just like the others urgently requires a detailed evaluation of the degree of current pollution.

The marine-coastal resource situation has been highlighted as one of the fundamental pivots in the National Biodiversity Strategy (executed by the SINAC and InBio), currently in the process of being written.

3.2.3 Lodging

One of the most dynamic and important sectors in the tourism industry is the lodging sector. The lodging sector in Costa Rica tripled between 1987 and 1998. The importance of this sector is reflected in the high share of investment it has (87.6% in 2000) and in job generation (35.63% for 1999) within the industry. The table below shows its size, composition, and evolution in the last five years.

¹⁸ El Parque Nacional Barra Honda: Ecosistemas, turismo y participación comunal, p. 34.

Table 3.2
Costa Rican Lodging Industry- Size, Characteristics, and Evolution

	% Of		% Of		2000	% Of		%	%
	1987	Total	1995	Total		Total	87-00		
Tourists entering the country	277 861		784 610		1 088 100		291	38.6	
Hotel Supply									
Rooms	9 292		25 328		29 497		217	16,4	
Lodging Businesses	433		1 588		1 826		321	15,0	
Average Rooms	21		16		16				
Certified by ICT									
Rooms	5 017	54	11 862	47	14 122	48	181	19,0	
Lodging Businesses	158	36	330	21	362	20	129	9,7	
Average Rooms	32		36		38				
Not Certified by ICT									
Rooms	4 275	46	13 466	53	15 375	52	259	22,1	
Lodging Businesses	275	64	1 258	79	1 464	80	432	16,3	
Average Rooms	16		11		10				

Source: ICT, 1987 - 1995 - 2000

The following table details the growth in the room supply versus the growth in tourism arrivals in Costa Rica between 1994 and 2000

Table 3.3
Demand Growth and Room Availability
1994-2000
(Excluding the non-certified hotel sector)

	1994	1995	1996	1997	1998	1999	2000
No. Of tourists (000)	761	785	781	811	942	1,031	1,088
Growth rate (%)	11	3	-0.5	4	16	9	5
# Rooms	10 794	11 862	13 128	13 437	13 413	13 714	14 122
Growth rate (%)	14	10	11	2	-0.2	2	3

Source: ICT Statistical Bulletins, 1994-2000

The Costa Rican lodging sector had its biggest growth during 1990 and 1992, pushed by the increase in the demand of tourists of up to 21% in 1992. However, even when there was a relative stagnation in demand growth during 1995/96, supply has substantially increased in the 1997/98 period, when the sector reacted by reducing the growth of the hotel supply. This is explained by the long gestation period for hotel projects, many of which were conceived during the highest growth years. To counteract this decrease in hotel supply, during the 1997/98 period the tourism demand growth rate has gone up again. The hotel supply started to grow again in 1999, going from 28,084 in 1998 to 28,826 and 29,497 in 1999 and 2000 respectively.

At the end of 2000, 14,122 certified rooms were available for lodging in Costa Rica from a total 29,497 in operation. The annual growth rate of certified lodging facilities decreased from a 10 percent in 1995 to a 3% in 2000. In absolute terms, certified rooms increased 5,573 units between 1992 and 2000, with an annual

compounded growth rate of 7.9 percent, which is less than the 8.9 percent growth rate observed in total arrivals during the same period.

Due to a decrease in lodging supply during the 1995/1998 period, lodging businesses that have survived the low demand years are currently enjoying the expansion of tourism arrivals. Tourism industry cycles, found in Costa Rica as in any most tourism destinations, have the benefit of promoting natural selection. When demand picks up again, companies that took the crisis as an opportunity for self-criticism and improvement will come out stronger for the long term.

The composition of the total hotel/lodging industry (certified and non-certified) has changed significantly, too. In 1987, the average size of hotels was 21 rooms; by 2000 it was 16 rooms. By June 2001, ICT estimated 30,940 hotel rooms distributed in 1,906 lodging businesses, averaging 16.2 rooms per establishment.

Hotel and Lodges in Costa Rica, with more than 20 and 10 rooms correspondingly, have the option of being declared and certified by the Costa Rican Tourism Board (ICT). The main incentives to get ICT quality certification are tax exemption --if they additionally have a tourism contract-- and promotion through ICT publications. To be considered officially a tourism enterprise by ICT, a business must apply for the Declaratoria Turística or Tourism Declaratory. Once the Tourism Declaratory is given, the enterprise may apply for the Contrato Turístico or Tourism Contract, which grants them the investment incentives. The application for the Declaratoria Turística, including the Contrato Turístico consists of three requirements: a presentation of the blueprints of the project, the fulfillment of ten legal requirements, and an economic study. The minimum size requirements and costs of applying is why the non-certified group is mostly made up of small businesses.

Certified hotels show a trend of increasing its average size from 32 rooms in 1987 to 38 in 2000. Still, average size is small when compared to such destinations as the Caribbean or Mexico. On the other hand, the non-certified hotel shows a trend of decreasing the number of average rooms from 16 rooms in 1987 to 10 in 2000. This trend explains the emergence of a large number of homes "reconditioned" into small lodging residences mushrooming with the expectation of getting much business with the tourism boom. According to ICT data, by 2000 the non-certified hotels accounted for 50% of total room supply and 80% of total lodging establishments.

Table 3.4
Geographic Distribution of Total Lodging Companies
1997 and 2000

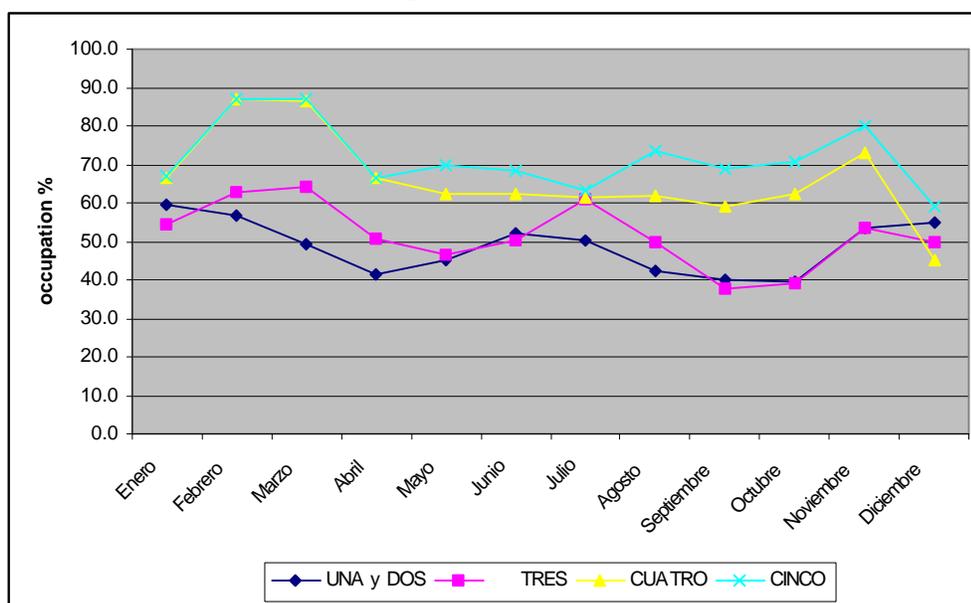
Province	1997		2000	
	Rooms	%	Rooms	%
San José	8,291	29.7%	8,228	27.9%
Alajuela	2,053	7.3%	2,428	8.2%
Cartago	379	1.3%	397	1.3%
Heredia	1,662	5.9%	1,750	5.9%
Guanacaste	4,577	16.4%	5,122	17.4%
Puntarenas	8,038	28.8%	8,532	28.9%
Limón	2,860	10.2%	3,040	10.3%
Total	27,860	100.00%	29,497	100.0%

Source: ICT Statistical Bulletins, 1987 y CANATUR, 2000

Although lodging development has occurred throughout the country during the past 11 years, more than 43 percent of the rooms are located in the Central Valley (San Jose, Alajuela, Cartago, and Heredia). Likewise, 46 percent of room supply is located on the Pacific Coast (Guanacaste and Puntarenas). According to data provided by CANATUR, Guanacaste was the province with more investment in lodging infrastructure with an ICT declaration, during 2000 with ¢7,199 millions. This amount represents 70% of total lodging investment with ICT declaration followed by Alajuela with 15.8% and Puntarenas with 13.1%.

For 2000, with a sample of 25 hotels from the Central Valley the ICT estimated the occupation porcentajes per month for these establishments. The results show that Costa Rican hotels have occupation percentages ranging from 39% during the low-season to 87.9% during the high season. Four star hotels have the highest variability of occupation percentage throughout the year.

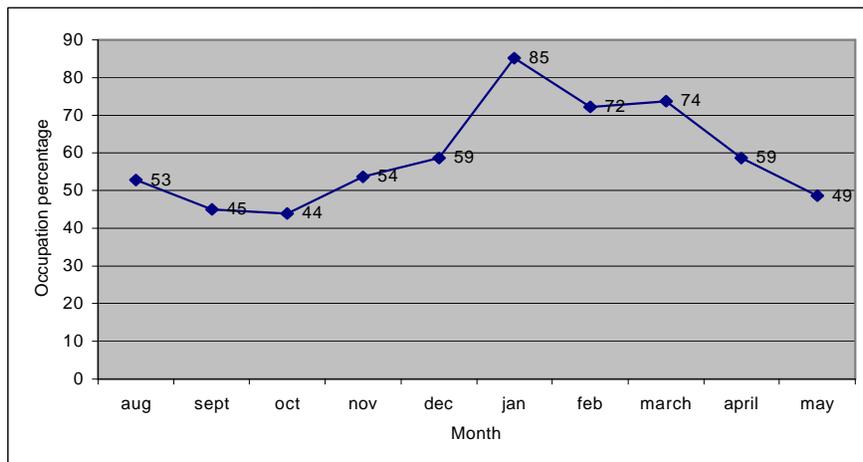
Figure 3.3
Costa Rican Hotel Occupation Rate
According to Stars
2000



Source: ICT Statistical Bulletin

ICT calculates only Central Valley occupation percentages. Therefore, the private and public sector, through ICT and the Tourism and Hotel Associations, are joining efforts with CLACDS/INCAE to calculate these statistics systematically. The study was done for 50 hotels around the country for 1998 and 1999. The results are shown in the following figure and they are similar to the ones obtained by ICT in 2000. However, in this case the occupation porcentajes ranged from 44% in the low season to 85% during the high season. The study also showed that four star hotels had the highest variability of occupation porcentaje throughout the year.

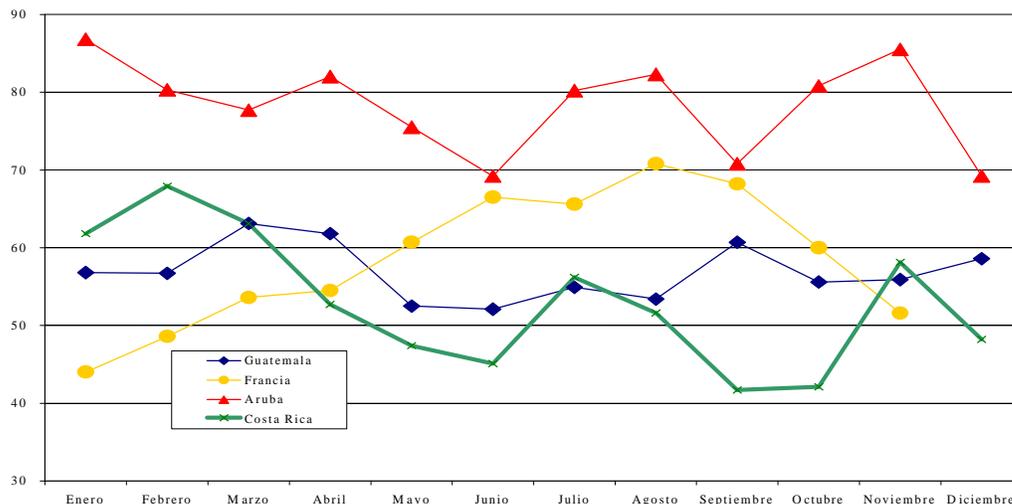
Figure 3.4
Costa Rican Hotel Occupation Rate – 1998-1999
For a Sample of 50 hotels around the Country



Source: CLACDS /INCAE

Nevertheless, based on statistics from the World Tourism Organization, these figures are a little high– see figure 3.5 – and show that Costa Rica possess a huge unused capacity compared with Guatemala, France, and Aruba. This unused capacity could be better used if there be a large increase in demand. What this means is that there is installed hotel capacity that can provide incentive for increases in demand. In addition, when comparing figures, we can see, for example, that the fluctuation in the occupancy percentage in Costa Rica is greater than in Guatemala and that its annual average occupancy rate (53%) is less than that reached in Guatemala (56.84%), France (58.255%) and Aruba (78.36%).

Figure 3.5
Occupation Rate for Different Countries
1999



Source: WTO

These figures are even more worrisome if we add them to the fact that the Costa Rican figures are taken from a sample of hotels in San Jose, while those in other countries take in the country as a whole. Obviously, occupancy in San Jose is greater and less fluctuating than in the hotels in other areas, therefore, if we would like to make these numbers more comparative we should very likely lower the curve value in Costa Rica and increase the fluctuation during the high and low seasons. Definitely, this shows a huge opportunity for improvement for hotelkeepers and the industry in general, which should be based on a greater effort to obtain more representative figures and based on that, define the measures to be taken to improve them.

The Costa Rican Tourism Board has been implementing a newly developed classification system since 1998¹⁹. This new system was the result of a consulting study that benchmarked independent classification systems (AAA, Mobil, and Michelin), public classification systems (Mexico, Canada, Spain, France, New Zealand, and Japan), plus the rules and regulations of major multinational hotel chains (Hilton, Holiday Inn and Best Western). The main purpose of the new system is to communicate correctly to the tourists the hotel standards of operations. The standards are aligned with those of the Americans, because they account for more than 40% of current tourists. To obtain this, ICT is training its evaluators in the US, and giving more importance, not to luxury, but to cleanliness- something extremely valued by Americans.

The new system is based on international norms, while taking into account the Costa Rican hotel supply. It evaluates the physical plant in terms of the tourist, and operational parts (like the kitchen and accounting department) are not taken into account. The most important thing in the evaluation is a good room and bathroom, and a clean establishment. However, everything is important to obtain five stars. The following table details the hotels declared with ICT, according to their new classification:

Table 3.5
Number of Rooms According to
Star Classification of ICT Certified Hotels
(Excluding the non-certified hotel sector)
1997-2000

Classification	1997		2000	
	# of rooms	%	# of rooms	%
5 Stars	2,594	19.30	2,108	14.9
4 Stars	1,481	11.02	3,352	23.7
3 Stars	4,396	32.72	4,581	32.4
2 Stars	1,953	14.53	1,838	13.0
1 Star	1,019	7.58	1,473	10.4
0 Stars	1,079	8.03	600	4.2
Not classified	915	6.81	170	1.2
Total	13,437	100	14,122	100

Source: ICT Statistical Bulletins, 1997 y CANATUR, 2000

Considering that to have at least two stars (approximately 30 percent of total hotel supply) the hotel must be clean and neat, the Costa Rican hotel supply certified by

¹⁹ Melchor Marcos, ICT, Febrero, 1998.

ICT has good standards. Almost half of the Costa Rican rooms are two and three-star hotels.

In 2000, from the total of 5,460 better quality rooms, 53% are located in the Central Valley, specially in San Jose and Heredia. This statement can be deduced by evaluating the four and five stars room supply. Nevertheless, the Guanacaste and Puntarenas regions have 20% and 26% respectively of the 4 and 5 star room supply.

Heredia, which represents 9.5 percent of the country's certified hotel supply, is an interesting case. Based on these figures it could be defined as the region in the country with the greatest concentration of quality hotel supply. For this region, the four and five star rooms make up close to 75% of its certified supply while for San Jose, Puntarenas, and Guanacaste, this regiments represents between 39, 31, and 41 percent of the supply respectively. The concentration of 4 and 5 star supply in Heredia may be explained by very representative hotels, specifically the Real Cariari complex, the Herradura, and the Costa Rica Marriot that seek to supply demand by locating themselves close to the airport and the capital city, San Jose.

Table 3.6
Four and Five Star Room Supply by Region
(only ICT certified establishments).

2000			
Province	4 stars	5 stars	Total
San José	989	621	1,610
Alajuela	234	34	268
Cartago	16	0	16
Heredia	656	344	1,000
Guanacaste	574	506	1,080
Puntarenas	828	603	1,431
Limón	55	0	55

Source: Information supplied by CANATUR

Besides the traditional “stars” rating system differentiating levels of service and quality, the Costa Rica Tourism Board has developed a voluntary third-party certification system to evaluate the sustainability of tourism operations, the Certificate of Sustainable Tourism (CST). It complements the star ratings to give customers additional information about their hotel choices. One major goal of the program then is to enhance the country’s ability to attract “green tourist” market segment, by educating consumers and by protecting/promoting brand image of “green” Costa Rica. A second goal is to protect the fragile resources that provide the basis for Central America’s comparative advantage in tourism, but are subject to threats from increases in tourism pressure (as well as from other activities.) Damage or destruction of the resources themselves would reduce the competitive potential of the region. Moreover, the perception on the part of potential customers that the countries of the Region are not making serious efforts to protect the natural environment would tend to eliminate the Region from consideration by the fastest growing and most affluent segment of the tourism market. By achieving these twin goals of creating demand and protecting supply, the aim is to improve the long-run competitiveness of tourism industry.

The CST that seeks to categorize and certify tourist businesses based on the degree to which their operations approach a model of sustainability. To that end, four fundamental areas are evaluated:

Physical-Biological Environment: This evaluates the interaction between the company and the surrounding environment, with interest paid to residual water treatment and the protection of flora and fauna, among others.

Service Plant: Aspects related with the company’s internal systems and processes with regard to handling wastes and the utilization of technology for saving electricity and water.

External Customer: The actions performed by management to invite the customer to participate in the company’s sustainability policies are evaluated.

Socio-Economic Environment: The identification and interaction by the establishment with the adjacent communities are evaluated, analyzing, for example, the degree to which the hotels respond to the region’s growth and development, through the generation of employment or the achievement of benefits in favor of collectivity.

For each of the features a questionnaire form was designed with specific questions that serve to evaluate how much the company complies with the pre-fixed

standards. Thus, each of the questions represents an element of sustainability that the company must meet to classify at one of the determined levels.

To measure and locate those levels, the CST establishes a scale of 0 to 5 where each number indicates the company's relative position in terms of sustainability. This scheme provides for categorizing tourist companies through a system similar to the one used for commercial hotel categorizations using the very well known star system. Reaching the first level means that the company has taken the first step on the sustainability path or process. The subsequent levels belong to increasing advanced states in the specific process evaluated, culminating in reaching level 5, a situation where a company considered to be exemplary in terms of sustainability would be found. The subsequent categorization is done based on the following scheme:

Table 3.7
CST Categorization Base

Level	% compliance
0	< 20
1	20-39
2	40-59
3	60-79
4	80-90
5	> 95

Source: ICT

As a function of the idea of sustainability, compliance must be concomitant for the different areas mentioned. For example, for level 3 there has to be at least 60% compliance with the conditions established in four areas: physical environment, service plan, external customer, and socio-economic environment. The level that a company may reach corresponds to the lowest level reached in some of the areas. This is used so that companies can advance toward a model of sustainability considering equally the importance of the four areas in question.

Likewise, the CST is associated with a gradual direct incentive structure that the company may enjoy; at the higher level, greater benefits in national and international differentiated promotion (particular to the CST), training, support for participating in fairs and other events, information, and others²⁰.

The first stage of the CST program is to certify hotels. As of March 2002, 200 hotels have enrolled in the program, from which 54 have been certified, 26 have been evaluated but not certified and are in the evaluation process. Travel agencies would be next to be evaluated in the second stage, followed by tour guides, tour companies, and transportation services.

In May of 2001, the Central American Council of Tourism Ministers agreed to enroll in the Certification Program for Sustainable Tourism in Central America. The guideline in applying the CST in Central America as a block is to be at the forefront of

²⁰ For more information the web page can be visited: www.turismo-sostenible.co.cr

converting the concept of sustainable tourism into something real, tangible, rateable, and verifiable, and it would also provide a quality, competitiveness, and policy re-directing tool for tourism activities. The 54 hotels that have been certified to date can be classified as follows:

Table 3.8
Classification of Hotels Certified by the CST
2002

Level	#	%	Size	#	%	Environment	#	%
1	20	37%	Small (1-49 rooms)	42	78%	Mountain	19	35%
2	17	31%	Medium (50-99 rooms)	3	6%	Beach	18	33%
3	13	24%	Large (100 or more)	9	17%	City	17	31%
4	4	7%						
5	0	0%						
Total	54	100%		54	100%		54	100%

Source: ICT

Well-known hotel chains are operating in the country through franchise and/or management contract agreements with local hotel owners, such as Hoteles Barceló, Intercontinental Hotels, Marriot, Holiday Inn, Best Western, Radisson, and Meliá.

There are tremendous benefits associated with international hotel chains, particularly the expertise in operations, and the availability of central international reservations system, brand recognition, and a developed customer base. As a result, there is global resource optimization, which is unattainable on an independent basis. There is enormous value for Costa Rica to be able to promote itself to the world through a variety of well-known hotel companies.

These hotels generate a feeling of familiarity and security to foreign travelers when traveling abroad. Chain hotels should be considered a vital part of Costa Rica's promotional efforts, and they should be actively involved in the high profile tourism promotion events.

Mrs. Ana G. Alfaro, from the CCH (Costa Rican Chamber of Hotels) agrees that the hotels play a vital role in the country's promotional campaign. When interviewed, she acknowledged the significance of an interactive and collaborative effort among owners to pool resources and to promote the country using a portion of their own revenues.

This cooperation should follow the examples of hotels in Honduras²¹ and Guatemala. These hotels, and others in these countries, cater to both business and leisure travelers with the following amenities, the quality of which varies by property:

- ?? Links with international hotel chains.
- ?? Business service facilities, such as those which provide access to economic and current affairs information, translation services, secretaries, photocopiers and faxes, meeting rooms for small executive groups, bilingual personnel, cellular rental service, and personal computers. Some of these hotels also have exhibition halls and convention centers.

²¹ The Bay Islands and Copan, both in Honduras, also display unusual cooperation among hoteliers.

?? Spa facilities with swimming pools, jacuzzi, tennis/squash/racquetball courts, sauna and massage services.

Hotel expansion in Costa Rica has occurred in two directions: geography and service diversification. For example, geographically we see that although the Central Valley maintains its position as the area with the highest concentration of hotel supply, a fact that is considered to be natural in the hotel development for a country where you begin in the largest city, the Puntarenas and Guanacaste regions continue to be magnets for hotel development that de-concentrates the supply. Primarily Guanacaste, which in the last four years has a very significant growth in hotel supply, becoming one of the most attractive beach destinations based on investment. For example, in 2000 Desarrollos Hoteleros Guanacaste (owners of hotel Melía Playa Conchal) started building condominiums with an investment of US\$ 8 millions that will complement Conchal Resort 308 hotel rooms. In February 2001, Walter Niehaus, current Tourism Minister, announced a future US\$70 millions investment by an international hotel chain in Carillo, but he did not give more details as the project is still in the negotiation stage.

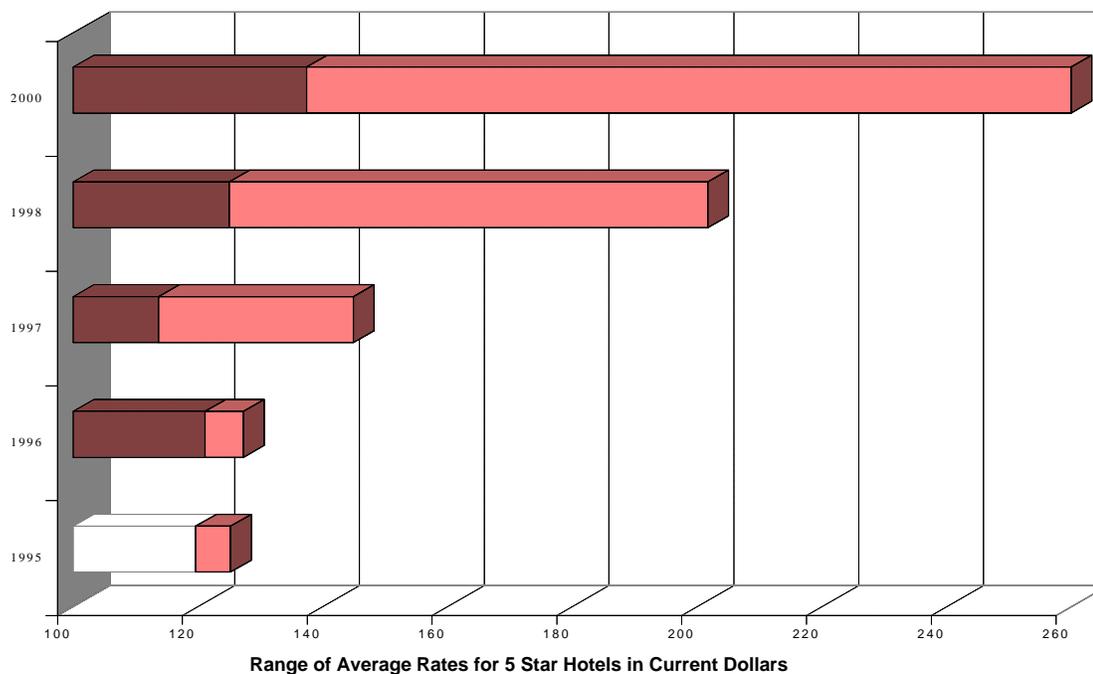
However, lodging investment in the Central Valley have grown steadily focused in the business sector, whose clients use limited but more specialized services, such as conference and office (computers, internet connection, etc.) facilities. Three international hotels were to start operations between November 2001 or January 2002. Hampton Inn & Suites from Hilton, Comfort Inn from Intercontinental Group and Courtyard from Marriot. They invested approximately US\$20 millions.

Without a doubt the arrival of the big hotel chains in Costa Rica was reflected in diversification of the hotel supply. These companies found in Costa Rica a country with a very attractive hotel demand but with a limited supply. As of that date, the country's hotel supply covered primarily two strategies, one targeted at the nature niche and the other with low delivery cost. By following these two strategies, the establishments were limited as to size, since this translates into high fixed costs. Evidently, these fixed costs could not be assumed by a market niche, such as the nature niche, that was more interested in the area's outdoors experience, and even less by a market sensitive to prices, such as the low delivery cost niche. This explains why the country's hotel supply was defined by establishments with a modest number of rooms designed based on the needs of these two segments.

At any rate, other segments, such as for example, the corporate segment, had to adapt themselves to the existing demand. The large multi-national chains saw this business opportunity, thanks to their experience in and knowledge of the different market segments. Based on that, they designed products targeted at other market segments which translated into a diversification of supply.

Diversification of supply in terms of changing the quality of service was reflected in hotel rates that were greatly differentiated, even within the same segment. For example, the following graph shows how, within the 5 star category in San Jose, the difference between average maximum and minimum prices increased 20.85 times between 1995 and 2000, going from \$5.6 in 1995 to \$122.5 in 2000. This margin, which is not affected by inflation, reflects, among other things, the great variety of services enclosed within a same group of hotels classified based on quality.

Figure 3.5



Source: Inter-American Tourism Guide 1995-2000

This evaluation in margins between the maximum and minimum prices also can be explained by the fact that after 1995 the industry went through a price deregulation process based on which each hotel supplier could define their service prices independently. Then, the price deregulation in lodging services, along with the entry of large multi-national chains and the implementation of a classification system concentrated on room service, bring as a results a large variety of services and prices within the same industry segment.

When looking at the figures set forth by the Inter-American Tourism Guide, one of the most frequently used sources for the region's travel agencies, the evolution of the maximum and minimum rates presented by a single lodging service provider draws the attention. In the following table the provider that showed the highest margin for each year between 1995 and 2000 was selected.

	Year	Min	Max	Margin
Hotel A	1995	100	110	10
Hotel A	1996	100	110	10
Hotel B	1997	165	220	55
Hotel C	1998	130	430	300
Hotel D	2000	220	690	470

Source: Inter-American Tourism Guide.

The margin evolution in the last three years motivated by the entry of new hotel supply into the country and the deregulation process, shows the evolution of the price setting system within the hotel industry, which has entered into a self-regulation process. This process has been characterized by radical changes in the rates that may obey both changes in the quality of service and following trends in the country's market. These changes have had an impact on tourist perception. The percentage of the population that finds lodging services in the country to be expensive has increased from 17% in 1995 to 25% in the year 2000²². Hopefully once the provider companies finish the learning curve about the market, the industry will reach stability in service prices that will provide for the country positioning itself more clearly.

For those who were accustomed to a more distinctive hotel development in the country, it is undeniable that Costa Rica has stagnated in this type of product. The small hotels targeting market niches with strategies that somehow used the environment have consolidated without expanding their operations. This type of hotel has dedicated itself to improving its operating and administrative practices in order to gain in an increasingly competitive arena, consolidating its business concept. These are hotels that basically live hand to mouth, with single owners dedicated to the business. Nevertheless, the fact that in the last several years nothing new in this type of business in the country has appeared is still interesting, and is truer of other countries in the region. This type of hotel adds a great deal of value to the country's supply by diversifying it.

More of this type of progressive investment outside of the traditional tourism will help to diversify Costa Rica's position as an international destination as well as improve the currently existing circuits. These improvements will solidify the country's foundation as an experiential destination, offering a variety of high quality lodging alternatives.

Currently, independent of the major national promotional campaigns, hotels use the following media for promotional purposes:

- ?? Direct marketing in fairs and tourist events, in order to obtain more business in the tourist sector.
- ?? Paid ads in specialized magazines and newspapers.
- ?? Contacts with travel agencies abroad to channel hotel reservations.
- ?? Special promotional package rates for tour operators to promote group hotel reservations.
- ?? Promotional weekend, honeymoon and special event packages.
- ?? Vacation club memberships. This package offers hotel, car rental and restaurant discounts.
- ?? Direct mail, using credit card data banks to mail information or promotional materials.
- ?? Joint promotions.
- ?? Support for CANATUR and ICT when they organize press and reconnaissance trips.

According to the airplane survey done by ICT in 2000, 12.9% of the tourists consider the lodging prices as cheap, 62.2% as regular and 24.9% as expensive. Tourists evaluated the airport services as shown in the following table.

²² Airplane survey that the ICT has applied each year between 1996 and the year 2000

Table 3.10
Tourist Hotel Evaluations (% of tourists)
ICT Airplane survey
2000

Item evaluated	Excellent	Good	Regular	Bad
Room comfort	33.8	52.1	12.2	1.9
Cleanliness	36.6	51.4	10.5	1.5
Price – service relation	27.3	54.0	13.7	5.04

Source: ICT Airplane survey 2000.

In sum, these features of the hotel industry are summarized as follows:

Strengths

- 1) *Major investments in world-class hotel infrastructure (4 and 5 stars).*
- 2) *Growing presence of international hotel chains.*
- 3) *Airport transportation services*
- 4) *Development of first-rate hotels with Costa Rican features*

Weaknesses

- 1) *Concentration of hotels in the Central Valley, especially targeting business travelers.*
- 2) *Few first-rate facilities in the interior of the country.*
- 3) *Weak sector efforts to promote Costa Rica as a tourist destination.*
- 4) *Lack of clear positioning strategy by different participants in the industry that affects the country's image.*

Opportunities

- 1) *Increase of tourism to Costa Rica with a well-planned promotional strategy.*
- 2) *Growing interest of foreign investors in Costa Rica's tourism sector.*
- 3) *Service-oriented human resources in need of greater training.*

Threats

- 1) *Persistent low occupancy rates during the "green season".*
- 2) *Increased unemployment levels as supply grows faster than demand.*
- 3) *Price competition due to lack of differentiated hotel products and services.*
- 4) *Concentration of new hotel supply in chains and all included.*

3.2.4 Tourism Distribution Companies

The traditional distribution channels for tourism products are mistakenly called travel agencies. However, tourism distribution channels are complex and include different types of organizations in term of scope, size and activities. Tourism distribution companies declared with ICT had an average growth between 1990 and 1995 of 20%. However, their growth rate has been decreasing since then, and during 1998 and 2000, the sector shrank more than 1%, but increased 7% in 1999.

The number of travel agencies could be higher, because it does not include a large non-declared supply of operators (including taxi drivers and small transportation businesses). In 2000 the approved investment for travel agencies certified by the ICT was €343.9 millions which represented 2.9% of the total investment with ICT declaration in the industry.

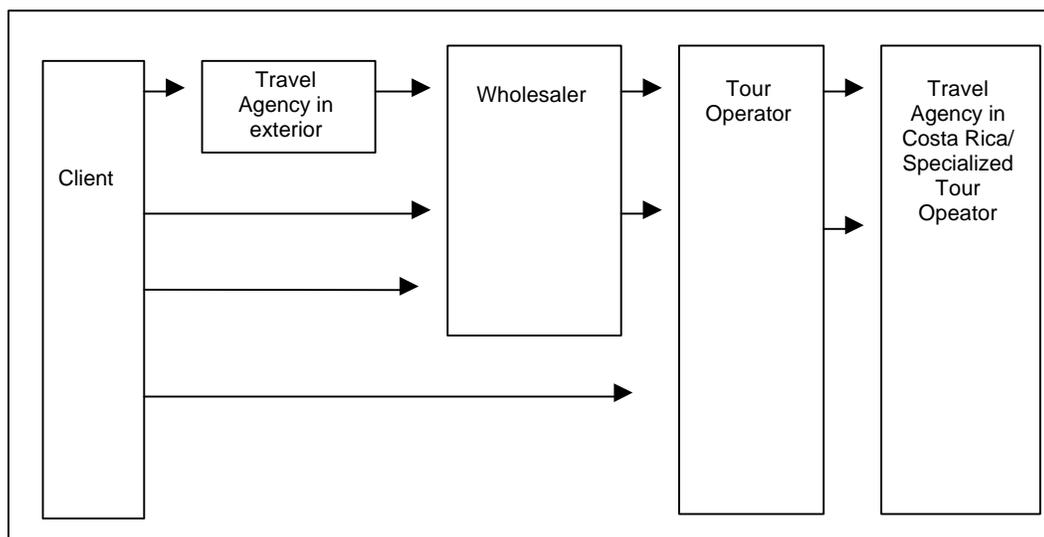
Table 3.11
Growth rate of the number of Tourism Distribution Companies
Declared by ICT (1990-2000)

Year	Agencies	% Growth
1990	121	NG
1991	145	19.83
1992	173	19.31
1993	208	20.23
1994	253	21.63
1995	263	3.95
1996	270	2.66
1997	273	1.11
1998	270	-1.10
1999	289	7.03
2000	285	-1.38

Source: ICT, 2000

According to Efrain Roldán, president of the Costa Rican Tour Operators Association (ACOT), the main channels of distribution of the Costa Rican destination product are:

Figure 3.6
Main Channels of the Costa Rican Destination Product



Source: ACOT, 1999.

Tourism Distribution Companies are classified by ICT based on their activities as: tour operators (including specialized tour operators), outbound and wholesalers. The majority of ICT declared Tourism Distribution Companies are in San Jose (88%) and are tour operators travel agencies (61%).

Table 3.12
Tourism Distribution Companies declared at ICT
According to type and province, December 2000

	Tour operator	Outbound	Wholesaler	% of total
San Jose	148	89	15	88
Alajuela	10	4	0	5
Cartago	0	0	0	0
Heredia	3	1	0	1
Guanacaste	1	1	0	1
Puntarenas	10	1	0	4
Limon	2	0	0	1
Total	174	96	15	
% of total	61	33	5.3	

Source: Department of Statistics, ICT

Tour operators are the responsible for organizing and coordinating tour group logistics, such as transportation, accommodations and guided tours. Tour operators act as the local representatives of travel agencies abroad.

Specialized tour operators are companies that operate daily tours. One example would be Rios Tropicales, a specialized tour operator that takes tourists on white-water rafting adventures on various rivers in the country during the day, Serendipity, providing balloon rides, and Calypso Tours a luxurious vessel to Tortuga Island for the day.

They negotiate plans, packages, and other tourism products exclusively through tour operators or directly with the client. One example would be Mountain Travel-Sobek, an American wholesaler specialized in adventure travel. If a client wants to do white-water rafting in Costa Rica, and walks into a U.S. travel agency that sells organized trips abroad, the agency will contact a wholesaler specialized in Costa Rican products or white water rafting tours.

A survey to 64 major North American wholesalers during 1998 revealed that Costa Rica is well positioned among them: the majority offered Costa Rica (94%), specifically selling natural parks (84%), and bird watching (75%)²³. The packages they offered to Costa Rica had a mean length of stay of 8 days and price of \$1,328, the highest in the Region. Of the 31 companies that offered tours between Central American countries, 73% offered between Costa Rica and Belize.

There are currently 285 ICT-registered travel agencies (which include 174 tour operators). Ten years ago there were only 121. However this number could be higher, because there are "micro-businesses" of transportation, which compete directly with tour operators and are regarded as negative, since their services do not offer any safety guarantees and they do not meet the standards wanted to be reached by the Costa Rican Tourism Industry. For example, a bilingual person rents a bus and organizes a visit to San Jose with a group of tourists and offers the concierges a very high commission. However, their services are not guaranteed. De acuerdo a Patricia Gamboa²⁴, "These businesses are partly responsible for tourists not wanting to come back to Costa Rica". In 2000, the travel agency industry generates approximately 12.7% of tourism sector jobs; third after lodging and restaurant and entertainment.

Due to the big amount of tour operators, innovation is becoming necessary. This, however, is very difficult to achieve because tourists come to Costa Rica with a preconceived notion of the type of activities that they would like to perform. On the other hand, the principal reason why differentiation is not seen at great lengths is due to the lack of information of the final consumer. They are not able to chose between different companies, but accept the ones that are recommended to them. In many cases these are the ones which offer a higher commission and not necessarily the best services.

One big obstacle for competition is that tourists choose their day tours based on recommendations from people that received commissions. An example is a group of tourists on Monteverde. Their main tour operator decided they should spend a whole day in the Reserve because it will bring the highest value to their experience. However, due to the commission paid to the guides by other specialized tour operators, the tour operator's guides decide to spend less time on Monteverde and take the tourists to the specialized tours from which they had received commissions from. A second example is when the taxi driver or front desk clerk recommends a tour based on the commission he or she will receive.

²³ See INCAE/CLACDS *North American Wholesaler Survey*,

²⁴ Patricia Gamboa, director of the Swiss Travel Agency.

As with other destinations, the percentage of people who visit Costa Rica through travel agency packages has fallen in the past years, except for 2000, when the percentage increased again – see table 3.13. This clearly shows the growing trend for tourists to select their destination and the decrease in the importance of the middle man in this function, making the information that tourists have access to for decision making very important. Due to this trend, important changes are happening in the industry's value chain, as is the case with airlines who reduced the commission paid to travel agencies. This placed the agencies in a very unfavorable position, where they have to ask themselves once again how to add value to the business and how they can “re-invent” themselves to insert themselves into the tourism economy.

Table 3.13
Percentage of People Interviewed who Came to
the Country Using a Package

Year	Percentage
1997	55.7%
1998	40.4%
1999	24%
2000	28%

Source: ICT Airplane Survey.

However, and once the tourist arrives in the country the country's operator agencies gain importance in product development, creating attractive daily or multi-day tours. They create and operate complete vacation tours-including transportation, hotel, food and attractions. As main developers of the tourism product, tour operators have a high degree of professionalism. Their business is to evaluate and create the “package” for tourists, and are therefore aware of the client needs and demands when elaborating their tours.

Some of the most interesting alliances have developed lately. These alliances are besides the traditional with restaurants, hotels, transportation services, tourism attractions, and specialized tour operators. They are with some major airlines to establish a bus route through the tourist places in San Jose, with practical training universities and with major hospitals and doctors. Some have started expanding to other Central American countries, either directly or through alliances. An example of this would be Swiss Travel in Nicaragua.

Moreover, in 2000 many tour operators started promoting Costa Rica as a health tourism destination as part of an agreement with doctors associations. Companies are marketing different types of products such as surgeries, odontology and stress treatments. The eye surgeries in Costa Rica, including the spending in touristy activities are approximately one third cheaper than in USA, one fourth than in Europe and 20% less than in Canada. Therefore, the travel agencies organize packages that include the lodging, tours and transfers to the clinics and hotels for a period between one and eight days. However there is not a global strategy to develop this product, Promotora de Comercio Exterior (PROCOMER) and ICT are involved in promoting the health tourism in the country.

In addition, operators also specialize in specific tourist activities, for example, Horizontes (adventure tourism: beach, forest and national parks) and Olympia (business and incentive tourism: corporate accounts). These companies are promoted through tourism-related magazines and international events.

Companies travel abroad to make contacts with other travel agents, i.e., fairs and other international events. Their objective is to find wholesalers or intermediary companies that will sell their services through travel agencies. Although some wholesalers sell packages worldwide, others specialize in certain regions, so not all of them promote Costa Rica. Another type of promotion is to invite wholesalers to visit and become familiar with the country's tourist attractions, which allows them to design packages to meet the needs of their customers.

The following table lists the main activities offered by local tour operators: Activities offered by specialized tour operators include:

Table 3.14
Activities offered by Tour Operators

Nature	Adventure and Risk	Cultural
Beaches	White-Water Rafting	Folklore
Islands	Sailing	Handcrafts
Volcanoes	Fishing	City Tours
National Parks	Diving	Archaeology
Wildlife Reserves	Horse Riding	Banana Plantations
Biological Reserves	Water Sports	Coffee Plantations
Bird watching	Jungle Hikes	Museums
Butterflies		
Mountain Biking		

The best-selling packages in Costa Rica are the tours to Monteverde Rain Forest, Arenal Volcano, Manuel Antonio – Quepos, Jaco Beach, Tortuguero, Tamarindo Beach, Ocotal Beach amongst others. Many companies have started offering packages and itineraries such as “Costa Rica Rivers and Rainforest Tours” which include white water rafting in one of the rivers and Corcovado National Park. Others are offering “Coast to Coast” trips, where the tourist gets to go around the country in 15 days. Other popular tours exploited are the Paddles and Pedals, where tourist get to do kayaking, white water rafting and go from one spot to the other mountain biking. All these package are being based on the adventure and nature tourism.

There is one critical factor that will need to be resolved in order to develop Costa Rica's international tourism to its potential: transportation infrastructure. Feedback from tour operators indicates that the road conditions preclude them from offering different products, such as the South Pacific, because of accessibility (especially for short stays). As a result, they are limited to the promotion of traditional packages.

Tour guides lead the tours, although the quality of the guides varies considerably among operators. In general, companies with high volumes have in-house guides. Others hire free-lance guides, who only work when their services are required. During peak periods, there is a scarcity of skilled guides who are fluent in languages other than Spanish and English. There are no adequate mechanisms to control unauthorized guides. For other activities, such as white-water rafting, guides receive special training,

such as knowledge on river currents, food preparation, first aid and camping, among others.

Besides joint ventures and expanding into neighboring countries, which is mostly done by the strongest agencies, marketing of these packages vary immensely. Some of the travel agencies and tour operators have editorials to publish specialized magazines, catering services for the excursions, restaurants, souvenir shops, hotels, etc.

Ways of capturing the market mostly utilized by smaller agencies are:

1. Branches in hotels, where exclusive commercial relationships may develop.
2. Contacts in Bed & Breakfasts, rental car agencies, souvenir shops, and other hotels
3. Wholesale agencies abroad.
4. International incentive houses which plan vacations for groups of employees for big commercial firms. These "incentives" are given to the employees according to their performance
5. Expansion into outside of San Jose. Below is the travel agencies distribution by province.

Table 3.15
Activities offered by Tour Operators
2000

Province	#
San Jose	252
Alajuela	14
Cartago	0
Heredia	4
Guanacaste	2
Puntarenas	11
Limon	2

Finally, in 2002, thousand of United States travel agents will take a course that will train them as specialists in Costa Rica as a tourist destination. The training will be offered through the magazine *Travel Agent*, the most important publication for travel agents in the northern country. The agents who enroll must pass an exam by correspondence and will be certified based on their grades. This system has been tried many times in the United States, with excellent results and is expected to increase the number of tourists that travel to Costa Rica with a package. The program has an approximate cost of US \$100,000, which will covered by the ICT and the Costa Rican Chamber of Hotels.

The airplane survey done by ICT in 2000 shows that 8.8% of the tourist consider the tour prices as cheap, 53.1% as regular and 38.1% as expensive. Following is the SWOT analysis for the industry.¹⁶

¹⁶ Based on interview with Mauricio Arevalo, operations director of TAM travel agency

Strengths

- 1) *Great variety of businesses*
- 2) *Consolidated quality businesses, based on its participant's experience.*
- 3) *A great desire to make things better*
- 4) *High standards of international quality*
- 5) *Leadership in specialized segments: ecotourism and adventure*

Weaknesses

- 1) *Lack of unity within the industry*
- 2) *Little negotiation power with its suppliers*
- 3) *No policies on tariffs, which fluctuate according to demand*
- 4) *No clear concept of Costa Rica as a tourism destination*
- 5) *High commissions*

Opportunities

- 1) *Development of the luxury-incentive tourism segment through international chains of high categories*
- 2) *Massive tourism development in Guanacaste and other popular tourism areas*
- 3) *Exploitation of new niche markets, i.e. Spanish courses, medical services*
- 4) *Entering of international transportation companies into the market*

Threats

- 1) *Deterioration of natural and cultural legacy.*
- 2) *Change in orientation from countries positioned as beach and sun destinations to adventure and eco-oriented tourism, i.e. Dominican Republic, Guatemala*

3.2.5 Transportation

Costa Rica is accessible by air, land and sea. Once in Costa Rica, tourists use public or tourist buses, private or rented automobiles, taxis or planes for intra-country travel. The following table presents the market share of each mode of transportation in 2000.

Table 3.16
Tourist arrivals by mode of transportation
1999-2000

	%	
	1999	2000
By air	71.2	73.6
By land	27.9	24.2
By sea	0.9	2.2
Total	100	100

Source: ICT (Statistics Area)

Tourists enter the country mainly via airplane (73%) or land (24%). During 2000, a total of 23,937 tourists arrived to Costa Rica in cruises, representing a 2.2% of total arrivals.

According to the airplane survey done by ICT in 2000, the most common forms of transportation used by tourists during 2000 were taxis (36.7%), and public transportation (24.5%). Among these means of transportation, a decrease in the use of tour buses can be seen and rental cars continue to maintain an important market share of around 26%.

Table 3.17
Forms of transportation used by tourists in high season
1996-2000

MEANS OF TRANSPORTATION	1996	1997	1998	1999	2000
Tour Bus	33.7	38.2	27.6	20.1	18.8
Rental Car	26.7	27.7	25.2	24.2	26.4
Private Car	19.8	17.1	11.7	23.0	24.3
Airplane	13.7	11	17.4	8.8	9.4
Rented Motorcycle	-	0.7	6.9	0.5	0.6
Other Means of Transportation	-	6.8	10.7	7.2	4.6
Taxi	43	32.5	32.8	36.7	38.4
Public Transportation (Buses)	28.7	26.1	35.3	24.5	25.1

Source: ICT Airplane Survey

3.2.5.1 Air Transportation

Even though, for 2000 Costa Rica had 16 airlines offering regular scheduled flights, three airlines bring more than a half of total airplane arrivals. In 2000, American Airlines flew 23.0% of the incoming passengers, Lacsca 22.0%, Continental Airlines 12.3% and Copa 8.3%, United 6.13%, Taca Internacional 5.6% and Delta Airlines 5.4%. Besides scheduled flights, more than seven carriers cope with the high-season's demand with charter services, or more schedule flights to Costa Rica.

Table 3.18
Juan Santamaría International Airport
International Passenger Arrivals
(Regular Service) 2000

Airline	Arrivals	%
American Airlines	226,898	23.36
Aviateca SA (Grupo Taca)	18,618	1.92
British Airways	2,815	0.29
Continental Airlines	128,672	13.25
COPA	80,595	8.30
Consolidada Cubana de Aviación	5,734	0.59
Delta Airlines	52,798	5.44
Lineas Aéreas de España	27,666	2.85
LACSA	212,049	21.83
LTU International Airways	10,466	1.08
Martinair Holland	32,590	3.36
Mexicana de Aviación	34,664	3.57
TACA International Airlines	54,282	5.59
SAM	19,669	2.03
United Airlines	59,550	6.13
Taca Perú	4,100	0.42
TOTAL	971,166	100

Source: General Civil Aviation Directorship

The total amount of flights per week vary between 232 to 270 depending on the season. The types of airplanes they use vary from the DC-9, the smallest plane used with a 92-passenger capacity, to the DC-10 with a capacity of more than 400 passengers.²⁶ Roughly estimating, regularly scheduled flights to Costa Rica have an average installed capacity of 30,000 seats per week.

Table 3.19 details the origin of flights coming to Costa Rica at the beginning and end of the 1999 high season. Notice that most are coming from North and Central America (81% of total).

Table 3.19
Origin of International Arrivals to Costa Rica
Total weekly flights, (% of total week flights)

	North America		Central America		South America		Caribbean		Europe		Total
Jan-99	134	(46%)	100	(35%)	26	(9%)	23	(8%)	6	(2%)	289
Jun-99	140	(59%)	75	(31%)	3	(1%)	13	(5%)	8	(3%)	239

Source: Based on the Costa Rican General Office of Civil Aviation Schedules of Incoming flights, 1999

In the year 2000, construction began on a new terminal at Juan Santamaría airport, which was based in large part on a study performed in 1996 by the company Tams. In the Tams study, the very rapid growth that tourism would have was not taken

²⁶ The most common airplanes are Boeing 737, Airbus 320, and Boeing 757, all them thought to have medium capacity (158 passengers as an average). Most charter flight airplanes have higher capacity (370 passengers, as an average).

into account, however, the team from the infrastructure department of Civil Aviation made the appropriate adjustments so the expansion would be defined based on a forecaste growth for 20 years. The new terminal will increase inbound capacity by more than 50%, which will not be reflected in size but rather in space optimization, all based on international standards. In August 2000, the new terminal, the passenger migration and reception services began operations.

However, the projects chosen to be developed by ATERRA (the private company in charge of managing the airport through a concessionary process), do not have the minimum security requirements according to OACI regulations. Neither, the company will develop the airstrip necessary for planes to fly directly to Europe, which would be an strategic improvement for the Costa Rican tourism industry. Moreover there have been endless problems between the concessionary company and the government, which difficult the development of the project.

The expansion, which will be carried out in three stages, includes the immigration area in the second stage, which will be available for 2002. The third stages will be a building exactly like the existing one. In order to solve the airstrip's size problem, a parking area where airplanes can wait while the others land, will be built. This will solve the short and medium needs for air traffic according to Tatiana Rodríguez from the Civil Aviation infrastructure department. However, even once the concession projects are finished, Costa Rican airport won't have the level of El Salvador or Panama airports.

As a function of the space limitations on increasing existing flights at the Juan Santamaría airport, targeting some of the airport's income for developing an airport in Orotina is being considered. This is expected to be ready for 2020, this being a reasonable depreciation period for the Juan Santamaría airport, which was created in 1951.

The cost of air service into and out of Costa Rica has historically been high as a result of limited competition. Instead of establishing attractive rates to stimulate tourism and increase business overall, the airlines have been committed to short-term load factors and quarterly earnings. For example, with respect to regional rates, the most active international airline in the region has established a discriminate rate policy with its flights to Costa Rica and the other Central American countries, which unfortunately has been supported by the limited number of competing airlines. "It is hard to understand how traveling by airplane from San Jose to Miami (a trip of more than two hours) costs almost the same as going to San Salvador and Tegucigalpa (a trip of a little more than an hour)"²⁷. Table 3.20 shows the fairs for flights within the region in contrast to other destinations.

²⁷Highlighted by a journalist with the local newspaper La Nación.

Table 3.20
Airfares from Costa Rica by selected airlines (US\$)
2002

	Grupo Taca	Continental	American Airlines
Miami	330	350	330
Mexico City	440	463	440
Los Angeles	519	519	617
New York	480	480	492
Houston	492	492	492
El Salvador	472	-	-
Nicaragua	262	-	-
Guatemala	492	-	-
Honduras	350	-	-

Airfares to Costa Rica are high²⁸. During May of 1999, when booking from 10 main locations in the U.S. and Europe, at four of these the tourist will find that flying to Costa Rica is most expensive than to other destinations in the Region²⁹. Moreover, in none of these locations would a tourist find the cheapest air fare to be the one to Costa Rica. The average roundtrip tariff to Costa Rica from 24 major locations in North America, South America and Europe was \$553 in the same month.

As more than half of all international arrivals to Costa Rica do so via air, the logistics involving air carrier schedules, competitive pricing, ground transportation, and the safe dispersion of tourists into the city is of critical importance. As a result, there are plans to promote the entry of new airlines and charters in order to further the development of tourism and reduce prices for both Costa Rica bound international and domestic travelers.

Domestic air transportation is provided mainly by Sansa, Travelair, and Aero Costa Sol, with good flight frequency. These carriers cover more than 28 national destinations--like Tortuguero, Quepos, Tambor, and Tamarindo-- every day; and totalling over 300 weekly flights.³⁰ For 2000, their fares range from \$45 (Quepos per person one way via Sansa) to \$90 (Puerto Jimenez per person one way via Travelair). Moreover, air taxi companies can be easily contacted.

The governmental organ related to this sector, Civil Aviation, is in charge of regulating the technical part of the functioning of companies that provide transportation services and not of regulating the fares. Only in those cases where they believe the established values are very high or very low, can it ask the airline to justify the increase. Only American, Continental, Delta and United, backed by the open skies agreement between Costa Rica and the United States, register their fares with Civil Aviation. Nevertheless, the other companies operating other destinations must submit their fares each time they are modified in order to receive approval and thus be able to apply them.

²⁸ See, CLACDS, Costa Rica: Country Profile.

²⁹ Specifically, Miami, Montreal, London, and Munich.

³⁰ Plan Estratégico de Desarrollo Turístico Sostenible de Costa Rica, ICT, 1995-1999, p. 29.

Currently, the possibility of including clauses that would allow that entity to participate in setting prices in future agreements is being studied.

Faced with this fact, the airlines' position is that rates are a function of the air-miles traveled on the routes. For example, Claudia Arenas, communications director for Grupo Taca, said that an evaluation of operating costs and market analysis are the two parameters that most companies use to set their fares. "Each market will be subject to different valuation criteria."³¹ Similarly, other factors such as airport infrastructure and location, which determines the size and type of the aircraft, which in turn determines how many passengers and how much cargo can be transported ultimately affect airline rates. Moreover, the cost of the equipment, modernization, and other technical and service improvements are all included in the price of a ticket.

With respect to market segmentation, the Central American airline group, Taca, primarily serves the Central American market, with service to key North American and South American cities. Other companies, such as American Airlines, target types of travelers, such as business class, in addition to geographic areas.

The following passenger services have been developed:

- ?? Ticket, baggage and migration pre-check service with 24-hour notice.
- ?? Frequent flyer bonus programs. Program members are entitled to claim tickets based on the number of miles accumulated. The Central American airline group require 25% less miles than other airlines.
- ?? Reservations 24 hours a day, year-round.
- ?? Hotel, car rental, cruise and cultural event reservations.
- ?? VIP lounge for business executives, including such services as fax, telephones, coffee, last-minute boarding, as well as preferential luggage treatment (last-on, first-off) that enables business executives to save time.

Strengths

- 1) *Coordination of flights at a regional level.*
- 2) *Diverse passenger services and promotions.*
- 3) *Facilities and amenities for business executives.*
- 4) *Flights to some important connecting points around the world.*

Weaknesses

- 1) *Relatively high rates.*
- 2) *Low number of direct points of entry.*
- 3) *Little diversity of supply.*

³¹ La Nación, August 26, 2000.

- 4) *Airport infrastructure and location.*
- 5) *Limited supply of support services, for example, catering companies.*

Opportunities

- 1) *Increase of supply that could lead to airline policy changes.*
- 2) *Reduction of airfares for the same reason.*
- 3) *Increase of charter flights.*
- 4) *Development of support services.*

Threats

- 1) *Unilateral "open Skies" policy approved, but not effectively implemented.*
- 2) *Inadequate infrastructure at the Aurora airport for more airlines.*

3.2.5.2 Car Rental

In 2000, there were at least 28³² certified by ICT car rental agencies operating (other 13 were in the subscription process) serving both business-oriented and leisure tourists in Costa Rica. This industry is important because it spreads the tourism income and, according to Peat Marwick, the vast majority of investments in car rental companies are made by Costa Ricans. It generates approximately one direct job for every rented vehicles (760 direct jobs), or 1% of tourism sector jobs³³.

Although the rental car companies are owned by Costa Rican nationals, ten agencies operate under international franchises, such as Budget, National, Hertz, Avis, Dollar and Toyota. The most important national firms, those not operating with international franchises, include ADA, the oldest and largest one in Costa Rica, Elegante, Amigo, Economy and Prego.

The benefits of international franchises are the industry expertise, access to an international reservation center, advertising support, personnel training, brand recognition, established customer base, and the confidence and they instill among tourists.

Another benefit associated with international franchises include strict licensing and quality controls that guarantee minimum standards of service. For example, rental car agencies with international franchises are required to provide services during established hours at the airport, while local companies are not.

The big majority is located in the Central Valley. Nevertheless, they have a wide network of branch offices covering most popular tourism locations in the country.

³² According to ICT

³³ 1998 Figures

Table 3.21
Car Rental Agencies per Region 2000

	No. of agencies	%
San Jose	32	78.05%
Alajuela	7	17.07%
Cartago	0	0.00%
Heredia	1	2.44%
Guanacaste	1	2.44%
Puntarenas	0	0.00%
Limon	0	0.00%

Fuente: CANATUR

In Costa Rica car renting is regulated by ICT, which authorizes the activity and controls, together with the Ministry of Finance, vehicle renewal, disposal, and liquidation.

Table 3.22
Performance of Car Rental Industry in Costa Rica
1987-1998

	1987	1995	% change 37/95	1998	% change 5/98
Total Tourists	277 861	784 610	182	942 778	20
Car Rental Companies	15	37	147	49	32
Total Rental Cars	1750	3041	74	7385	44
Tourism Receipts/tourist	\$136.3	\$661.3	385	\$879.7	33
Cars available p/tourist p/month	0.30	0.19	-38	0.22	20
Tourist per car per month*	3.31	5.38	62	4.48	-17

Source: ICT, CANATUR, ACAR.

Note: Based on estimate that 25% of tourists rent a car.

Notice that the supply of rental cars grew faster than tourism arrivals between 1995-98. The amount of cars per tourists increased 20%, and today there is an average of 5 tourists per car available for rent. The main reason for this increased supply is the tax incentives offered by the government since 1985, and overall increased tourism activity. In 1999 \$352,684 were invested in rent a car agencies, a 1.45% of the total industry investment. For 2000, 55.4% of tourists complain about the high cost of renting a car, according to the ICT airplane survey. Car rental companies believe the reasons for high prices include: 1) only 50% of import tax exemption, 2) high maintenance costs, and 3) expensive car collision and theft insurance.

Better statistical information would help determine the efficiency of the rental car industry in Costa Rica and, therefore, would provide important information as to how to develop and position the industry in the future.

The vehicles that are typically offered include automobiles, vans, pickups, 4-wheel drives, trucks and tourist buses. This nature of the rental car business requires constant fleet renewal and expansion as customers demand a variety of vehicles in optimum condition. Vehicles are not only subject to normal deterioration, but also to abusive use and unnecessary risks taken customers.

The challenges and costs inherent to car rental agencies that maintain a high quality operation are:

- ?? High cost of new vehicles.
- ?? Reduction of useful life due to highways in poor condition.
- ?? Difficulties in selling their vehicles and low resale value since there is a high supply of used cars in the market.

To effectively promote rental car services, ads are placed in specialized tourist magazine and major newspapers. Another form of promotion is through the internet, which often includes low season rates and new added services. For example, Hola and Prego Rent-a-Car, offer 24-hour-7-day-per-week road service and assistance. At the same time, they offer bilingual drivers for special fees, tourist information services, and lower rates based on distance traveled.

Rental car companies affiliated with an international franchise are supported by regional advertising programs whereas the smaller independent agencies do not receive such support.

According to the airplane survey done by ICT in 2000, 7.1% of the tourists considered the rental car prices as cheap, 36.7% as regular and 56.2% as expensive.

Strengths

- 1) *Multiple companies competing*
- 2) *Presence of well-known foreign brands*
- 3) *Diversity of vehicles for rent*

Weaknesses

- 1) *Little differentiation of supply.*
- 2) *Lack of adequate conditions at the Juan Santamaria airport.*
- 3) *Limited insurance coverage.*

Opportunities

- 1) *Improved road conditions in the country.*
- 2) *The in-process remodeling of the Juan Santamaria International airport.*

Threats

- 1) *Safety conditions in the country are deteriorating.*
- 2) *Product offerings are not differentiated, leading to a price war.*

3.2.5.3 Taxis

Costa Rica counts with 13,673 taxis³⁴. In general terms, the vehicles are found in good conditions. However, there is a lack of control from behalf of the government on the units that are used as well as the "pirate" taxis (illegal taxis), which has allowed for the quality standards to decrease. Although prices are regulated by the State and the use of taximeters is obligatory, many tourists are often victims of over charges.

The 13,673 float is grouped into four major associations: Coopetico, Fenacootaxi, Coopetaxi, and Taxis Unidos. Taxi supply has increased 40% in the last two years from 9,755 taxis in 1998. This figure shows a large increase in the official taxi fleet, more if stated that for 1998 the growth compared to 1996 was 30%. Even though taxis are widely used by tourists (38.4%), more than 80% of total taxi supply is in the Central Valley. The mobility of this service, though, permits them to react to tourism demand. For example, allocating more taxis in the Caldera Port during the high season, without having an official relationship with cruise operators.

Table 3.23
Registered Taxis in Costa Rica,
July 2000.
(excluding unauthorized supply)

Province	#	%
San José	7,462	54,6%
Alajuela	1,883	13,8%
Cartago	940	6,9%
Heredia	995	7,3%
Guanacaste	563	4,1%
Puntarenas	940	6,9%
Limón	890	6,5%
TOTAL	13,673	

Source: Alcance No. 62 of la Gaceta No.179.

The taxi associations have developed alliances to serve specific hotels but most are based on trust and friendship, rather than on strategic alliances- such as hotels recommending a taxi or vice-versa. It is also evident that some hotels prefer to own the taxis serving them, instead of relying on outside sources. In general, for the tourism industry, it is important that there exists a bigger supply of vehicles. However, this fleet must be governed by regulations and standards of quality for both the vehicles and the drivers. One example is Singapore, where taxi drivers must speak English, and they have a formal test to pass before being able to operate.

The government can contribute by improving the efficiency of transit police and the tourism industry could develop a better relationship with the sector. Some steps have been taken on that direction. For example, the company Taxis Unidos, is the only one with taxis authorized to give services at the Juan Santamaria International Airport.

³⁴ According to Alcance No. 62, Gaceta No. 179.

Coopetico, at the same time, covers the needs of the tourist that arrive on cruise ships into Caldera and have no prepaid or pre-organized tours. In able to give this service during the high season, the cooperative assigns a certain amount of taxis to able to cover this and the regular taxi services of the area. Just like the Taxis Unidos, there is no official relationship between the taxis and the cruise lines.

During September of 1998, La República newspaper led a study where tourists evaluated Taxis Unidos- a taxi association- and the taxi drivers evaluated the tourists.³⁵ The drivers preferred the American tourists; according to them the friendliest and better tippers. They referred to the young European backpackers and the Chinese as uncomfortable, cheap, and complainers". Tourists said to depend a lot on the taxi driver's recommendation for choices on restaurants, attractions, and places to avoid. They believed airport taxi drivers were kind and respectful, but disliked the varying taxi fares within San Jose.

One specific proposal made by taxi drivers to deal with the price speculation problem is to allow hotels to control taxi fares and to provide pre-paid service to tourists. None of this has been done, but what has been done is to regulate the rates for services rendered. Before, the MOPT set these rates, which then had to be approved by the Regulatory Authority for Public Services (*Autoridad Reguladora de los Servicios Públicos – Aresep*), but the new *Ley de taxis* (Taxi law) shifted this authority to the Aresep. With the aim of regulating fares in this sector, the Arasep has prohibited taxi operators from the following practices:

- ?? Adding a 20% surcharge to the amount indicated on the taximeter between 10:00 p.m. and 5:00 a.m.
- ?? Restarting the taximeter after the first 12 km, or 7.5 mi (a fare of ₡1,295.00)
- ?? Altering legally-established rates for driving on roadways in poor condition
- ?? Charging higher rates for service rendered to lodging establishments
- ?? Failure to use a taximeter with measuring systems pursuant to prevailing technical and legal mechanisms

The purpose of these changes in the regulatory entity is to improve conditions in this sector of the industry.

Strengths

- 1) *Increased level of training*
- 2) *New quality companies operating in the capital city.*

Weaknesses

- 1) *Only one company provides service at the airport.*
- 2) *Poor condition of fleet in most companies*
- 3) *Non-standardized rates in most companies.*

³⁵ Enrique Tovar (La Republica, September 6, 1998)

- 4) *Poor image for foreign visitors.*
- 5) *Taxi drivers lack adequate English knowledge.*

Opportunities

- 1) *Increase inflow of independent travelers to Guatemala.*
- 2) *Improve service quality.*
- 3) *Awareness regarding the need to change the service provided at the airport.*

Threats

- 1) *Passenger safety is perceived to be low.*

3.2.5.4 d. *Buses*

Costa Rica has non-stop bus service from San Jose downtown to more than 37 tourism destinations, and over 22 destinations with one or two bus stops.³⁶ Also, tourists can move throughout the country without having to go to the Central Valley at all. Bus fares go from \$0.50 to \$7.50 depending on the destiny, with an average of \$4.4.2.³⁷ Over 98% of bus services operate daily, and most operate several times a day.

It is important to note, though, that there is no bus service to several national beaches and parks, and the tourist must use a taxi after one of the bus stops. At the same time, it is worth mentioning that there is no single central bus station in San Jose. Bus stops for urban and inter-urban routes are scattered all over town.

Generally, public buses do not respect safety measures, maximum passenger capacity limits, or are in poor conditions³⁸. This affects the country's image and positioning as a destination for environmentally sensitive tourists. Initiatives like the "ecomarchamo" (a sticker certifying a vehicle's emissions), that regulates public transportation emissions, are very important for tourism. The Ministry of Public Transportation (MOPT) has been increasing inspections on buses since August of 1998, and punishing abusers with fines and out of circulation sanctions.

A reasonable alternative to the standard intercity buses are the van shuttle services provided by Fantasy Bus (uniform US\$19 rate) and Interbus (its range goes from US\$17 to US\$45). These run vans from San José to all of the most popular destinations, as well as directly between some of those destinations, avoiding the need to return to San Jose. Transportes Marvi offers transportation anywhere in the country in small or large air-conditioned buses, with bilingual personnel, bathroom, and optional tours.

For international routes, tourists can go from Costa Rica to other Central American countries. Passenger services have improved in recent years for international routes. Various bus companies offer service to Central America as follows:

³⁶ Costa Rica Today, pg. 24-25

³⁷ Exploring Costa Rica Guide 2000, pg. 15-19

³⁸ Basilio Quesada Chanto (La Republica, August 12, 1998)

Table 3.24
Services offered from Costa Rica to Central America.
2000

Destination	Duration	Price
Panama City	16 hrs	\$20-23
David – Panama	9 hrs	\$8.25
Managua – Nicaragua	10 hrs	\$10-\$12.5
Tegucigalpa – Honduras	2 days	\$29
San Salvador – El Salvador	2 days	\$32
Guatemala City	2.5 days	\$39

Source: Central America on a shoestring, Lonely Planet, Fourth Edition June 2001.

Strengths

- 1) *Adequate supply of suitable buses to meet tourist demand.*
- 2) *Diversity of collective transport routes.*
- 3) *Buses owned by tour operators.*

Weaknesses

- 1) *Deficient public service.*
- 2) *Poor condition of public transport vehicles.*
- 3) *Inadequate service quality control in public routes*
- 4) *High cost of quality transportation for domestic tourism.*
- 5) *Lack of culture among local users in relation to the proper care they should give to the transport units.*

Opportunities

- 1) *Growth of the sector.*
- 2) *Opportunity to interconnect Central America with diverse routes.*

Threats

- 1) *Greater number of accidents.*
- 2) *Lack of fleet renewal.*

3.2.5.5 Cruises

Before 1992 there were no adequate records of tourist vessels docking, particularly because the number of dockings and tourists were not significant. After 1992, cruise ship inflow started to grow, and cruises are now statistically accounted by ICT. The following table shows the evolution of the industry since 1990.

Table 3.25

**Cruise ship and excursionist arrivals to Costa Rica
1990-2000**

YEAR	No. of cruise ships	Annual Variation	No. of excursionists	Annual Variation	Cruises Recieved
1990	83	-	54,689	-	
1991	103	24%	67,923	24.2%	N.A.
1992	84	-18%	71,277	4.9%	N.A.
1993	149	21%	111,993	57.1%	N.A.
1994	173	16%	155,584	38.9%	N.A.
1995	164	-5%	139,428	-10.4%	N.A.
1996	168	2%	158,742	13.9%	14.9
1997	202	20%	201,386	26.9%	18.3
1998	220	9%	224,405	11.4%	21.4
1999	253	15%	235,039	4.7%	21.5
2000	199	-21.3	189,814	-19.2	18.7

Source: ICT 2000 Statistical Yearbook

Table 3.26 shows the distribution of cruises with respect to the ports of arrival and the origin of tourist growth for 2000.

**Table 3.26
Total Cruises and Excursionists by Port and Origin to Costa Rica
2000**

Port	Cruises		Excursionists	
	#	% of total	#	% of total
Pacific (Caldera and Puntarenas)	86	43.2	110,670	58.3
P. Limon	71	35.7	76,454	40.2
Golfito	42	21.1	2,690	1.45
TOTAL	199	100	189,814	100

Arrival of Tourist to Costa Rica by Cruise

Country	#	% Total
North America	20,9311	89.2
Central America	176	0.75
Caribbean	54	0.23
South America	255	1.1
Europe	1,598	6.8
Other	435	1.9

Source: ICT, 2000

On average, cruise passengers do not stay in the country over 12 hours. During this time they usually visit the cable car trip in Braulio Carrillo National Park, downtown San José, Sarchí, Poás volcano, Tortuga Island or Pueblo Antiguo (only one alternative available per visit).

Due to limitations on the time to render services, since most of the tourists are elderly or even handicapped, the travel agencies and tour operators serving these cruise ships (Swiss Travel Service, TAM, Costa Rica Temptations, and Horizontes) must work under strict quality control, particularly with regard to issues of time and safety.

Services rendered to cruise ship passengers have suffered the adverse effects of poor road quality, specifically the Caldera-San José highway and traffic jams in Caldera. There is only room for three cruise ships at a time in Caldera, which have to share space with vessels carrying grain. Despite efforts made to avoid scheduling conflicts between both of these services, remote mooring mechanisms have frequently been resorted to, from which passengers can reach land aboard small watercraft (comparatively precarious as compared with docking at port).

Nevertheless, cruise ships represent an important opportunity to get to know the country, since they make it possible to attract tourists through personal reference. Improvements required in conditions for this segment of the market involve important works in infrastructure that must be assessed based on the environmental positioning efforts made by Costa Rica.

Finally, it must be kept in mind that this sector of the industry is categorized by many experts as being opposed to generally accepted ecotourism practices. According to prevailing international maritime law, cruiselines are not required to comply with many national regulations. In fact, they do not even have to obey US labor laws, pay taxes on profits or income, obey safety standards, oat sales tax or meet environmental standards. They do, however, produce 20 million pounds of waste, which they dump into the ocean daily.

Strengths

- 1) *Incipient inland service supply.*

Weaknesses

- 1) *Little diversification of inland tour destinations.*
- 2) *Lack of tourist infrastructure in ports.*
- 3) *Improvised sale of handicrafts.*
- 4) *Short average stay.*

Opportunities

- 1) *Development of nearby communities.*
- 2) *Development of ports.*

Threats

- 1) *Loss of interest of companies that send cruise ships to the country.*

3.2.6 Restaurants

Based on available information, it may be stated that the gastronomical sector has developed rapidly in Costa Rica in recent years. However, the figures issued by the ICT fail to show this development, since they indicate that by 2000 there are barely 201 gastronomical and entertainment establishments in the country. This is because many businesses in the industry do make a tourism declaration.

For example, the fast food segment has demonstrated greater dynamism. Little over a decade ago, there were only fast food chains in Costa Rica with relatively few points of sale. Currently, there are at least ten that have expanded quickly and other international chains are planning to open up operations in the country over the short term. There are many fast-food restaurants, including hamburger, chicken and taco restaurant chains, as well as specialized restaurants. Pollo Campero, which has restaurants throughout the region, leads all of the major U.S. chains in number of units (McDonald's, Burger King and Taco Bell), and is not only a model for professional restaurant chain management, but also a form of international promotion for Costa Rica.

Moreover, a few years ago there were no quality restaurants offering ethnic food, such as Japanese or Spanish cuisine. Investments made by several foreigners that have decided to reside in Costa Rica in recent years has been a contributing factor to the vast increase in the variety of gastronomical services rendered in the country.

Furthermore, businessmen in this area are also beginning to consider vertical and horizontal integration projects and to explore the possibility of currying out joint ventures as a way of lowering construction and advertising costs. An example of this is the restaurant known as *El Mirador del Sol*, located near Orotina, which is the result of an idea of the owners of *Hotel Vista Hermosa* in Atenas. They realized the potential of this strategically located spot along a route heavily traveled by tourists and decided to provide a service featuring their traditional Costa Rican cooking. Others hotels in this genre, including this one, are some of the best examples of traditional food, which besides selling delectable dishes, devote themselves to selling the experience of trying out simple cuisine adorned with the warmth of the atmosphere and people of the countryside.

In this same segment, unfortunately, which is most pervasive outside the capital, there are many examples of restaurants providing abysmal service and greasy food. In fact, according to Harry Pariser,³⁹ Costa Rica cannot be considered a destination with good culinary service. "Small restaurants typically serve overcooked, greasy food. This is the result of a population that, unlike those in other neighboring countries, is not accustomed to using condiments and spices."

This is very true. For foreign tourists and others used to a fat-free diet, Costa Rican food is rather heavy for their taste. It must not be overlooked, however, that there

³⁹ Author of *Adventure Guide to Costa Rica*

has been a small organic product movement throughout the country to develop items for a particular niche in the market that is concerned about health issues.

Evidently, Costa Rican cuisine faces a formidable challenge due to the lack of professionalized personnel in the vast majority of its restaurants. It must not be overlooked, due to the absence of proper academic training institutions in the country, qualified cooks must be brought in from abroad. In effect, these issues were pointed out as one of the sector's most serious weaknesses. Upon inaugurating its operations in Costa Rica, the Costa Rica Marriott brought in a large part of its kitchen staff and today, five years later, they still have a foreign Food and Beverage Manager, who is the only European in the management group.

The lack of very high-level training, of qualified chefs, and the high prices of some raw materials are serious problems that limit improvement in the competitiveness of this sector. Even so, food was rated by tourists as one of the most economical services that they purchased.⁴⁰

Though Costa Rica may not compare with Guatemala City or Panama City as the food capital of the region. It must not be overlooked that in the last three years the restaurant supply has increased substantially, with numerous international and regional chains opening units in addition to a new generation of local operators opening restaurants that appeal to the international market.

Significant improvements have been achieved in Costa Rica's restaurant industry, but the improvements are particularly noticeable in the capital city where restaurants have grown in quality, quantity and price diversity. Virtually every category of cuisine, in all market segments, is now available. Some categories have found tremendous success. Tre Fratelli⁴¹, for example, has reinvented the Italian trattoria concept with its fusion cuisine, and can be found not only in Costa Rica, but also in other countries throughout the region, such as Guatemala.

With respect to the specialty and theme restaurants, there is a full international selection of menu types that include typical food, continental, steaks, seafood, Chinese, Spanish, French, Italian, Jamaican, Salvadoran and Mexican. Moreover, all of the upscale hotels feature gourmet rooms.

The most successful restaurants have a strong presence in San José City, to a lesser degree in the rest of the country. They have:

- ?? Specialized chefs
- ?? Investment in décor and furnishings.
- ?? service to groups
- ?? Banquet catering service in private homes
- ?? Generalized acceptance of credit cards

⁴⁰ According to the 2000 ICT High Season Airline Survey

⁴¹ A California-based restaurant company.

Restaurant patronage by tourists in local restaurants is typically the function of either a recommendation by a local tour guide or they randomly select a restaurant on their own. Tour operators generally visit restaurants before making recommendations as they are obligated to confirm the quality of the restaurant's food and service as well as to confirm the ability of the restaurant to accommodate groups. The tour operator executives also inspect restaurants to verify the quality of the food and the service, the basis on which restaurants are chosen.

If the groups are large, the tour operator visits the restaurant ahead of time to confirm the number in the group and the menu price. If the groups are small, there is more flexibility and the guide can take the tourists to any restaurant that they find appealing. Most restaurants maintain good relations with the guides, who are invited to taste their food and may even be offered some commission.

According to the airplane survey done by ICT in 2000, 25.3% of the tourists considered food prices as cheap, 56.9% as regular and 17.8% as expensive.

Strengths

- 1) *Diversity of supply in quality, quantity and specialization in Guatemala City.*
- 2) *Incipient development of restaurants offering quality typical food.*
- 3) *Good relationship between tour operators and hotel restaurants*

Weaknesses

- 1) *High concentration in Guatemala City and Antigua and low presence in the other departments.*
- 2) *High operating costs in tourist points.*
- 3) *Unskilled and barely specialized labor force.*

Opportunities

- 1) *Growth toward the interior of the country*
- 2) *Promotion of the country's typical cuisine.*
- 3) *Services created for the development of domestic tourism.*

Threats

- 1) *Access of individual tourists to food that does not meet health standards.*
- 2) *Loss of the identity of Guatemalan cuisine*

3.2.7 Other Tourism Attractions

3.2.7.1 Entertainment

The country has a significant number of businesses classified by ICT⁴² as entertainment; however, most of them are night clubs (discotheques), casinos, movie houses, and theaters concentrated in the capital city. Of the 217 entertainment establishments (including restaurants) certified by ICT, 68.2% are in San José.

Entertainment shows have been created specifically for tourism based on the country's cultural heritage: The Andalusian horse show, the Coffee Britt Tour, Tiquicia and Pueblo Antiguo, for example. Besides shows, historical buildings, like the National Theater and the Cathedral also provide entertainment.

There have also been creative efforts within members of the sector to provide tourism entertainment. The International Music Festival is probably the best example of a cultural festival with high international quality. It features world-class concerts at hotels across the country, thus promoting domestic tourism.

There are four major parks in the country: Parque Fraijanes, Parque del Este, Parque La Sabana, and Parque de la Paz, all of them around San José. Additionally, there are annual sports activities, like soccer games, windsurfing competitions, surfing meets, amongst others.

Considering Costa Rica's positioning strategy, certain types of entertainment are not a complement, but rather counteracting to tourism. Sex related entertainment becomes threatening when featured on the media. According to the ICT⁴³, some hotels in the capital and in the major Costa Rican beaches on the Atlantic and Pacific Coasts have turned into brothels that prostitute young girls.

3.2.7.2 Stores

With regard to shopping facilities, numerous shopping centers have been developed in San José in the past 10 to 15 years, such as, Mall San Pedro, Outlet Mall, Multiplaza, Plaza Mayor, Mega Centro – Cartago and Novacentro. Although Costa Rica is not considered a world-class shopping center, it offers diversity and quality of national and international products.

3.2.7.3 Golf and Tennis

At present, there are several golf courses in the country, but this sport is not typically associated with Costa Rica by foreign visitors. Some of the courses are of sufficient quality, and accessible enough to be valuable as an attraction to the lucrative

⁴² Strategic Plan for the Sustainable Development of Tourism in Costa Rica (1995-1999), p. 17

⁴³ La Nación, February 17, 2000.

incentive travel business, for which golf is often a prerequisite. Tennis courts, also a requisite for incentive travel and resort vacationers, are also available and plentiful.

3.2.7.4 Spanish Language Schools

In recent years, Costa Rica has lost importance as a destination for studies in Spanish as a second language. Based on a survey made on airplanes carried out by the ICT, in 2000, 3.8% of all tourists identified studying Spanish as the reason for their trip, which means that close to 41,000 tourists came to the country for this purpose. Observation of this group reveals that Spanish language studies is the chief motivation for trips made in recent years (see Table 3.26).

A fall of 57.3% in the number of tourists that visit Costa Rica to learn Spanish, was registered between 1996 and 2000. It must also be taken into account that learning Spanish in Costa Rica is probably more expensive than doing so in Guatemala or Mexico, according to information available on line. In Costa Rica, four-week, 20 hour-per-week courses cost between \$580 and \$720, not including lodging expenses, requiring a non-refundable \$100-\$200 registration fee, and private lessons range between \$10 and \$25 per hour, depending upon the institution.

Table 3.27
International Tourists who came to the country to study Spanish

Year	Total tourists	Students	% total
1996	781,127	96,859.75	12.40%
1997	811,490	75,468.57	9.30%
1998	942,863	63,171.82	6.70%
1999	1,031,585	54,455.49	5.30%
2000	1,088,075	41,346.85	3.8%

Source: ICT Airline Survey made in 1996, 1997, 1998, 1999 y 2000.

The net decline that this segment of the market has undergone is cause for concern, since learning, especially of this kind (a second language has long-term economic value to individuals who acquire them), is one of the great forms of value that can be attached to a visitor's experience. This is one of the reasons why nature and culture based tourism are so important in the global marketplace of tourism today—visitors to foreign countries demand experiences that enrich them. Language schools fit this pattern perfectly.

Furthermore, the long-term value of Spanish language students makes this particular attraction critical. These tourists stay for long periods of time, and though they do not spend as much as traditional tourists on a per-day basis, their total spending in the country is more than most other segments of tourist. Perhaps more importantly, they visit many more regions of the country, spreading their spending diversely and taking away from Costa Rica a wealth of images and experiences that make these tourists extremely valuable as a source of word-of-mouth promotion for the country.

For those wishing to learn Spanish in Costa Rica will have no difficulty in finding a language school to match this individual's tastes. According to the ICT, there are over 24 accredited language schools, located primarily in the Central Plateau, along with many more that are not officially recognized. Costa Rica is one two countries in the

region with the most to offer in the way of language studies on line (see table 2.3.3.2). Moreover, the supply of instruction is quite varied, ranging from basic programs to highly specialized programs targeted specifically for various niches in the market, such as classes strictly for adults, programs for professionals, for medical doctors, for those interested in learning about environmental issues and Central American culture, etc.

Supply also links the location of the schools with packages in the city or at the beach, or package that include lodging in the city, in the mountains, or at the beach, leveraging their proximity to various destinations throughout the country. Thus, we can find programs that, in addition to offering education, combine it with other cultural activities and tours. It must be added that in the case of Costa Rica, Spanish language teaching benefits from the country's image as having a very high level of education, which together with its political stability and low levels of risk as compared with other destinations in the region, bring added value to this sector of the industry.

3.3 Support and Related Sectors

3.3.1 Support Organizations

The tourism sector is one of the most organized economic sectors in the country. In the public sector, the Costa Rican Tourism Institute (ICT) is the industry's regulating entity in charge of promoting and watching over private activities in this field, as provided by Law 1917 of August 9th, 1955.

The private sector has various Associations and Chambers grouping most companies engaged in tourism activities. In turn, there is an umbrella organization, called National Chamber of Tourism (CANATUR), grouping the most important Associations and Chambers.

3.3.1.1 The Costa Rican Tourism Institute (ICT)

ICT is an autonomous institution created in 1955. Its Executive President is appointed by the President of Costa Rica, and is supposed to have experience in the tourism industry to facilitate private sector involvement, tourism planning and government coordination. The Executive President held a Minister rank since 1990, but the 1998 administration removed this rank. Most agree that this change has lowered the political presence internationally of the Executive President, and its national linkages because he can no longer participate in the Executive Council meetings held weekly with the Ministers.

Organic Law number 1917 of August 1955 provided the ICT with a series of obligations and responsibilities that make it an entity with broad faculties for intervening in any matter or issue related to tourism. The primary objectives of this organism are:

1. Encourage entry and a pleasant stay in the country for tourists.
2. Promote construction and maintenance of tourist establishments.
3. Promote the country as a tourist destination outside the country.
4. Promote and safeguard private tourism service activities.

Its income comes primarily from a 5% tax on international tickets, and a 3% tax on lodging services provided in the country. ICT's organizational structure remains big: from the 218 employees it had in 1996, it has decreased to 210 for 2001⁴⁴. More than half of ICT's current income comes from taxes paid inside the country for airplane ticket purchases, approximately \$8.4 million of US\$15.9 million of 2001 current income. Even though the total income for 2001 was \$32 million, the Central Government demands ICT to invest a percentage of it in Government bonds. Interest on these government bonds brought \$2.2 of 2001 current income.

Table 3.28
ICT : Major Sources o Current Income
2001

Source of Current Income		% of total
3% tax on hotel rooms (Law 2706)	\$4,105,790	27%
Tax on airplane ticket sales (Law 1917)	\$8,442,828	55%
Tourist card	\$31,041	0%
Interest on Government Bonds	\$2,268,608	15%
Other Income	\$489,937	3%
Total	\$15,338,204	100%

Source: ICT Accounting Department ICT 12/01.
Estimated Exchange rate at December 2001 (335 colones/\$)

Currently, the country has become a reference for ecotourism development models for the continent and the world. Therefore, many foreign tourists who come to the country are motivated by the ecotourism issue. The Institute's priority areas are:

- ?? Promote tourism in order to consolidate existing markets and attract new ones.
- ?? Provide security for investors.
- ?? Ensure quality products and services.

Therefore, for 2002 the ICT defined general policies for the development of the tourism industry in Costa Rica. They must be considered in a long term framework.

- ?? The development of the tourism industry must contribute with the society by generating economic benefits, protecting the environment and respecting the country's culture.
- ?? Any touristy activity against good conduct of the population or endager the physical integrity of the human being will be stronly persecuted.
- ?? The concept of sustainable development will be the main touristy activity and will be considered as the key factor to differenciate the national tourism product.

⁴⁴ Victor Quesada, Planification Department, ICT. March 2002

- ?? Tourism will be understood as as a strong and high competitive activity where the improvement of the touristy infrastructure, quality and development of new products in all the country regions will be pursued.
- ?? Costa Rica will promote the foreign and national investment, both in new projects and the improvement of the ones that already exist, always considering the development of the local communities.
- ?? The development of high quality entrepreneurs will be supported, as an strategy to incorporate the communities to the tourism sector of the economy.
- ?? The Gulf of Papagayo Tourism Project will be considered as an integral and high priority source of development for the country. Foreign direct investment will be promoted.
- ?? All national and international promotion will be according to an strategic plan established by ICT. This plan will consider the private sector and related communities proposals within a national framework.
- ?? Costa Rica will have a Tourism Development Plan in which according to a long term vision, development activities for the industry will be established. This plan will be a framework for the Annual Operation Plan and for ICT's budget distribution.
- ?? ICT will work according programmes and objectives, for what a well defined control plan and follow up activities will be defined.

The Gulf of Papagayo has become a tourist magnet and has opened the doors to beach resort projects. This tourist project, the largest in Central America, started out as a dream. Today, it has become a reality, providing the opportunity to develop the Guanacaste area.

The objective of this project has been to attract international tourism en masse to spend their vacation in the region. A product that offers sun/beach/ocean, combined with a wide variety of ecological attractions, such as volcanoes, national parks and reserves, make it an excellent opportunity to compete in international markets.

3.3.1.2 *The Promotion Function*

This is an important part of ICT's function. Article 2 of the Organic Law establishes that its function is to promote tourism in Costa Rica; to this end, the 3% tax on hotel charges was created to finance tourism promotion.

However, the influence of ICT advertising investments to make the area known as a tourist destination was insignificant for its first 40 years. Tourists who have already been to Costa Rica were the best promoters of this land through "word-of-mouth". Even sector entrepreneurs view advertising as a very limited promotional tool, simply because it has been a poor resource. This is evident when comparing efforts made by

other nations in the area: "In 1989, Jamaica spent \$42.8 million dollars in marketing and \$6.7 million dollars in advertising to promote tourism. The Bahamas spent \$29.7 million dollars in marketing and \$4.6 million dollars in advertising. In 1990, the Cancun resort destination in Mexico spent \$4.7 million dollars in advertising in the United States alone."⁴⁵

The next table shows the evolution of promotional expenses made by ICT and its percentage with respect to the institution's total budget.

Table 3.29
Promotional Expenses by the Costa Rican Tourism Institute
(1990-2000)

Year	Promotional Budget US\$	% of total budget destined to promotion
1990	2 438 149	29,1
1991	2 713 958	37,6
1992	7 087 365	61,7
1993	5 791 230	40,5
1994	7 167 552	44,0
1995	6 450 301	45,8
1996	8,683,333	65,3
1997	5,748,611	59.1
1998	4,750,081	58.1
1999	6,100,000	54.6
2000	4,224,070	61.1

Source: ICT.

To have greater effectiveness in promoting the country, an ICT-private sector mixed commission was created in April, 1995. This group created a marketing plan for Costa Rica, used as a promotional strategy until 1998. Its main objectives included:

- ? Strengthening Costa Rica's positioning as a destination --known for its biodiversity and hospitable people-- that does not elicit an inexpensive and mass tourism image (Cuba, Santo Domingo, Cancun, etc.), but rather the idea of sun and beaches as a complement to nature, parks, and reserves.
- ? Increasing tourism arrivals by 9%-11% per year, with better distribution in time and space, and reaching the magic figure of one million visitors in 1997.
- ? Obtaining a 3% annual increase in daily expenses by tourists and exceeding 850 million dollars in foreign-exchange earnings in two years.

Even though the three objectives were not specifically reached, this first strategic plan was successful. During 1998, Costa Rica was firmly positioned as a natural destination. Tourism to Costa Rica did not grow at a 9% - 11% per year, but it did change its shrinking rate of -0.4% in 1996, to a 3.9% growth in 1997 and an amazing 16.2% during 1998. The country did not receive 1 million tourists during 1997, but

⁴⁵ Venezuela: El reto de la Competitividad, p. 24.

tourism receipts increased 15% from the 1997 figure, and were \$829 million during 1998.

The Committee targeted mainly the U.S, Canada, Germany, Italy, Spain, Great Britain, The Netherlands, Argentina, Chile, Colombia, and Costa Rica using fairs, seminars, journalists and wholesalers as intermediaries for teaching the tourists about the country. Moreover, it developed a successful advertising campaign for the U.S. market showing that Costa Rica offers experiences combining friendly people with biodiverse nature. The campaign was designed by McCann-Erickson and under the slogan "Costa Rica, no artificial ingredients" was printed, and put on the American media. Additionally, to complement the campaign, ICT created: a 100-page website, and a toll-free telephone line to spread information on Costa Rica. Unquestionably, ICT implemented the most complete and costly communication strategy the country has ever known.

This was a good strategy, especially since other countries are also positioning themselves as ecotourism destinations (Honduras, Nicaragua, Belize or Guatemala, just to mention Central American examples) and, hence, tourists have more choices to spend their vacations.

ICT's 1999-2002 Marketing Plan expects to have increasing tourism arrivals at a rate of 15% and receipts by 18% every year. The Plan clearly defines the Costa Rican product, its target market, global strategies, marketing goals and strategy, and communications plan. Some of its highlights are:

Target Market: Residents of the largest cities in the U.S., with annual income higher than \$50,000, a college education, nature lovers, with travel experience, stressed and interested in living new experiences.

Marketing Goals:

- ?? Increase international and national tourism arrivals. Specifically, if a coherent, appropriate and complete marketing plan is carried out, international visitors should grow 15% yearly, and receipts 18% to achieve 1.382 million and \$1.359 million in 2001 respectively.
- ?? Position Costa Rica as a quality destination with incomparable natural resources, varied scenery, and high level resources, that can be enjoyed in a liberating and relaxing experience at the beach or at an exotic natural environment.
- ?? Develop an aggressive and professional promotion strategy
- ?? Focus ICT's efforts into improving tourism businesses
- ?? Develop the accurate judicial framework to develop tourism activity.

In May 2001, the Ministry of Tourism Walter Niehaus declared that the ICT have turned its interest in promoting Costa Rica in the European market, motivated by the slowdown in the US economy. Moreover, the institution is developing promotional programs in South American countries such as Argentina, Chile, Brazil and Colombia. The Costa Rican ambassador in Canada would also promote the country there, specially after both countries signed the free trade agreement. The plan pretends to develop potencial markets and not depend only in the US market.

Therefore, in 2001, the ICT spent approximately US\$4.5 millions in USA and US\$1.5 in Europe, South America and Asia. As part of the promotional campaign in the old continent, there would be advertising of Costa Rica as a touristy destination in CNN Europe.

3.3.1.3 *The Control Function*

Two basic reasons explain why the State is interested in holding control. First, by virtue of having granted incentives, particularly of a fiscal nature, the State must make sure exempted goods are being put to the uses they were exempted for. Second, to guarantee a good delivery of services, the State must control their quality.

As of June 2001, there were 1,054 companies declared to be in the tourist business, including hotels, restaurants, airlines, and travel agencies, among others. The control function, as it pertains to tourism, begins with the process of obtaining the declaration of tourist activity, which more than a license or permit, is a certificate that the service is up to the standards required by the ICT. Nevertheless, the process is irksome and often slow, whether due to administrative errors or errors by the interested parties. In particular these bureaucratic requirements affect, most of all, the small and medium business person and many of them stay in the informal sector because of not being able to provide the documents requested in the declaration, which is not synonymous with them providing bad service. This is reflected in the opinions and communication from the private sector:

“If the ICT would revisit the regulation on tourism companies, the requirements that have always existed are archaic and unfortunately have not been revised to date. These requirements should be reviewed, updated to customer needs in the 21st Century and compliance should be required.”⁴⁶

Control on Performance: It should be clear that, although many institutions (Ministry of Finance, municipalities, etc.) are involved in controlling performance, ICT has the biggest obligation to control and monitor tourism businesses. ICT is empowered to control after approving both the Tourism Declaratory and the Tourism Contract. This control on performance must be done through inspectors who *periodically*⁴⁷ check on actual operating conditions, or at least that is what the law intends. ICT’s new star classification system has been applied successfully throughout the 362 hotels currently declared at ICT.

Likewise, it could be hoped that the Certificate of Sustainable Tourism, which at the beginning of the year 2001 was promoted at the international level, may be a control tool not just for hotels (certified or not), but rather for any participant in the tourism cluster. Nevertheless, this has become bogged down in the reality of being administered by a government that does not allocate sufficient funds for its development. The figures are alarming, it suffices to know that of the 362 hotels, 200 have applied for the

⁴⁶ Taken from a letter from Emilia Gamboa, president of Swiss Travel, directed to Minister Walter Niehaus. September 6, 2000

⁴⁷ Art.12.b., Reglamento de las Empresas y Actividades Turísticas.

certification and only 40 percent have been evaluated. For 2002 ICT plans to begin certifying tour operators.

Control on Complaints: This is considered to be the most effective control, since offended parties themselves trigger the monitoring procedure by reporting irregularities.⁴⁸ The law strives to offer tourists enough guarantees for them to exert this right; it even provides a mechanism by which foreign tourists are represented by ICT itself before the National Consumer Commission and before any other authority.

The more immediate result can be seen in the case of violation of the norm by a tourism company. The State can take away any benefits it may have provided after proving the facts in a legal proceeding. The sanctions go from a very stiff fine based on the exempt amount, up to the loss of the declaration of tourism activity.

The new law on Promoting Competition,⁴⁹ make it no longer indispensable to possess a tourism license to operate a tourism business. Likewise, this law repealed ICT price controls on tourism businesses, leaving just a price schedule published by ICT, which is not mandatory to follow.

Nevertheless, currently, with the law on promoting competition, it is not indispensable to have the tourism activity declaration in order to operate in the sector. Likewise, this law did away with price controls that the ICT used to impose on tourism companies, with just a price table issued by the ICT remaining, which it is not mandatory to follow. With matters this way, the ICT has lost the faculty to control the tourism sector.

One example has been the case of adventure tourism, where after various accidents in this type of activity happened in 2000, the private sector got together to request that the ICT gain better control of this type of activity. "The ICT should remain as a regulating entity, requiring and reviewing tourist products in Costa Rica, sanctioning and closing down facilities that are not in the right."⁵⁰

From this concern there arose a legal framework that regulates adventure tourism companies, making Costa Rica the first country in Central and South America to have a regulatory framework for this type of activity. Similar efforts are only found in Mexico, some states in Canada and the United States, plus England and New Zealand.

3.3.2 Private Sector Organizations

⁴⁸ There is a Complaint section in ICT's Legal Department, which is much resorted to by tourists.

⁴⁹ This law repealed a series of articles forcing car rental companies to get a title-licence and establishing severe sanctions for offenders, such as taking their licence away. Currently, anyone can have his own car rental business. The only limitation is they must comply with all ICT requirements, if they choose to enjoy tourism contract benefits.

⁵⁰ Taken from a letter from Emilia Gamboa, president of Swiss Travel, directed to Minister Walter Niehaus. September 6, 2000

3.3.2.1 National Tourism Chamber

The National Tourism Chamber (CANATUR) brings together the main private associations and chambers in the area. The chamber has been in existence for more than twenty-four years and currently has 291 members (dues paying members), which are presented by sector in the following chart:

Chart 3.30
CANATUR Members

Company	# Members	% total
Travel Agencies	84	28.90%
Tour Operators	08	.2.7%
Lodging	89	30.5%
Restaurants	10.	3.5%
Institutions	04	1.4%
Rent a Car	29	10%
Airlines	12	4%
Associations and Chambers	34	11.7%
Individuals	03	1.3%
Providers	08	2.8%
Consultants	02	0.7%
Communications	03	1.3%
Amusement	05	1.7%
Services	08	2.8%

Source: CANATUR

In addition to the regional tourism associations and chambers, there are honorary members. Among the associations that are CANATUR members, two different types can be seen: associations and chambers in the field located primarily in the capital and regional tourism chambers.

It is evident that CANATUR has made a large effort and has maintained a good deal of flexibility in its organization in order to attract a wide variety of private sector representatives. During the past years, the Chamber has performed a preponderant role in handling public sector relations on the issue of tourism.

Among the different initiatives the chamber has, there is a CANATUR promotion proposal from November 2000, where it highlights the goal of the Chamber of more than 2 million tourists coming to the country in 2004. This goal is based primarily on, according to a study by the Menlo Consulting Group firm, 10.2 million United States citizens express being more interested in Costa Rica and intend to visit Central America in the next five years. This is consistent with the fact that Costa Rica possesses what the Americans are looking for:

- ✍ 65% want to take a sun and beach trip.
- ✍ 55% desire to take an ecotourism trip.
- ✍ 27% desire an adventure trip.

To reach this goal, CANATUR believes that 80% of the total promotion budget should focus on six major departure countries: the United States, Canada, Mexico, Spain, Germany, and Holland. In addition, it proposes that the country assume Argentina and England as pet projects. The first because it is one of the markets with

the most growth in the region and the second because it designated Costa Rica as the first country in Latin America that it would most like to visit.

By increasing the flow of tourists, CANATUR believes that Costa Rican hotels could aspire to a hotel occupancy rate. In order to improve the numbers in the green season, they propose to increase the budget allocated for promotion in the United States and Canada.

CANATUR is clear that its promotional efforts being dispersed in non-priority markets, little coordination with airlines, and poor planning and follow-up to fair activities, are elements that subtract effectiveness from the funds invested in the promotional plan. In addition, to these variables, add the importance that the Internet undoubtedly gains as a place for promoting the country, especially if it is believed that the main departure countries are at the same time the ones where there is a greater concentration of on-line population.

3.3.2.2 Trade Associations and Chambers Located in San José

This group encompasses Associations and Chambers grouping firms and professionals in various tourism-related sectors. The most important are the Costa Rican Hotels Association of (CCH), the Costa Rican Airline Association (ALA), the Costa Rican Travel Agency Association (ACAV), the Costa Rican Tour Operator Association (ACOT), the Costa Rican Association of Tourism Professionals (ACOPROT), the Costa Rican Car-Rental Association (ACAR), and the Costa Rican Chamber of Restaurants and the Like (CACORE). The most outstanding aspect of these organizations is their increasing membership and level of organization. Most of them organize congresses among its members every year, provide members with promotion and information services, as well as with training and development efforts.

3.3.2.3 Regional Tourism Chambers

There are over 40 Regional Tourism Chambers in Costa Rica, most of them have emerged recently. The most active and successful ones include the Liberian Tourism Chamber, the Sarchí Chamber of Commerce, Industry, and Tourism, and the Pérez Zeledón Tourism Chamber. Just like Trade Associations and Chambers, there has been a tendency in the last few years towards more professional and organized in Regional Chambers. However, most regional chambers still require CANATUR's strong support to be really effective.

ICT is actively involved in strengthening and professional Regional Tourism Chambers. Major projects implemented by chambers with ICT support include short training courses, sponsoring local tourism exchanges, helping establish tourism information centers in Liberia, Ciudad Quesada, and Pérez Zeledón, and specific advice on certain fields. Generally speaking, to some extent, all Chambers rely on ICT support in developing their activities. Despite an improvement in Regional Chamber

professional level and organization, their role in developing the tourism sector has been relatively limited.

In such countries as Mexico and Canada, these organizations carry out extremely important activities in developing regional tourism. Because of their nature, regional chambers should be more interested in promoting sustainable tourism development in their Region, and they certainly are the organizations with the best means to make sure their physical, natural, and cultural resources are conserved. Additionally, Chambers may play a significant role in managing regional tourism information centers and developing promotional packages targeted on very specific tourism segments. In general, regions with active citizen involvement and support from their local governments have been relatively more successful in promotion activities than other kinds of organizations.⁵¹

3.3.3 Training

The country's plentiful and varied endowment in natural resources and sociocultural attractions does not generate wealth by itself. Creating wealth and well-being from tourism and competing successfully in the international market requires capable people with skills and abilities to continuously provide quality services, manage, market, and innovate.

Costa Rica offers the most alternatives of hospitality education in Central America: 28 schools offering a bachelor's, and 4 schools offering a master's in hospitality⁵². Still, Costa Rica does not have the quality and quantity of tourism professionals to respond to the increasing demand⁵³. International chains must bring people to occupy these positions.

In May 2001, the Tourism Ministry expressed that, during this year, the ICT will focus on the education and training in the tourism industry at all levels. "I believe Costa Rica cannot afford to does not have trained people in tourism."⁵⁴

3.3.3.1 *Public Educational Institutions: Instituto Nacional de Aprendizaje (INA)*

INA is the public sector response to the needs of basic technological training in all fields in Costa Rica. However, the Institute's Tourism Center has become its number one priority with the increasing demand for qualified human resources for tourism in Costa Rica. INA has created seven regional units responsible for the execution of training programs in close relationship with the Tourism Center. It operates a hotel school as a tourism technical unit and is developing a restaurant school offering

⁵¹ Ritchie and Goeldner, p. 167.

⁵² Whelan, Sundblad, Inman. Diagnostic: Training Needs Assessment of the Tourism Sector in Central America, December, 1998.

⁵³ Interview with Mauricio Ventura, president of CANATUR, The National Tourism Chamber, March 17, 1999.

⁵⁴ "Se vigoriza negocio turístico: Segunda parte", El Financiero, Monday, May 14, 2001.

operations management and food and beverage administration courses. INA does not have relationships with any other Central American Training Institutions.

INA's funding comes from two taxes: the 2% payroll tax to all independent, semi-independent, and state enterprises employing more than 10 workers, and the 1% property tax. The Tourism Department is allotted the largest portion of this budget.

According to INA, the Institution has a close relationship with the private sector, and meets with members of the cluster (the Association of Chefs, Association of Tourism Trainers, Costa Rican Chamber of Hotels, etc.) to choose its programs and schedules. However, many hotels and restaurants claimed that the relationship with INA could be strengthened.

3.3.3.2 *Private Sector Training*

Most of the Hotels and Restaurants in Costa Rica rely on INA's basic training as an introduction to tourism related skills. However, most use constant evaluation and training programs to maintain a skilled workforce. These programs are either created on site, or designed by international chains as follows:

The *Inter-Continental Hotel* makes a semi-annual evaluation of each worker using an Action Plan that lists the courses required for a promotion of the employee⁵⁵. Employees are given one year to complete the plan and receive the new position. This evaluation system creates competition among the employees and motivates them to constantly better their performance. There is a preference for INA's courses, but any effective, rapid, and direct training program is accepted.

The *Marriot Hotel* uses INA's technical courses to introduce the industry to new employees, and teach them basic methods⁵⁶. Moreover, Marriott certifies the best employees in every area to become trainers themselves for incoming personnel. All workers are evaluated in their field. Progress reports are sent to them constantly so that they can see their strengths as well as their weaknesses. Finally, the regional training team of the chain constantly evaluates the hotel.

The *Barceló San Jose Palacio Hotel* does not have internal training programs and the *Barceló* chain does not send any courses to the hotel, only manuals at a cost⁵⁷. Outside courses are seen as too costly and are not demanded by the hotel. The hotel has an agreement with INA where students are sent to the hotel for practice. The hotel, however, does not send its personnel to INA; it only offers permanent positions in the hotel to the best students. Each department is responsible for its employees' performance. The Barcelo chain does not send any training courses to its hotel only manuals at a cost.

⁵⁵ Leonel Salas Training Manager, July 1999

⁵⁶ Marta Calvo, Personnel Manager, July 1999

⁵⁷ Rodolfo Chaves Lépiz, Human Resources Director, July 1999

At smaller hotels, like the *Grano de Oro Hotel*, most applicants have taken courses with INA, and internal training is constant⁵⁸. The hotel does not offer seminars or courses for its personnel very often; instead, workers are supervised constantly and they are told if they need to improve in certain areas. If this is the case, then each department sees to the needs of the individual. They do not make use of external training programs. As a small hotel, the workload is very heavy and most courses do not fit into their schedules.

The Hampton Inn Hotel uses only the chain's training programs⁵⁹. However, if an employee feels that he/she would benefit from attending an external course, especially one offered by INA, the hotel encourages it by being flexible with the schedule. The hotel only uses INA to train its most technical workers (i.e. maintenance). The hotel is also very small, so there is no need for other courses from INA (for example no kitchen). Because of the nature of this hotel (airport hotel), they are always in need of all of its personnel and becomes difficult to attend many training programs or seminars.

La Cascada restaurant offers external training to those who want to participate in any program⁶⁰. It is done on a voluntary basis and the restaurant tries to encourage it by being flexible with schedules. The restaurant relies on providers who come to the hotel for internal training. Employees are under constant supervision. If the manager feels that the employee's performance is unsatisfactory, he notifies the employee with a written evaluation. They prefer courses from INA than those offered by CACORE-the restaurant association..

El Fogoncito restaurant guarantees motivated and trained workers by constantly rotating its new personnel within the restaurant for them to decide what position they are most comfortable at⁶¹. The restaurant does not feel the need to make use of the programs offered by INA; however, if an employee feels he/she would like to attend a seminar or short course, the restaurant would encourage the person.

3.3.3.3 General Basic Training

The country's educational level, with 92% literacy, favors tourism development. However, Costa Rica- with a fairly large bilingual population, does not have enough bilinguals willing to take low level service jobs. The public education system is working on this problem through a program to teach at least one foreign language in the first primary school cycle, with the goal of offering this to all Costa Rican children by 2005.

During 1999, half of the Costa Rican children attending the public school system already had access to a second language without any extra costs⁶². The program,

⁵⁸ Marcos Montoya, Human Resources Director, July 1999

⁵⁹ Marcos Ramirez, Front Desk Manager, July 1999

⁶⁰ Johnny Fernandez, Administrator, July 1999

⁶¹ Ruth Salas, Manager, July 1999

⁶² *Tras cinco años de funcionar, Idioma en escuelas, is ok.* La Nación, August 30 1999

which started in 1994, has been successfully growing from covering 20% of the school-age population during 1996, to 39.5% in 1998, and to 50% in 1999. Today 270,000 Costa Rican children can speak the basics of a foreign language- mostly English, but French and Italian are also offered.

Another training deficiency exists in the middle and high level managers and entrepreneurs of tourism businesses. The country's needs an Institution with the quality and prestige of Cornell University's Hotel School, but with a clear focus on ecological tourism. INCAE University is currently designing such program with Cornell, and expects to offer a Hospitality MBA soon.

While there is a consensus in the industry about the poor quality of training, clearly, the private sector lends little support to its employees, in terms of scholarships, incentives, and facilities for training. Also, the industry is not directly involved in designing the curricula for careers related to this sector.⁶³

3.3.4 Infrastructure

3.3.4.1 Airports

Most tourists entering the country by airplane (over 96% in 2000⁶⁴) do it through Juan Santamaría International Airport, however there are other three international airports: Daniel Oduber Airport International, Tobias Bolaños in Pavas, and the Limon International Airport, these last two equipped only for light flights. At this airport the process of going through immigration, picking up baggage, and clearing customs has improved remarkably, however in the 1998 program it was proven that in both the international airports and the small local airports the necessary infrastructure was not built to satisfy the necessities of the users. See the Air Transportation section for more details on the consessionary process for the improvement of the airport.

In the Daniel Oduber International Airport in Liberia, Guanacaste national flights as well as charters arrive there. This airport is undergoing a new wave of upgrades and expansion in the ongoing effort to make it a fully competitive and equipped facility for international air traffic. Its overseers still see hurdles to overcome before the airport can realize its full potential for opening out the tourism industry in Guanacaste. The airport is considered the linchpin to a thriving tourism economy in the province. Aside from the Juan Santamaria International Airport outside San José, it is the only other airport in Costa Rica capable of handling international flights

The recent enhancements are part of an expansion project aimed at meeting the requirements of the Federal Aviation Administration, which sets standards for international commercial airline traffic. An instrument landing system is being installed, which will enable large commercial aircraft to land using instruments. In addition,

⁶³ Plan Estratégico de Desarrollo Turístico Sostenible de Costa Rica (1995-1999), p. 51.

⁶⁴ ICT, Statistical Journal of Tourism, 2000

modifications to the passenger-waiting terminal have been made to meet FAA safety codes; the structure's grass-thatched roof, considered a fire hazard, was replaced with red tile and its height, overall lowered.

These improvements come on the heels of numerous others requested by the FAA. These included fencing off the airport and upgrading its emergency plan. Airport overseers expect to push forward with still more enhancements this year, including a plan to privatize the management of the airport. Private operators from France, the U.S. and Italy have already expressed interest in the project. Further improvements in 2002 will probably be limited to the extension of the plane parking area.

With the improvements already made, Daniel Oduber is a highly competitive facility. Located at sea level, on the great extension of flatland called the "Llano Grande", 17 km west of Liberia, it is better situated, than Juan Santamaria, to receive flights and grow over time. The airport offers full services for fuel, luggage handling, and technical service for weight and balance certification, while its fire department is specially equipped with paramedic services. Inside the terminal are immigration, customs, airport security and antidrug controls, as well as, a bank, snack bar, restrooms and medical assistance.

As a result, the facility is attracting an increasing number of charters that fly directly into Liberia from the U.S., Canada, Europe and Latin America. Notably absent are the crucial international commercial airlines. To attract them, still more improvements are necessary. The airport's fueling facility, which currently stands next to its fire department, must be moved. Plus, the airport must be equipped to handle cargo, chiefly by building cold storage hangars to store export goods. To accomplish either requires the purchase of an additional 115 hectares of land adjacent to the runway. So far, those who own it have demanded too high a price.

There are the charters flights operating in the airport. Although their number continues to vary seasonally, the current schedule lists nearly 35 flights from 10 carriers utilizing the airport weekly. These charters carry passengers for both the cruise ships and hotels in the Guanacaste area. They are: Canada 3000 (with flights from Toronto and Philadelphia); North American (Boston); Miami Air (Miami, Dallas, New Orleans); Sky Service (Toronto); Finnair (Helsinki); Allegro (Detroit); Air Transat (Managua, Toronto, San Jose); Aeropostal (Caracas); Northwest (Minneapolis) and Transmeridian (Atlanta). Three international airline companies utilize the Daniel Oduber International Airport as an alternative when the Santamaria International Airport, San Jose, is unable to receive them.

The Tobías Bolaños airport is officially an international airport, since international flights can land in and take off from it. However, it is a small airport suited for small-plane international commercial traffic.

According to the airplane survey done by ICT in 2000, tourists evaluated the airport services as shown in the following table.

Figure 3.31
Tourist Airport Evaluation (% of tourists)
ICT Airplane survey
2000

Item evaluated	Excellent	Good	Regular	Bad
Airport facilities	6.5	52.0	33.2	8.3
Customs and migration	11.6	68.6	15.0	4.8
Airport restaurants	9.5	47.5	26.6	16.4

Source: ICT Airplane survey 2000.

3.3.4.2 Highways

Most highways in the country are two-way roads, but are very deteriorated, their shoulders are in inadequate conditions, and they have poor visibility because of many curves and slopes in their design. During the rainy season, landslides and cave-ins are frequent, and there are dangerous areas with heavy fog. In case of emergency or car mechanical problems it is hard getting help, since there are not enough road-side emergency public phones.

As shown in the table below, Costa Rican road network is characterized by a very adequate coverage, although in a very poor condition, particularly the riding surface.

Table 3.32
Costa Rican Road Conditions
February, 1999

Roads	Bad Conditions	Deteriorated	Good Conditions	TOTAL
National roads	52% (3,850 km)	32% (2,380 km)	16% (1,164 km)	7,394 km
County Roads	90% (25,372 km)	-	10% (2,819 km)	28,192 km
TOTAL	82% (29,222 km)	7% (2,380 km)	11% (3,983 km)	35,585 km

Sources: *La Nación*, "Buscan Solución a Red Cantonal", February 24 , 1999; "Seleccionadas Obras Viales", January 16 , 1999, San José, Costa Rica.

There are service stations in rural areas; however, they are clearly inadequate to service tourists. They do not have convenience stores, maps, or bilingual personnel, and bathrooms are usually in lousy conditions. As to road-side resting areas, this concept is not developed and its role is being played by some restaurants located alongside major highways.

Finally, there are not enough road and city street signs guiding tourists to main attractions. Often, visitors must stop and ask people to find their way. However, this situation has improved in the last years, thanks to a joint initiative from MOPT (Ministry of Public Works and Transportation) and private enterprise.

According to the airplane survey done by ICT in 2000, 7.1% of the tourists considered the rental car prices as cheap, 36.7% as regular and 56.2% as expensive. Moreover, tourists evaluated the road infrastructure as shown in the following table.

Figure 3.33
Tourist's Roads Evaluation (% of tourists)
ICT Airplane survey
2000

Item evaluated	Excellent	Good	Regular	Bad
Road signaling	5.4	35.4	29.8	29.4
Roads	1.2	23.2	35.2	40.4
Security	12.0	63.1	18.4	6.5

Source: ICT Airplane Survey 2000

c. Ports

The Pacific ports of Puntarenas and Caldera are the most important international ports, from the tourism point of view, being the docking sites where the highest number of tourists arrive. In 2000, 58.3% of total cruise ship passengers came ashore at this port and 43.2% of the cruises that arrive to the country do it here, compared with a 35% that do it in Puerto Limon.

However, Caldera's facilities are clearly inappropriate to international tourists. Puerto Caldera is a general cargo, container, and bulk-freight highly saturated port. Handling cruisers at the port not only makes freight handling more expensive, but also has no attractions to offer visiting tourists. The same can be said of Puerto Limón, the second most important to tourism. Bottlenecks in both ports and poor road conditions have hindered growth in the number of tourists coming on cruisers.

The perforation of the dock of Puerto Caldera began on February 1999, to eliminate accumulated sediments that almost paralyzed the functioning of this port. This sediment made it difficult to the ships to unload the cargo, increasing costs to the importing companies and increasing the price of the consumer's products.⁶⁵

The Law on Public Works Concession is opening spaces to develop private marinas, which will be used for sportfishing and pleasure boat rides in domestic waters. Thanks to the law, the ports of Moin and Caldera will have ports constructed under this new law. Even though these docks cannot go into concession, according to the law, they can be under the supervision of the private sector all new installations or enlargements that are constructed. Data from MOPT reveals that the pressure over the ports increases more, since the annual cargo growth is of 10%, and the increase in cargo per container is of approximately 15%.⁶⁶

Currently, the project to restore the port at Puntarenas, exclusively for tourism purposes, called "Puntarenas por siempre" (Puntarenas forever) is finished. This project renewed and enhanced the Puntarenas tourism area to create a pleasant environment for cruisers. This project was concluded thanks to the donation of the government of Taiwan of \$15 million, not in money but in finished construction, to develop the necessary port installations, the construction of a passenger terminal, a plaza and handicraft shop, as well as the renovation of the urban city. The dock offers a

⁶⁵ La Nación, 13 February, 1999

⁶⁶ La Nacion, January 1999

travel service from the dock to the Handicraft Plaza on small cars, since the dock is 550 meters long. As a part of the rehabilitation, 3 km. were paved from the Central Avenue and the "Paseo de los Turistas" (Tourism Walkway), and wide sidewalks were constructed and trees were planted on walkway. The Handicraft Plaza terminal building that is finished, but only ICE is installed on it.

Most of the immigration and customs are done in the cruise; this is the reason why customs and immigration have not in the Handicraft Plaza. In this building, small shops, coffee shops, souvenir sales, banks and communication services companies will be established. Finally, the project includes a residual water treatment plant to prevent contamination of the Nicoya Golf, which is now functioning. In the future a second phase is planned that includes a water park and an aquarium.

3.3.4.3 Railroads

At present, every public railroad service is suspended in the country, after the closing of INCOFER (Costa Rican Railroad Institute) in 1995 that reported losses for the state of almost ¢ 1.500 million annually.⁶⁷ Since then the government have planned to give the railroads in concession to the private sector.

At present only a cargo section is operating. For 2000, it had transported 20.000 tons to Limon and 65.000 to Puntarenas. However, due to the delay in investment the railroad have deteriorated significantly.

Unfortunately the process for assigning the concession failed in December 2001 and now the process must begin again. As a medium term solution the authorities propose strategic alliances between exporters and importers that use the train, in order to fix the railroads as exchange for using the services.

The transportation of passengers is not a priority as the cargo transportation, since the passenger transportation would require a very significant investment. Actually, tourism train transportation is thought to be insignificant to the country, since distances and driving times are short when other developed means are used.

3.3.5 Support Services

3.3.5.1 Financial Services

Thanks to recent changes in public and private banking, financial services are currently undergoing a modernization process in the country. Generally speaking, they are considered to be adequate, one of their many advantages being that virtually every

⁶⁷ La Nación, May 1999

major credit card in the world is taken throughout the country: from hotels to restaurants⁶⁸ and attraction centers.

Moreover, you can pay anywhere in US dollars or in colones, at the going exchange rate. Dollars are relatively easy to convert to colones, and vice versa, at banks and commercial businesses.⁶⁹ However, converting other currencies into colones is not possible, even for Central American currencies or such major currencies as the yen or the sterling pound.⁷⁰

It is increasingly easy to find ATMs, even in some smaller towns, especially those with a developed tourism industry. The Visa/Plus network is the standard, but machines that accept Master Card/Cirrus and American Express can be found and their presence is expanding. Some new services have been introduced to improve customer service, such as placing an automatic teller machine at Juan Santamaría International Airport.⁷¹ Visa has more than 74 ATM machines in more than 20 Costa Rican towns/cities, and tourists can pay using a credit card without problem⁷²

Between financial service companies and other sectors of the tourism cluster in Costa Rica collaboration and support are virtually non-existent. They are limited to agreements between hotel businesses and credit card companies on commissions for using such international credit cards as Visa and MasterCard. As a contrast, American Express has collaborated a great deal with Caribbean tourism industry.

From a tourism entrepreneur's point of view, the situation is even more restrictive. The local financial market does not offer capital or debt instruments at adequate terms to invest in such assets as hotels and similar infrastructure⁷³. This fact seriously limits local businesses' ability to invest in the improvement of their tourism product.

⁶⁸ There are exceptions, such as McDonald's, some small hotels, and the Protected Areas.

⁶⁹ Fast services, such as the ones lent by Mall San Pedro's Banco Nacional and BanCrecen's different branches, are worth mentioning.

⁷⁰ Banco Central de Costa Rica.

⁷¹ According to José Ignacio Cordero, marketing manager, Credomatic.

⁷² www.visa.com, Efrain Roldan, Tour Operator

⁷³ Ibid.

Table 3.34
Loans, Periods and Current Interest Rates Available in the Costa Rican Market

Bank	Interest Rates	Terms Available	Amounts Available
Banco de Costa Rica ⁷⁴	Variables like: the financial structure of the business, the guarantees given for the loan, the financial position of the client, and the loan period Determine the percentage added to the Libor rate, if the loan is in US dollars. It ranges between 9% and 10%, and 26% and 28% in colones.	Approximately 3 years for capital investment, 5 years for the purchase of vehicles, and 8 to 10 years in fixed investments.	Depends on the solvency, and size of the business. The bank is capable of lending up to US\$18.4 million, if it is justified.
BANEX ⁷⁵	There are no standards, and depends on the characteristics of the client. The average ranges between 10% and 12% in US dollars.	The loan periods range from 1 to 6 years, with a grace period for recovery.	Up to US\$4.5 million if required by the project
INTERFIN ⁷⁶	US prime rate plus 4.25%. The average ranges between 9.5% and 12% in dollars.	From 1 month to 10 years.	Maximum US\$3 million if justified

3.3.5.2 Telecommunications

Generally speaking, the conditions of telecommunications is a plus to the Costa Rican tourism development. Telephone service covers approximately 95% of national territory and telephone line density per 1,000 inhabitants is above 100.⁷⁷ Service quality is adequate and international calls are typically easy to make from anywhere in the country. Fax, telex, or telegraph services are available in most towns, as well as in hotels.

Table 3.35
Costa Rica - Telephone Services 2000

	TOTALS
Telephone lines installed	983.358
National telephone system customers	734.738
Cellular system customers	211.614
Telephone line density (per 100 inhab.)	23.4
Public telephone density (per 1,000 inhab.)	3.3

Estado de la Nación en Desarrollo Humano Sostenible. Costa Rica: 2000.

Telecommunication services are provided by the Instituto Costarricense de Electricidad (ICE), a government utility. Services include MIDA automatic telephone

⁷⁴ Interview with Mr. Guillermo Vásquez, Department of Credit, Banco de Costa Rica, Alajuela, March 10, 1999.

⁷⁵ Interview with Mrs. Gretel Campos Department of Credit, BANEX, March 10, 1999.

⁷⁶ Interview with Mr. Fabián Redondo, Department of Credit, INTERFIN, March 11, 1999.

⁷⁷ US density is 545, Japan 441, Nicaragua 14, Guatemala 22, Ecuador 47, Mexico 66, and Peru 26 per 1,000 inhabitants, according to 1994 and 1995 reports on World Development.

system, telex services, telegram, fax, cellular and data transmission. Getting telephone lines in urban areas is possible but requires planning and time. In rural areas, even though ICE has almost complete coverage, it may be hard for a big hotel to obtain hundreds of telephone lines⁷⁸. Many hotels in the past have bought the telephone station and donated it to ICE, though obtaining their required telephone lines faster.

3.3.5.3 *Computer Reservation Systems*

Just like in the rest of the world, the main information and reservation systems in Costa Rica are the so-called CRS (Computer Reservation Systems) used by travel agencies, airlines, hotel companies, and car rentals, as well as other tourism-related industries.⁷⁹ CRS most commonly found in the country are: SABRE (it belongs to American Airlines, but is promoted by Lacsá in Costa Rica), System One, Galileo, and Amadeus.

Recently in Costa Rica, and over six months ago throughout the world, the use of a more complete CRS is being promoted; we are referring to STIN (SABRE Travel Information Network), based on SABRE and managed by AMR (an American Airlines subsidiary). This system expands information possibilities for tours, train timetables, conventions, and others.

3.3.5.4 *Toll-Free Telephone Information*

If tourists need orientation, help in case of emergency, or information on rates, services, and transportation, they can call a toll-free number, 800-012-3456.⁸⁰ If tourists are calling from the U.S.A. or southern Canada, they can access the service by dialing the toll-free number 1-800-343-6332. At the last mentioned phone number, tourists or travel agencies may inquire about specific attractions in the country, and the requested information is immediately sent back to them, free of charge, by return mail (it takes between nine and twelve days) or by fax, if information is not too long. In addition, there is the 192 number where you can call to get detailed information on National Parks.

3.3.5.5 *Information on the Internet*

Costa Rica is being promoted heavily on the Internet. A total of 696 websites were found using 12 search engines and the words "costa rica and tourism". The websites are from almost every member of the cluster, including tour operators, tourism

⁷⁸ Interview with Mauricio Ventura, president CANATUR, The National Tourism Chamber, March 17, 1999.

⁷⁹ It should be understood that CRSs only provide information on car rentals, airlines, and hotels, but not about tourists destinations, such as train fares, available tours, etc. Besides, these system contain information considered to be confidential, and therefore, they can be accessed only through a user-assigned code, meaning that tourists cannot access them directly.

⁸⁰ Sergio Ávila, line supervisor, ICT Toll Free.

guides, travel agencies, airlines, wholesalers, hotels, restaurants, government agencies, banks, the media, etc.

Besides the average website and email services offered widely by these organizations, the private sector of Costa Rica is trying to develop a more complex and organized way of selling through the web. Several systems are being considered, but mostly all follow the lines of the DMS system (Destination Management System). This last one is trying to be implemented by all the Central American countries

3.3.5.6 *Media*

Costa Rica has 16 public television channels,⁸¹ three cable television companies, six newspapers, three weekly publications,⁸² fifteen specialized magazines,⁸³ and more than 45 choices of AM and FM radio stations. Out of these media, one newspaper and four magazines specialize in tourism information, namely: Costa Rica Today; and Guide, Join Us, Viajes, and Costa Rica Golden Toad, respectively.

For instance, Join Us is a Central American magazine showing tourists the best places to visit and the best activities in the Region. Costa Rica Today is a 100%-tourism-oriented newspaper, published in Spanish and English, providing all the necessary information to visit every corner of Costa Rica safely and at the lowest cost. Its pages include everything from the current exchange rate to a complete guide of land transportation services. Both publications are typically given free of charge at hotels and other businesses in the cluster. There is also a tourism directory containing details on sector industries.

3.3.6 **Other Services**

3.3.6.1 *a. Safety*

Costa Rica maintains a low level of crime compared to the rest of Latin America. However, crimes for aggression increased from 28.7 for every 100,000 persons in 1983 up to 136.8 for every 100,000 in 1997. By and large, safety in Costa Rica is in a state of crisis, and therefore, tourism safety has also been in serious trouble. After the kidnapping of two tourists during 1996, a special Tourism Police or Policia Turistica was created, which is trained in the United States with its main objective of preventing tourism assaults. The following table shows the crimes reported by the Tourism police:

⁸¹ Some channels are only found in certain zones, like the Central Valley, Ciudad Quesada, or San Isidro del General.

⁸² Especially the dailies La Nación and Extra, with 100,000 issues each, La Prensa Libre and La República with 50,000 issues each, El Herald and Al Día; the weeklies The Tico Times, Universidad (UCR), and Aktuell (in German) are available world-wide in printed and electronic versions.

⁸³ Particularly, Actualidad Económica, Rumbo, Perfil, TV Guía, and Tambor.

Table 3.36
Detentions Done by the Tourism Police – 10/98 to 03/99

	Oct-98	Dec-98	Jan-99	Feb-99	Mar-99	Totals	% of total
Drug consumption		1	8			9	8%
Liquor consumption			21	22		43	40%
Difficulting the authorities	2					2	2%
Exhibitionism			1			1	1%
Faults to authorities		1	1		1	3	3%
Simple robbery	1					1	1%
Failing to fulfill duties	1					1	1%
Undocumented	1					1	1%
Denial to identify	3					3	3%
Order of capture		2			1	3	3%
Fighting			4	2		6	6%
Food pension			1			1	1%
Carrying drugs	4	4	2	3	1	14	13%
Carrying a white weapon	1	2	2		1	6	6%
Carrying a fire weapon			1			1	1%
Minors in a bar	1					1	1%
Minors in a brothel	1					1	1%
Private of liberty	3					3	3%
Robbery		3	3			6	6%
Immoral touching			1			1	1%
Totals	18	13	45	27	4	107	
% de Total	17%	12%	42%	25%	4%		

Source: Costa Rican Ministry of Security, March 22, 1999.

More recently, on April 1999, the crime against a 52 year old German in Langosta Beach, Tamarindo, where the body of the victim was found on the beach with two big hits to his head.⁸⁴ Plus, in the last months of 1998 and the beginning of 1999, there have been reports of a serious of robberies to tourists in the Zarcero area

Special protection zones have been declared⁸⁵ and the following specific actions have been taken:

- ? Starting in December, 1996, a "Safety Passport" is handed out at all entry ports in the country. This pamphlet, in Spanish and English, contains eight internationally accepted instructions to make sure a tourism trip ends up without problems. Additionally, it indicates that the 911 number should be dialed, in case

⁸⁴ Preocupa crimen de Alemán, La Nación, April 9, 1999

⁸⁵ Metropolitan Area, Tortuguero, Cahuita, Limón-Cahuita Road, Limón-Punta Uva Road, Paseo de los Turistas, Downtown Puntarenas Beach, Quepos Beach, Manuel Antonio Beach, Jacó Beach, Sámara Beach, Brasilito Beach, Conchal Beach, Coco Beaches, Poás Volcano, Irazú Volcano, Guayabo, Santa Rosa, Cabo Blanco, and Braulio Carrillo.

of emergency , and the toll-free 800-012-3456 number is given to dial for inquiries and emergencies.

- ✍ At Juan Santamaría International Airport a closed-circuit video on minimum safety measures is shown.
- ✍ Over 16 workshops have been carried out with private and public sector participation.⁸⁶
- ✍ Transportation means for police in tourism areas have been reinforced, from 5 to 130 motorcycles, plus 13 horses and 2 patrol cars.⁸⁷
- ✍ The Cerro Azul Preventive Patrol's Mobile Unit was created, "...with 24 policemen who, in a rotating fashion, travel to selected areas."⁸⁸ and to the road sections Zurquí Tunnel-Batán, Alajuela-Poás Volcano, Cartago-Irazú Volcano, and Cachí-Orosi (just in the pilot plan 753 detentions were made).
- ✍ The number of policemen was increased from 51 to 323 (for all selected zones).

In this plan, CANATUR is in charge of providing policemen with lodging, food, and equipment storage facilities, as well as monitoring their job. The Ministry of Public Safety assigns policemen and gives logistic support. ICT coordinates the Plan and contributes with communication equipment and transportation.

3.3.6.2 Health

Health levels in Costa Rica are among the highest in the world, despite recently controlled problems with dengue fever and cholera. Some indicators (per thousand inhabitants), such as a 25.4 birth rate, a 3.88 mortality rate, and a 98.7 fertility rate, attest to Costa Rican health quality.⁸⁹

Costa Rica's international prestige in the field of health helps attract tourists, since it confirms the fact they are not taking any real risks of catching some disease, even if they do not stick to strictly tourism places. This reality differentiates us from Nicaragua and other countries in the area, where, for health reasons, tourists must be very careful, as to places where they eat and areas to visit.

One advantage of health services offered in the country is that most of them have a relatively low cost and high quality. For this reason, such services as odontology, plastic surgery, implants, ophthalmology, desintoxication, and geriatrics are very sought after by health tourism, which is beginning to gain importance to the country.

⁸⁶ CANATUR, Plan Piloto de Seguridad Turística, p. 6-8.

⁸⁷ CANATUR, Plan Piloto de Seguridad Turística, p. 4.

⁸⁸ CANATUR, Plan Piloto de Seguridad Turística, p. 4.

⁸⁹ Rates for 1992-1993, CCSS.

3.3.6.3 *Immigration and Customs*

There are three airports, two ports, and three border posts to enter Costa Rica. Some other border checkpoints and ports of entry may be temporarily opened for immigration and customs purposes, for example there is a possibility of opening one permanently at Las Tablitas de Chile.

The main regulations, concerning Costa Rican entry and permanence visas,⁹⁰ limit entry of citizens of at least 120 countries or colonies, by requiring a Consular Visa or a direct consultation with the Migration General Administration.

However, Costa Rica has signed agreements, international covenants, or exchange treaties with over 70 countries, allowing their citizens to enter this country without the Consular Visa and to stay for 30 to 90 days.⁹¹ This condition is enjoyed by Costa Rica's major out-bound tourism markets, namely: Germany, Canada, Spain, United States, Holland, United Kingdom, Panama, Sweden, and Switzerland.

Therefore, it can be said that citizens of Costa Rica's main out-bound tourism markets do not have much problem with accessing the country's tourism product. Only Brazil and Greece are potential tourism markets whose citizens must still request visas at the Costa Rican consulate to enter the country and stay for 30 days.

All countries whose citizens are required to produce a restricted Costa Rican visa have no tourism interest to Costa Rica, particularly because their economic capacity or political-social problems eliminate their possibility, at least in the short term, of becoming sources of visitors.

Nonetheless, industry problems do not lie in visa requirements, but in operating problems found at the points of entry causing visitors nuisances and dissatisfaction.

3.4 Final Comments

Costa Rica has developed an image at the international level as an ecological tourism destination over the years. Recently, the international magazine *Recommend*, edited in London, named Costa Rica in November 2001 as the best Tropical Eco-Destination in the World. That is why among the motivations for foreigners visiting our country, nature occupies first place. Even so, the country also receives a large number of tourists seeking sun and beach, preferably at hotels with everything included.

Ecological tourists, generally, are characterized by seeking specialized nature and cultural activities, such as national parks or private reserves. Likewise, they try to stay in hotels with local architecture, small and intimate and with personalized service, they do not cut corners on expenses and they stay more time in the country. They want to try the country's own food and travel with a professional guide who knows about the country's

⁹⁰ Circular N° 0262-94 D.G., issued on September 16th, 1994 and in force since October 1st, 1994.

⁹¹ Information from the web page www.procomer.com/6361perfilcr.htm.

biodiversity and can answer any questions. This type of tourist possesses a high educational level and is very respectful of the destination being visited.

When comparing sun and beach tourism with ecological tourism, the latter has various advantages. First, the average eco-tourist has greater income than the sun and beach tourist, so they leave more money in the country. Second, ecotourists stay more days in the country and approximately 50% of their expenses stay in Costa Rica, while in the case of foreign chains, a large part of the currency goes to the hotel firm's country of origin, leaving approximately only 10% for the local economy. Therefore, ecotourism has less impact on natural resources and finally vacationers looking for sun and beach are more variable, while for the ecotourist, traveling is a life style.

The tourism authorities continue to promote the country as a natural destination, highlighting the country's ecotourism features. Yet, most investment being developed in the country mostly promotes massive tourism and is the property of large Spanish and U.S. chains. Likewise, in the last five years the number of casinos in the metropolitan area has increased, which upon occasion are related to prostitution and drugs.

Therefore when the tourist arrives in the country seeking ecology and exotic tours, often they run into mega-projects similar to destinations such as Cancun or Jamaica. Therefore, it is necessary for Government authorities and other actors in the tourism sector to focus their efforts on reinforcing ecotourism, in order to not lose the competitive advantage that the country has developed in that sense. Also, it needs to be considered that the other Central American and Caribbean countries and Mexico are in the process of developing this type of image, which would imply greater competition.

In the face of the September 11 attacks in the United States (Costa Rica's biggest market), the country was not so affected thanks in part to its specialization in ecotourism and its geographic proximity to the United States. An example of this is that the occupancy rate for hotels dedicated to ecotourism did not significantly diminish (or even remained the same) after the terrorist acts, while it did so for sun and beach hotels where the tourist can choose from other possibilities such as the Dominican Republic or Mexico.

Likewise, to confront the crisis, the authorities in the sector promoted national tourism through reducing rates for nationals, which brought good results. This, despite not contributing hard currency, provided a transfer of wealth from the Greater Metropolitan Area to the coastal areas.

Private business and authorities in the public sector have the challenge of continuing to develop this activity, under a defined strategy that is effective in the long term. A commitment to protecting the environment must be assumed in order to not allow tourism development to deteriorate the country's natural resources and so Costa Rica does not lose its competitive advantage. Likewise, institutional support is needed to continue developing adequate physical infrastructure for the sector (highways, airports, ports), to ensure tourist safety and to continue attracting investments for the sector.