

Inter-Governmental Cuba Report



August, 2000

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OPENING SUMMARY

The Inter-Governmental Cuba Committee was established after the Monroe County Tourist Development Council (TDC) Opening of Cuba Committee brought forward a report on the possible effects of the opening of Cuba. The Inter-Governmental Cuba Committee had two main objectives to achieve. One (1) was to bring about awareness of the findings and concerns by the TDC Opening of Cuba Committee Report and two (2) was to formulate a process for moving forward with recommendations of the report. After the committee met the first time on March 21, 2000, it was evident that a third (3) objective was to bring governments and the businesses comprising Monroe County together to share information and to develop strategic actions to the possible opening.

From the TDC's Opening of Cuba Committee Report, the following conclusions were apparent:

- Tourism has risen to the dominant place in the Cuban economy
- Cuba is becoming formidable player in the Caribbean tourism arena without the presence of the United States
- Cuba is developing its air accessibility with over forty (40) airlines servicing the island
- Cuba is rapidly developing its tourism lodging sector through agreements with major quality hotel operations from other countries
- Cuban tourism has already made significant in-roads against major international origin markets for the Florida Keys
- American interest and curiosity in a Cuban vacation surprisingly high now considering the restrictions on travel to Cuba
- Cuba is presently focussing its effects to tourism expansion on the anticipation of Americans being able to travel to Cuba without legal restrictions
- Monroe County must begin to bring local governments and the business community together so to develop contingency plans for the opening of Cuba

With these conclusions, the committee set out to address the issues that might effect Monroe County in a positive or negative way at the time of the opening to Cuba. The committee established six (6) task force sub-committees of the following:

1. Vehicular Travel
2. Air Transportation
3. Marine
4. Law Enforcement
5. Lodging Industry
6. Business/Technology

The task force sub-committees brought back their findings to the Inter-Governmental Committee to be reviewed and approved and to be submitted in the overall report. Their findings included listing the different issues within their category; describing possible impacts on opening; and recommendations for contingency planning.

This report is not intended to be a political analysis nor does the report propose any strategy for political change in Cuba. Its sole purpose is to provide information and being a planning process to the possible opening of Cuba.

Bob Padron
Chairman – Inter-Governmental Cuba Committee

Inter-Governmental Cuba Committee

Mr. Robert Padron	Chairperson – TDC Representative
Commissioner Wilhelmina Harvey	Monroe County
Commissioner Merili McCoy	City of Key West
Commissioner Mary Kay Reich	Monroe County
Mr. John Bartus	City of Marathon
Mr. Bob Tracy	Key West Chamber of Commerce
Ms. Carol Fisher	Lower Keys Chamber of Commerce
Ms. June Helbling/Mr. Ray Kitchener	Marathon Chamber of Commerce
Mr. Stuart Hodgetts	Islamorada Chamber of Commerce
Commissioner Susan McGarry	Key Colony Beach

Task Force Point Persons:

Mr. Ty Szmroski	Vehicular
Mr. Peter Horton	Air Transportation
Mr. Raymond Archer	Marine
Chief Gordon Dillon/Sgt. Bittinger	Law Enforcement
Mr. Lou Hernandez	Lodging
Mr. John Bartus	Business/Technology

The Committee would like to acknowledge and thank the following: Monroe County Board of County Commissioners; City of Key West; City of Marathon; City of Key Colony Beach, Islamorada Chamber of Commerce; Marathon Chamber of Commerce; Lower Keys Chamber of Commerce; Greater Key West Chamber of Commerce; Key Largo Chamber of Commerce; State Senator Darrel Jones' office; State Representative Ken Sorenson office; US Congressman Peter Deutsch's office; Key West Business Guild; Key West Attractions Association; Key West Hotel & Motel Association; Key West Innkeepers Association; Key West Police Department; Monroe County Sheriff's Department; Monroe County Emergency Management; Key West Department of Transportation; Key West Port Authority; Monroe County Airports; United States Department of Justice/ Immigration and Naturalization Service; and the Monroe County Tourist Development Council. The Committee also wishes to acknowledge a special thanks to County Administrator Jim Roberts and Becky Iannotta, Aide to Peter Deutsch.

The Inter-Governmental Cuba Committee met on the following dates:

March 21, 2000
May 23, 2000
July 25, 2000

VEHICULAR TRAFFIC

I. Introduction of Issues

As established by the Cuba Committee Steering Committee, the major assumption in this analysis is that there will be a peaceful resumption of travel between the Keys and Cuba at a pace that can be anticipated and planned for. While it is possible that there could be a major crisis and a sudden surge of refugees, this report is not based on such a scenario.

This report analyzes how the ability to travel between Cuba and the Florida Keys will impact traffic in the Florida Keys. The impact will be dependent on the volume of travel to and from Cuba, a change in the number of people choosing to come to the Florida Keys the different reasons people will travel between the Keys and Cuba. However, this study does not attempt to answer these fundamental questions. Instead, this report identifies the way these primary factors will impact the traffic in the Keys.

II. Sources of Existing Data

- A) The 1999 US 1 Arterial Travel Time and Delay Study for Monroe County, Florida. Prepared by URS Greiner, Inc., Ft. Lauderdale, July 1999 for Monroe County Planning Department
- B) Big Pine Key Origin and Destination Study Prepared for Monroe County Planning Department by URS Greiner Woodward Clyde, March 2000.
- C) Functional Design of Ferry Systems, US Department of Transportation, July 1980
- D) Buquebus traffic impact study
- E) Key West Comprehensive Plan Technical Document
- F) Monroe County Year 2010 Comprehensive Plan: Policy Document and Technical Document.

III. Possible Impacts On Opening

A) Situation Analysis. Review of Existing Situation.

- 1) Automobile Traffic. Tourists driving private automobiles represent a major portion of vehicles on US 1 and in 1999 were forty-two (42) percent of the vehicles on US 1 on Big Pine Key¹. At the same time overnight visitors were 29%². The number of overnight visitors is a function of the number of accommodations and length of stay in the Keys. For

¹ Big Pine Key Origin/Destination Survey. Overnight visitors were 29% and single Day Visitors were 13%.

² *ibid.*

instance a hotel room with an average stay of 1 night will generate twice the number of trips if the average stay is 2 nights.

The total number of vehicles on the highway varies throughout the year and throughout the Keys. For instance in 1999, the Annual Average Daily Traffic (AADT) on Big Pine Key was 20,843, on Marathon the AADT was 30,750 and on Upper Matecumbe the AADT was 22,103.

- 2) Travel Facilities for International Travel. The three major commercial methods of travel to Cuba are by passenger ferries, airplanes and automobile ferries. None of these services currently exist and it will take some time to develop them.
 - a. Automobile Ferries. Facilities for automobile ferries do not exist in the Keys and very few locations are capable of being developed for automobile ferries. Construction of terminal for a 52-car ferry has begun on Key West but is currently suspended. A second prospective site is in Safe Harbor on Stock Island. However, this area would require significant investment in a terminal and other shore side facilities, which will take several years to develop. Consequently it could be at least one year before automobile ferries could travel to Cuba.
 - b. Airlines. In order to establish regular commercial flights, it will be necessary to complete international negotiations for landing rights. Additionally, improvement may be needed in the staffing of Customs, Immigration and Dept. of Agriculture as well as the airport facilities. Consequently, the secondary impacts on traffic will not occur until regular commercial flights were available.
 - c. Passenger Ferries. The Key West port is currently the only site in the Keys with passenger ferries. It is possible these facilities could increase operations fairly quickly. Additionally, the adding passenger ferries to existing marinas could occur at existing marinas in the Keys without a great deal of effort.

B) Description of Potential Effects

- 1) General Nature of the Impact of Travel between the Keys and Cuba. Travel between Cuba and the Keys could add traffic to US 1 in several ways. For instance a family driving

through the Keys to visit Cuba and then return will have the same impact as though a hotel room were added to Key West. However travel to and from Cuba could have the impact of providing an alternative route to visiting the Keys or encourage people to stay longer.

- 2) Automobile Ferries. The impact on US 1 will be a function of the size and frequency of ferryboats. Additionally, the demand for this service will be based primarily on the demand to travel between the United States and Cuba. This travel would then add directly to the US 1.

It is possible that a portion of this traffic will decide to spend at least one night in the Keys. During times of low hotel occupancy, this would be benefit to the hotels and at the same time could add to local traffic as the visitors visit various attractions, sightsee and shop. During times of high occupancy, these travelers could displace the traditional visitor that drives into the Keys and stays several days. This would reduce the average stay by tourists.

The Buquebus ferry on Key West is under construction and is designed for 52 automobiles. On Stock Island is a possibility to develop a ferry at the end of Shrimp Road. At this time no facility has been designed however the area could probably accommodate a ferry for 200 cars. Combined, these would account for a capacity of 252 automobiles. If each ferry service made five (5) round trips a day, this would provide a maximum capacity of 1,260 automobiles leaving and 1,260 automobiles arriving in the Key West area each day (260 each way in Key West and 1,000 each way from Stock Island). The maximum total two-way volume of traffic at this peak condition would be 2,520 trips. If the average day was seventy-five (75) percent of capacity, 1890 trips would be added to US 1, or approximately 9.1 % of the Big Pine Key AADT.

Local Streets between US 1 and the ferry site and adjacent neighborhoods will also be impacted by automobile ferries with the most intense impact occurring when vehicles leave the ferry. In Key West, the 52 cars leaving the Buquebus is approximately 1.0 % of the projected traffic volume (5,600) of Eaton Street for the year 2000 ³ and 0.67% of the projected volume of White Street. Thus 5 round trips could increase traffic between 5 and 10 %. This could require the

³ Key West Comprehensive Plan Data Inventory and Analysis

extension of White Street and Caroline Street as projected in the Comprehensive Plan.

On Stock Island, the traffic associated with a 200 car ferry on Shrimp road could necessitate improvements and possibly traffic signals at the intersections of Fifth Street & Macdonald Avenue, Fourth Avenue & Maloney Avenue, and third street & Macdonald Avenue.

- 3) Passenger ferries. Estimating the potential volumes of passengers of ferries is beyond the scope of this report. However, if there were approximately 2000 passengers per day (1,000 arriving and 1,000 leaving) and if all these passengers drove the length of the Keys and there were 2 people per car, then there would be approximately 1,000 added to US 1. This is approximately 5 % of the annual average traffic on Big Pine Key.

Passenger Ferries will impacts on local roads by private cars, busses, taxi cabs or shuttle vans carrying passengers to and from the passenger ferry. If a ferry site had 2,000 passengers in a day and only four (4) people per vehicle, this would increase the traffic on approach roads by 500 vehicles. As a comparison, this is approximately ten (10) percent of the volume of traffic on Eaton Street in Key West and approximately five (5) percent of the traffic volume on Simonton Street.

Passengers could also require sizable automobile storage lots if passengers drive their own or rental car to the passenger ferry. For instance a 500-car parking lot could take up approximately 4 acres (350 sq. ft. per car)

Passenger ferries will impact traffic on US 1 in several ways:

- a. Allow people to arrive from Cuba, rent a car and then exit through the Keys or visa versa. This would tend to increase traffic. In times of high hotel occupancy, this could also displace the traditional visitor that drives to the Keys as a destination and stays longer.
- b. People may enter the Keys from Cuba, occupy hotel rooms and then go back to Cuba by ferry. For instance, tourists may fly into Havana and then come to the Keys via a ferry rather than landing in Miami and driving to the Keys. This could reduce traffic on US 1, particularly in times of high hotel occupancy

when this visitor could displace the traveler driving from the mainland.

- c. Key West could also be a day trip from Havana by Cubans desiring to shop or tourists desiring to see Key West. If these travelers stay overnight, then during times of high hotel occupancy, this could reduce travel on US 1 by displacing visitors that drive to Key West. However, there could be an economic impact by displacing visitors that stay for several days and different shopping patterns.
 - d. Allow Keys visitors to take day trips and thus stay longer in the Keys. This could reduce traffic on US 1. For example there are approximately 10,000 hotel rooms in Key West. If approximately 2000 people decided to stay one day longer and 2.0 people occupied a room then the length of stay averaged over the 10,000 rooms would be only 0.1 day.
 - e. Budget travelers such as students will find it attractive to travel through the Keys on a bus and use a passenger ferry to travel to and from Cuba. This will have minimal impact on US 1 but could have the benefit of assisting in a Keys wide transit system.
- 4) Airplane Passengers. Commercial airplanes will function very much as passenger ferries. However, it could be that the airline passengers would have a greater percentage of people connecting directly with the Havana airport. Additionally, there are excellent airports north of the Keys capable of connecting to Cuba. Therefore, it is not likely people will drive to the Keys in order to take a flight to Cuba.
- 5) Small excursion boats, charter boats and private boats. Small private boats that offer the opportunity to visit Cuba to fish or scuba dive may be available from the Keys. It is possible people would drive directly to these vessels or that people would be encouraged to stay longer in the Keys to take advantage of this opportunity. However, the volume of this activity is not expected to be significant when compared to automobile and passenger ferries.

C. Potential Effects

At this time it is only possible to estimate the types of impacts on traffic if travel is possible between Cuba and the Florida Keys. Once there are estimates of the number of commercial airline flights, passenger ferries, and automobile ferries and the locations

of these facilities, it will be possible to estimate the size of traffic impacts.

- 1) Positive.
 - a. Open alternative ways for tourists to arrive to the Florida Keys. This could relieve traffic on highway US 1.
 - b. Increase the length of stay of tourists. An increase in the length of stay would then mean less traffic on US 1 even though the number of hotel nights may remain the same or increase.
- 2) Negative.
 - a. Adversely impact neighborhoods and roads immediately adjacent to ferry sites.
 - b. Increase traffic on US 1 if automobile ferries are able to function as a bridge and thus facilitate a flow of cars between Cuba and the US mainland.
 - c. Increase traffic on US 1 if ferries are able to allow Key's visitors to stay overnight in Cuba and thus have the effect of adding hotel rooms in the Keys.

IV. **Recommendations for Contingency Planning**

- A) The various law enforcement agencies should be prepared to handle an emergency situation. If opening to Cuba occurs peacefully, then the initial impact on automobile traffic will be minimal until the facilities for travel are available. These facilities will include passenger ferries, automobile ferries and commercial airlines.
- B) Estimates of the volume of commercial airline flights, passenger ferries, and automobile ferries should be developed in order to estimate the type and magnitude of traffic impacts. At the same time, the potential locations of passenger and automobile ferries should be identified to facilitate the possible traffic impact of each location.
- C) As facilities are developed to accommodate travel between the Florida Keys and Cuba, the community should take efforts to ensure that negative impacts are reduced and the positive impacts are developed.
- D) Any proposed passenger and automobile ferry or expansion of service should not be approved unless there is sufficient evidence that the impact on all segments of US 1 will be minimal.
- E) The marketing of the Keys should stress the proximity to Cuba in an effort to get visitors to stay longer in the Keys by visiting Cuba for a day or evening. There should be great care to prevent a perception that the Keys are merely a scenic drive on a way to or from Cuba.

- F) The marketing of the Keys should not promote an idea of driving the Keys and immediately getting onto an automobile ferry to Cuba.
- G) Passenger ferries and airlines should be developed as a connection to the Havana Airport, Cuba, and the Caribbean in order to reduce the dependency on US 1 as the entry into the Keys. For instance, the connection to the Havana airport should be considered as an alternative to Miami Airport as a transfer point for international and long distance domestic travelers visiting Key West.
- H) The volume of passenger and automobile ferries should be carefully controlled in order to meet the need of existing tourists desiring to stay longer in the Keys. The ferries should not be developed in order to accommodate a large volume of people wishing to only travel through the Keys in order to get to Cuba. There should be special care to assure that travelers through the Keys do not displace visitors who stay for several days.
- I) If the Buquebus and Safe Harbor are converted to automobile ferries, the roads entering and leaving the Buquebus in Key West and Shrimp Road on Stock Island should be improved to accommodate the increased traffic.
- J) In order to reduce traffic on local roads, a system of busses, taxicabs and shuttles should be developed as the means to pickup and deliver passengers to passenger ferries and the airports.
- K) Passenger ferry facilities and the airports should be designed to accommodate busses, taxi cabs and shuttle vans.
- L) Parking facilities at passenger terminals should be the very minimum. This will discourage people from driving private cars from hotels or through the Keys just to take a passenger ferry.
- M) Hotels should be encouraged to provide opportunities for customers to park a car while taking a day visit to Cuba. This could reduce local traffic congestion around the passenger ferries and airports and also encourage visitors to stay longer in the Keys.
- N) Within licensing procedure for ferry services to Cuba and in consideration of the impact of traffic and parking, policy should be set that advanced reservations are required which will serve to deter additional traffic.

AIR TRANSPORTATION

I. Introduction of Issues

The primary issue is actually a question, and that is: How ready are our two facilities (Key West International and The Florida Keys Marathon Airport) to accept the expected influx of travelers from Cuba? Secondary issues include Airline response to the opening of Cuba, Federal Inspection Station cooperation and General Aviation activity.

II. Sources of Existing Data

There is a wealth of information concerning Monroe County's two airports. We have Master Plans, Airport Layout plans, Enplanement reports, FAA Advisory circulars, Operational Activity Reports, and a vast array of other pertinent information at our disposal. These will be invaluable to us to resolve two of the four issues above (overall readiness and general aviation). However the only source of information from the airlines has been verbal. The same is true of the Federal Inspection Station (FIS) Departments, consisting of the U.S. Customs Service, the Department of Immigration and Naturalization, and the U.S. Department of Agriculture.

III. Possible Impacts on Air Transportation with the Opening Of Cuba:

A. Situation analysis - Review of existing situation: The two airports have been preparing for an expansion in Airline traffic since 1990. Approximately 20 million dollars have been allocated and spent on the two facilities.

The capacity of an airport is determined by four basic elements. 1. The runways and taxiways. 2. The ramps (parking aprons for commercial and general aviation aircraft). 3. The passenger terminal. 4. The automobile parking facilities. The following is a breakdown of those elements by airport and an estimate of the total capacity by number of passengers. Elements 1. and 2. together are referred to as the airside of an airport. Elements 3. and 4. make up an airport's landside.

THE FLORIDA KEYS MARATHON AIRPORT

1. Runway: 5000 feet with two overruns of 400 feet each. Strength is 130,000 lbs., dual wheel. Taxiways have been resurfaced and extended in 1999. The runway could be expanded to 6000 feet.

2. Ramps: Currently, the commercial ramp has parking for six commuter sized aircraft. It is expandable to the east and could ultimately park nine commuters. The GA ramps have a capacity of approximately 80 aircraft. This

year we will begin construction of 53 new hangar spaces. The Fixed Base Operators have both requested additional ramp space and we intend to start construction on those expansions in 2001. This project will add an additional 50 general aviation tie downs to the field.

3. Passenger Terminal: 19,000 square feet, new in 1995. Expandable by an additional 4000 square feet in its current location.

4. Parking Lots: East lot, 250 spaces for the general public. West lot, 60 rental car spaces. New in 1995 and expandable.

5. General Statistics: Number of passengers in 1999: 41,548. Number of operations (takeoffs and landings) in 1999: approximately 10,000. Maximum capacity in current configuration: 200,000 to 300,000 passengers. No FIS facility currently. Firefighters are volunteers, stationed on the field.

KEY WEST INTERNATIONAL AIRPORT

1. Runway: 4800 feet, no overruns. Strength is 95,000 lb., dual wheel. Taxiways will be resurfaced this year. Because of environmental and community concerns, the runway cannot be expanded.

2. Ramps. The commercial apron is currently configured for nine commuter aircraft, one of which is reserved for FIS activity. This year we will begin an expansion project which will involve both commercial and general aviation parking facilities. These improvements will double the capacity of the GA ramp (50 to 100) and increase the number of commercial commuter spaces to 13.

3. Passenger Terminal: Although this facility was recently expanded, updated and remodeled (completed in 1999) it is still considered quite small according to FAA peak hour passenger ratios. All of the first floor is devoted to passenger activities, with an area of 16,456 square feet. The much smaller second floor is devoted to office space for airport staff, the FAA and the airlines. It is less than 4,000 square feet. The plan to build a new 48,000 square foot terminal was rejected by the BOCC in 1995 due to community dissatisfaction with its design and size.

4. Parking lot: The automobile parking lot was expanded and repaved in 1992. It currently has 408 spaces, 120 of which are taken up by rental cars. We recently opened bids for an 84 space expansion project which will be completed in December of this year.

5. General Statistics: Number of passengers in 1999: 541,374. Number of operations (takeoffs and landings) in 1999: 130,974. Maximum capacity in

current configuration: 600,000. Has modern FIS facility, new in 1998. It can process 50 to 100 passengers per hour. It is currently staffed on an on call basis only. Airport Rescue Fire Fighting (ARFF) Dedicated, full time, 24 hours a day. New facility to be completed in July of this year.

B. Potential effects on air transportation due to the opening of Cuba.

1. Positive effects: It is difficult to determine how much additional commercial air traffic the two airports will receive when Cuba opens. Because of advances in aviation technology, geographical distances are no longer the determining factor in scheduling air routes. Even though we are the closest airports to Cuba, we can not assume that airlines will be clamoring for space at our facilities. However based upon conversations with all of the airlines that now serve us, at least three of the five have indicated that Key West to Havana will be a strong possibility.

Since Key West International Airport is very near capacity, the most positive effect on air transportation due to the opening of Cuba will be the forced over flow to the underutilized Florida Keys Marathon Airport.

Geographical distances matter a great deal to the General Aviation community so it is believed that we will have a tremendous increase in the number of GA operations at both airports. A manageable increase in GA traffic will benefit the economies of both communities.

2. Negative effects: Since few things in life go exactly as planned, the negative effects on air travel due to the opening of Cuba will probably have to do with the sheer numbers in this equation. A moderate increase in the numbers at KWIA and a large increase at MTH would be ideal. However it would be naïve to assume that such a perfect situation will ever present itself.

In today's travel market, both airlines and airline passengers prefer to fly into Key West rather than Marathon by a ratio of 12 to 1. The opening of Cuba may do little to change that ratio. Even with all of the improvements we have completed and will complete in the next two years at Key West International, a heavy increase in passenger traffic will overwhelm our already crowded facilities. And unfortunately we no longer have much room or land for expansion.

IV. Recommendations for Contingency Planning:

A. Obtain Port of Entry (POE) Designation for Both Airports: At the Cuba Committee meeting of May 23, 2000, Mr. George Waldroup of the U.S. Dept. of Immigration and Naturalization Services, informed all of us in attendance that neither airport (Key West or Marathon) or any seaport facilities in the City of Key West, will automatically become a Port of Entry for Cuba. We must first successfully complete the required application process. Therefore, we have

tasked URS Greiner, our general engineering firm, to begin that process. We plan to share and exchange information with the City of Key West who will also be applying for POE status.

B. Develop a FIS Facility for the Florida Keys Marathon Airport: If this airport (FKMAP) is going to be able to receive either general aviation or commercial air traffic, it must have a facility built to the standards of the three FIS agencies. Planning for this project will begin immediately in conjunction with the POE application process.

C. Joint Use of NAS Boca Chica: Because we are so near capacity at Key West International Airport, the only real choice for expansion of air service for the lower keys is to this facility. Even though the Navy has repeatedly said no to our joint use proposals, we must continue to consider this a possibility, although a remote one.

D. How Much Is Enough? How Much is Too Much?: Any contingency planning that involves expenditure of public funds for infrastructure improvements must explore not just the need for them, but must also gauge the political and community will to complete those improvements.

Our discussions concerning visitors to and from Cuba via Key West, have not focused upon numbers because obviously, at this point in time, one can only guess at the number of additional tourists that we will be hosting. However, given our ability to attract visitors to the Keys in the past, when Cuba opens, we will probably be just as successful in capturing a large share of the new market.

Unless we can determine how many additional visitors the City of Key West and the Lower Keys can sustain and what number the community at large is willing to accept, major airport improvements which are constructed to accommodate the increased numbers of tourists will be stalled due to a lack of community and political will to complete them.

If Marathon becomes a regional airport for the Keys the subject of ground transportation needs to be addressed.

MARINE

I. Introduction of Issues

The task of this committee is to address how the opening of Cuba to American citizens and businesses will affect the Florida Keys marine industry.

- We are to consider if/how ferry services providing transportation, to and from the Keys, should be regulated
- What increases or decreases we should expect regarding cruise ship activity
- How will private and small vessel traffic affect the Keys
- How best to handle parking issues within port service areas

There are several unknowns that make this report difficult; for example will the opening of Cuba be a wide open door or just small specific areas at a time – sale of goods first, then travel with limited stays in Cuba, can Cubans travel to the U.S? What is a large unknown is how will Cuba restrict travel to and around Cuba by Americans once the ban is lifted.

II. Data Sources

1. Monroe County Tourist Development Council – Cuba Committee Report, August 13, 1999.
2. (Florida Ports Council) Florida Trade Data Center – Economic Impact and Opportunities Analysis for the State of Florida upon resumption of Trade between the United States and Cuba. 1998
3. Knowledge and experiences of committee members

III. Possible Impacts

Key West and the FL. Keys are considered the natural jumping off site for vessels traveling to Cuba and this will generate new burdens on existing resources. Cuba is 90 miles from the Keys, 81 miles from Jamaica and 47 miles from Haiti. With the increase in boat traffic, either by sea or trailer via US1, we can expect to experience impacts, such as;

Adequate fuel supply - with the increase of boating traffic there will be an increase of fuel sales. Although this is a positive impact on the Keys, it is important we take the necessary actions to insure there are adequate fuel storage facilities to satisfy the demand for fuel. It is also believed that there may be some concern as to the quality of Cuba's fuel supply. Many travelers will want to carry enough fuel for the return trip.

There will be a need for extra controls and inspections of “temporary” fueling facilities by local and state enforcement agencies.

Boat Slips, Moorings and dingy docks – The demand for adequate and safe moorings will increase as the cruisers are either traveling to Cuba or returning. It is necessary for each community to decide as to what level of accommodations, boat slips, docking and moorings they want to provide to their community. What is the level of service they wish to provide in their community. What is the level of service they wish to provide to the marine traffic traveling to or returning from Cuba.

The length of stay in the Keys will vary. There will be periods in which vessels will experience delays either waiting for weather, official clearance or to join other travelers so to travel as a group, again this will be with both legs of the trip, both coming and going.

Boatyards – The demand for boat repairs and maintenance will increase as the boating traffic increases. It will be necessary to insure boatyards throughout the keys adhere to safe management practices regarding the handling and disposal of hazardous waste materials.

Customs, other governmental agencies – The U.S. Customs state they do not have enough staff to handle any additional vessel traffic demanding their services. This can prove to be a problem and create a gridlock in the traffic. Without sufficient staffing and interviewing facilities there cannot be a proper checking of vessels returning to the Keys. There may be a potential problem with illegal trafficking of goods and/or people.

Ships store (provisions) – The City of Key West has declared the waters around Key West to be a No-Discharge Zone (NDZ). All vessels affected by the law will be required to pump out their sewage to a landside facility for proper disposal. Monroe County and the FL. Keys National Sanctuary are taking actions at this time to declare waters in their jurisdiction a NDZ. It is very important that all areas in the Keys have adequate facilities to respond to the additional demand placed on the sewage pump out facilities by the increase in boating traffic. There will be a demand on law enforcement agencies to insure that all vessels are adhering to the NDZ law and are pumping out at an approved facility, there will also be need to prevent illegal dumping of sewage land-side by individuals who provide mobile pump out services.

Boat and trailer storage - Additional requirements for storage of boats and trailers will need to be determined and met.

Ferry Service - traffic is expected to increase once Cuba opens to U.S. travelers. Local governments will need to set controls on how and where business will be conducted; some considerations should be parking (employees and customers), ingress and egress to facility (both waterside and land-side), number of trips/day the ferry will service passengers at terminal, will the traveler be allowed to carry large quantities of packages – possible goods for sale in Cuba. Facilities must provide areas to accommodate Customs and other agencies required to process travelers. Should vessels be allowed to carry vehicles? All these issues need to be addressed with each ferry terminal requesting permits and licensing. Each jurisdiction needs to address fee structures and the need for embarkation/disembarkation feeds to cover additional community impacts caused by the ferry passenger or as a new source of revenue.

Cruise Ship activity - The initial opening of Cuba may cause a temporary fluctuation in the cruise ship business in Key West, but with Key West's popularity with the Cruise lines and their passengers the interruption may be a slight one.

There are 50-plus Cruise ships currently operating between Florida and the rest of the Caribbean. With the opening of Cuba to U.S. traveler's cruise lines will be able to diversify their itinerary. Key West may become a port-of-call in a new, much shorter itinerary involving Cuba and the Bahamas. It is possible Key West can see specialty cruises such as those featuring the old colonial Cuba, Key West and their common link in history.

There is some concern as to how Cuba will regulate the cruise ship activity, how restrictive they will be towards cruise lines doing business in Cuba's port. Cuba may require longer stays in port by the cruise ship allowing the passengers to spend more time and money on the streets of Cuba.

A Toronto, Canada based Cruise line has announced intentions to begin a three and four night cruise from Nassau to Havana beginning November, 2000. The cruise line will offer a fully hosted visit to Havana. The intention is to make the visit legal for American passengers. The industry will be watching closely to see how American cruise ship customers will accept this itinerary.

Cruise ship activity is mostly a City of Key West issue, although the revenues generated by the industry does flow throughout the Keys. A lot of lower Keys businesses do business directly with cruise lines or are involved in cruise ship activities in some form or another. In order to remain competitive with other Caribbean ports, Key West will need to monitor the trend cruise lines will be following. To continual to be recognized as a top cruise port destination, Key West must continue to provide the cruise ship passenger with a quality visit, while at the same time insuring the required infrastructure is provided and maintained.

IV. **Recommendations For Contingency Planning:**

- A. Port of entry designation for Key West and Marathon.
- B. Regulate the number of ferry services, trips and number of passengers to Cuba.
- C. Request that the ferry services require reservations for trips.
- D. Issuance of licensing/permits for ferry operations.

LAW ENFORCEMENT

I. Introduction of the Issues

This document is based on recognition that the “opening” of Cuba is a matter of “when”, not “if”; and the “when” is likely to be no more than several months to a few years. At the moment, we have no practical way of anticipating to what extent or under what conditions the “opening” will occur. The other side of the overview is likewise beyond our control as Immigration & Naturalization Services (INS) sets up with Customs, Border Patrol, Coast Guard, Military, U.S. Attorney, U.S. Marshals, and the various Florida state agencies to deal with whatever influx of immigration results.

The mission of the Key West Police Department will come down to the priority of maintaining order, with primary emphasis on keeping roadways open and traffic moving. The obvious major difference between what happened in 1980, and in the mid-60s, and what we can expect now, is that:

- the previous occurrences each involved one-way mass exodus from Cuba to the United States;
- this time we'll be dealing with a flow of people in both directions with many if not most funneling through the Florida Keys and Key West.

Our guiding principles need to stay very basic: Prepare for the worst; stay flexible; and keep it simple.

II. Sources of Existing Data

Federal Stafford Act (Public Law 100-707, Disaster Relief and Emergency Assistance Act of 1988)

Florida Statutes Chapter 252, the state emergency management plan.

Past experience in dealing with emergency situations of all natures.

KWPD experience

OTHER AGENCY experience (Local, County, State & Federal)

AFTER ACTION ANALYSIS and sharing of information

III. Possible Impacts

Existing Situation: On-going sewer and other construction keeps much of our traffic flow disrupted or at least uncertain. Even without the construction, access to our harbor areas is via narrow mostly two-way streets not designed for modern vehicles, let alone the current volume of those vehicles.

A minor crash can tie up several streets; a serious crash can tie them up for hours. And under the best of conditions parking spaces are at a premium.

Potential Effects: When Cuba “opens” we can expect several specific problems regardless of extent and/or conditions of the opening; the main variable from KWPD’s point of view will be problem intensity.

Top visible priority will be to keep traffic flowing smoothly as we deal with those trying to get into or out of Cuba, State/Federal officials coming in to handle their parts of the situation, probable demonstration groups, and both South Florida and National News Media crews, all in addition to tourists and the curious already here and/or coming in. Even if the opening of Cuba is a well-controlled operation and we do everything right, we need to expect near chaos on our end, especially if US1 becomes a 128-mile tie-up.

“Attitude” will be a major concern of Order Maintenance...on top of the normal problems we have with any massive influx of people & vehicles, we should expect short tempers and accompanying “road rage” symptoms from those eager to get to or away from Cuba. Many will probably not be happy with our efforts to slow down and control the situation, especially if we have to turn them back. As with most of our current visitors from outside the Keys, probably 98% of those we can expect with the opening of Cuba will have no real concept of a tourist center with no suburbs; they will be coming here in the belief that even if all Key West lodgings are sold out, they’ll only need drive a few miles in any direction to find a place to stay. Reactions to reality will continue to range from disbelief to anger to weary acceptance

We should also expect some blanket “reprisal” efforts by those coming South on those fleeing North.

While “parking” will be basically handled by other city departments, we can anticipate Parking overload from those who drive in – with or without their own boat & trailer – to take a boat South. During “Mariel” the overload saw cars/vans/pickups and trailers of every size lining North and South Roosevelt Boulevards and every other space they could squeeze into. When “overload” turns into “traffic interference” it will be a police matter to keep streets open and traffic moving.

If/when the private tow companies run out of storage, KWPD will be coordinated with MCSO and the Navy for use of additional open areas both in and out of the city for storage. Any additional storage may or may not be secured areas.

Lodging will remain basically a private sector matter. Even if/when “overload” is reached we would become involved strictly to maintain order. As with traffic flow, lodging overload is probable as those trying to get to Cuba compete for quarters with: tourists and curiosity seekers already here and/or coming in; State/Federal officials coming in to handle their parts of the situation; demonstrators; South Florida and National News Media crews; and people fleeing Cuba.

There will be the possibility of food/water/medical supply shortages. While preventing or dealing with those possibilities are not our bailiwick, maintaining order in the face of any “shortage” reality is.

A traffic jam is most likely on the waters off Key West and throughout the keys, involving both “official” and civilian watercraft. For the most part, those problems should be handled by the Navy, Coast Guard and Florida Marine Patrol, but we expect to have our marine officers available as needed.

Contingency Planning: Full coordination/cooperation with MCSO & other agencies as usual. FDLE (Florida Department of Law Enforcement) will coordinate assistance from across the state per the Florida Mutual Aid Plan.

Existing Planning: The ability to deal with the full range of both minor and major emergencies is part of the standard mission of law enforcement agencies. It's something we plan and prepare for constantly; and, as noted earlier, our guiding principles need to stay very basic: prepare for the worst; stay flexible; keep it simple.

Our “Hurricane Preparedness Plan” is designed to easily modify to serve in other emergencies as well and provides our framework of action, which includes opening of the E.O.C. (Emergency Operations Center) to coordinate all “emergency” activities within the city. Further, the Key West E.O.C. would coordinate planning and operations with the Monroe County E.O.C. in Marathon and with the responding state and federal agencies as well as the news media.

For in-town congestion, have Public Works do numerous “portable stop signs”, both two way and four-way, as we had after Hurricane Georges.

Short of sabotage, the only foreseen concern for electricity might be the possibility of overload.

Manpower: We currently patrol the city on 10-hour schedules designed to provide maximum practical protection and service to the city while holding the line on overtime costs. If deemed necessary, we can make minor adjustments as we do for Spring Break and Fantasy Fest to increase shift overlaps and adjust workloads as needed without undue “long hours” hardship.....any holdovers would need to be justified in some detail and citing specific case numbers.

If we begin approaching critical mass we have additional options:

1. go to 12-hour shifts;
2. cancel leaves; and, in the extreme:
3. cancel days off and work 7 days a week.

Additional manpower numbers will be limited as all South Florida agencies cope in their own jurisdictions.

Roadlock/Checkpoint: If the situation approaches or threatens critical mass, establishment of a roadblock/checkpoint as we did after Hurricane Georges would be in order at Cow Key Bridge. Proof of city residence or other justification for entering the city would be required; if nothing else, the color-coded hurricane re-entry stickers might do the job.

This would be coordinated with MCSO & FHP roadblock/checkpoints up the keys, including at Florida City above the Card Sound Road cut-off.

Other Agencies: As already noted, Immigration & Naturalization Services (INS) will take the lead in setting up for processing of incoming people. INS will coordinate with Customs, Border Patrol, Coast Guard, Military, U.S.Attorney, U.S.Marshals, and the various Florida state agencies to deal with whatever influx of immigration results.

As noted under “Contingency Planning” the Florida Department of Law Enforcement would be coordinating agency assistance from across the state. This would be based on Florida Statutes Chapter 252, the state emergency management plan.

As with KWPD and MCSO, each agency has its own basic mission and plan; and each plan includes full interagency cooperation and coordination as needed.

Otherwise: The various traffic flow and capacity studies are the realm of government planners at the various levels; we get involved to maintain order if the plans and expectations are exceeded or deviated from. And for the most

part, our involvement depends entirely on the situation, our past experiences with such situations and our extensive training in emergency response.

III. **Recommendations**

- A. Law Enforcement agencies to look at options to keep the flow of traffic moving as quickly as possible after an accident on US 1.

LODGING INDUSTRY

I. Introduction of Issues

It is reasonable to assume that Cuba will approach certain segments of American travelers when tourism opens to the U.S. One segment will be the package-driven, all-inclusive trip. With Sandals and similar properties developing in Cuba, it will help to satisfy that demand. However, that is not a market the Florida Keys markets to anyway.

It is believed that the significant market of first-wave, non-group travel is likely to come from affluent American travelers who are curious and looking for something new to see and do. This would be a market that would effect our destination.

There might also be an island-hopper market in which there would be short visits to Cuba from close locations as any city near the gulf coast or much of the state of Florida. Because of the trend for shorter vacation-trips and the fact that Florida is our largest market, these potential visitors to Cuba will surely have an impact on the Florida Keys.

The issues that will have to be addressed from U.S. travelers going to Cuba will be how this will effect the lodging industry's average daily rate (ADR); type of visitor we may lose or gain; occupancy; lodging inventory; and how we may adjust our marketing to the situation.

II. Sources of Existing Data

- A) Visit Florida Report: Tourism Potential of Cuba; February, 1999
- B) Florida Trade Data Center Report: Economic Impact and Opportunities Analysis Volume I; November, 1998
- C) Florida Hotel & Motel Association, 200 Collage Avenue, P. O. Box 1529, Tallahassee, Florida 32302
- D) Internet – Cuba Travel

III. Possible Impacts on Opening

Monroe County's lodging industry feels that there may be no major change in the short term (first year) either in average daily rate, occupancy or length of stay. Until Cuba's lodging industry can grow from American's potential tourism impact, the quality of rooms and service may limit return visits. Also, the feeling is that the Florida Keys would remain a major get-away destination even as the curiosity for Cuba grows.

After some growth and Americanizing of the Cuban product, possibly three years after the opening, there may be a concern that Cuba's lodging and service would be improved, yet remain at a reasonable cost for a Caribbean vacation. Then there may be an adjustment to our ADR and occupancy.

IV. **Recommendations for Contingency Planning**

The contingency planning for the opening of Cuba should be in how the Florida Keys positions their marketing program. We must not allow ourselves to be a drop-off point for visitors going to Cuba. We must develop relationships between our hospitality industry and Cuban businesses through corporate, private and even governmental dealings such as travel packages, tours and possible marketing alliances.

We should market the Florida Keys destination with excursions or day trips to Cuba. We may market special events that have a dual destination image such as Hemingway Days, Cuban American Heritage Festival and Fantasy Fest.

Other than promotions that include Cuba, we must continue to market our unique location with lifestyle, fishing, diving and the many historical and cultural aspects of the Florida Keys and Key West.

We must continue to market the Islands as the Caribbean destination that you can drive to.

We must look at options to keep the flow of traffic moving as quickly as possible after an accident on US1.

BUSINESS/TECHNOLOGY

I. Introduction of Issues

A. Economy of Cuba

Statistics:

Labor force: 4.5 million (1996)

Unemployment rate: 8% (1996)

Inflation Rate: N/A

Gross domestic product (total value of goods and services produced annually) \$16.9 billion (1997 est.)

Budget: \$9.3 billion (1994 est.)

Debt\$10.5 billion (1996)

Exports: \$1.9 billion (1997 est.), primarily sugar, nickel, tobacco, shellfish, medical products, citrus, coffee

Imports: \$3.2 billion (1997 est.), primarily petroleum, food, machinery, chemicals

Defense spending: N/A

Highways: 27,700 km (1996)

(Source: 1998 CIA World Guidebook)

Trade: In 1993, the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury issued 41 export licenses worth US\$423 million to United States companies conducting transactions with Republic of Cuba government-operated entities.

(Source: US-Cuba Trade & Economic Council)

B. Market & Technology Issues (See Issues Report)

II. Sources of Existing Data

Perhaps the best source for data is **The U.S.-Cuba Trade and Economic Council, Inc.**

30 Rockefeller Plaza
New York, New York 10112-0002
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Internet: <http://www.cubatrade.org>

“The U.S.-Cuba Trade and Economic Council's purpose is to provide an efficient and sustainable educational structure in which the United States business community may access accurate, consistent, and timely information and analysis on matters and issues of interest regarding United States-Republic of Cuba commercial, economic, and political relations.

“The U.S.-Cuba Trade and Economic Council is the first and only organization within the United States to have received the written cooperation of the Chamber of Commerce of the Republic of Cuba, the Ministry of Foreign Trade of the Republic of Cuba, the Ministry for Foreign Investment and Economic Cooperation of the Republic of Cuba, the Ministry of Tourism of the Republic of Cuba, the Ministry of Public Health of the Republic of Cuba, the Ministry of the Steel-Mechanical and Electronic Industry of the Republic of Cuba, the Ministry of Foreign Affairs of the Republic of Cuba, and the National Assembly of the Republic of Cuba.

“The U.S.-Cuba Trade and Economic Council interacts with officials of the White House, United States Department of State, United States Department of Commerce, and United States Department of the Treasury; and with members and staff of the United States Congress.”

III. **Possible Impacts on Opening**

A. Existing Situation: With the possible resolution of the Elian Gonzalez matter, the mood in Washington and Havana may again be moving toward a more open dialogue. An outgoing President, intent upon leaving a legacy, may fast-track improved relations with our island neighbor to the south.

B. Potential Effects:

1. Positive: The opening of Cuba will result in a potential market of 11.1 million consumers with a real interest in all things American. The caveat to remember is that the average Cuban worker earns well under \$100 per month. As the Cuban economy grows after the opening of relations, so will the market for American products and services. The Keys, especially considering Gulfstream Airlines' relations with Cuba (see report), may play a part in transport of American goods, services and personnel. Marathon's Home Depot store, located on Boot Key Harbor, could become a source of small shipments of lumber and construction goods.

Local banks may wish to consider how they might provide financial services in an open Cuba. As the demand for American computer technology increases, so will the demand for lower cost Internet access. This will necessitate better telecommunications services, and the Keys are poised to benefit from being the logical location for telecommunications origination point.

2. Negative: Local business and technology interests may be “behind the curve” in being prepared for the opening of Cuba. Other firms may be poised to take advantage of the situation, especially if the opening comes sooner rather than later.

IV. **Recommendations for Contingency Planning**

A. Organize Task Force consisting of local chambers of commerce and business interests.

B. Have TDC open dialogue (if not already) with U.S.-Cuba Trade and Economic Council.

Business & Technology Issues

Banking and Financial Services

MasterCard and Visa are permitted to be used in the Republic of Cuba by individuals not subject to U.S. law. The cards must not be processed by United States-based financial institutions. American Express cards are being used as well. Visa charges exceeded US\$180 million and Mastercard charges exceeded US\$85 million in 1996.

Banamex, Mexico's largest financial conglomerate, has a joint venture with an enterprise within the Republic of Cuba to process receivables and issue consumer credit and charge cards.

The Banco Financiero Internacional, S.A., Banco Nacional de Cuba, Banco Internacional de Comercio and savings bank Banco Popular de Ahorro, provide Republic of Cuba enterprises, non- Republic of Cuba enterprises, joint ventures, Cuban citizens and resident foreigners with checking accounts, travelers checks, letters of credit, transfers, and letters of guarantee among other services.

ING Bank NV has become the first foreign bank to operate within the Republic of Cuba since the 1959 Revolution. ING Bank NV operates through a 50/50 joint venture with Acemex, S.A., a private shipping company registered in Liechtenstein and held by entities within the Republic of Cuba. The venture, called Netherlands Caribbean Bank, initially is focusing upon non-traditional commodity financing. The venture, registered in Curacao, has been established with US\$40 million in credits applicable to mining, tourism, and commodities industries.

Remittances from abroad by Cubans to their families and friends within the Republic of Cuba amounted to more than US\$250 million in 1993; and were estimated to exceed US\$350 million in 1999.

Established in 1996, CFC, in which Guernsey, Channel Islands-based Beta Gran Caribe Limited (the first investment fund licensed to operate within the Republic of Cuba) is the largest shareholder (75%), and within which Republic of Cuba government-operated Interholdings, a subsidiary of Republic of Cuba government-operated Seguros Internacionales de Cuba S.A. (ESICUBA), holds 20% of the shares, has operated without restriction from offices within the city of Havana since 1996. Funding for the CFC has also come from Republic of Cuba government-operated Casa Financiera del Turismo Fintur S.A. (under the auspice of the Ministry of Tourism of the Republic of Cuba), which provides funding for tourism sector activities within the Republic of Cuba. In 1994, Beta Funds International Limited, an affiliate of Guernsey, Channel Islands-based Beta Funds Limited (which established Beta Gran Caribe Limited), established Guernsey, Channel Islands-based Havana Asset Management Limited (HAM), the first investment management company to focus on direct investment within the Republic of Cuba. Since 1995, HAM has had a licensed representative office within Havana. London, United Kingdom-based Beta Funds Limited both created and provides advisory services to CFC, HAM, Beta Gran Caribe, and Beta Funds International. Since 1996, CFC has issued more than 160 short-term loans with a total combined value of approximately US\$60 million, of which approximately US\$10 million remained outstanding. The auditor of CFC is the Cayman Islands, British West Indies office of Ernst & Young. The banker of CFC is Curacao, Netherlands Antilles-based Netherlands Caribbean Bank N.V. The administrator of CFC is George Town, Cayman Islands-based Midland Bank Trust Corporation (Cayman) Limited, a subsidiary of London, United Kingdom-based HSBC Holdings plc., whose United States representative is Buffalo, New York-based HSBC USA Inc. Banco Exterior de Espana, part of the Spanish banking group Argentaria, has offices in Havana. Montreal-based Banque Nationale de Canada, Fransabank of Lebanon, and Spain's Banco Bilbao Vizcaya have offices within the Republic of Cuba.

Communications

Sprint Communications has U.S. Government approval to provide data services transmission between the United States and the Republic of Cuba.

IDB Worldcom Services has U.S. Government approval to provide direct telex service between the United States and the Republic of Cuba.

There are more than 1,000 users of the Internet in the Republic of Cuba. Enterprises, organizations, and ministries can send and receive E-mail and access other Internet services.

DHL Courier has a full service office in the Republic of Cuba. Documents can be sent from the United States and received in the United States. Documents sent from the United States to Havana arrive in three to four days, via Mexico.

Grupo Domos, S.A., a Mexican company, purchased 49% of telephone company Cuban Telecommunications Enterprise for an investment estimated at US\$1.5 billion to operate the concession for Cuban Telecommunications Enterprise (ETECSA) for 55 years. In 1995, Grupo Domos sold 25% of its 49% share in ETECSA to STET, a subsidiary of Italy's government-controlled telephone company, Telecom Italia S.A., for more than US\$291 million. Recently, STET purchased remaining shares of ETECSA from Grupo Domos, and now controls approximately 80% of the minority shares of ETECSA.

TIMSA, a US\$8 million Mexican joint venture, operates cellular telephone systems within the Republic of Cuba. The telephones may be purchased or rented on a daily basis.

Caribbean Radio Services, a Panama-registered company with an office in Havana, provides voice and tone paging services in Havana and resort area of Varadero. The company also rents and sells Satellite telephone equipment, telex equipment, facsimile machines, and cellular telephones.

Consumer Goods and Retail Operations

The French fashion designer, Pierre Cardin, has announced that he is exploring commercial import and export opportunities within the Republic of Cuba.

Benneton, the Italian clothing company, has representation, retail stores, and outdoor billboards within the Republic of Cuba.

The Republic of Cuba has imported more than 1,000,000 bicycles manufactured in the People's Republic of China.

At food stores within the Republic of Cuba that sell products for U.S. Dollars, brands available include: Campbell Soup, Heinz, Del Monte, Libby's, Kraft, La Choy, Bumble Bee, Progresso, Uncle Ben's, Planter's, Gerber, Hellman's, Motts, Ragu, Tabasco, A-1, Vlasic, Mars, and Purina.

The four largest Republic of Cuba enterprises that, among other businesses, import consumer products (sundries, food, durables, etc.) and sell the products for United States Dollars, had reported combined 1999 gross revenues in excess of US\$900 million.

BAT, the British tobacco company, has an agreement to produce various types of tobacco products for multiple export markets.

Unilever PLC has established a partnership with Cuban soap maker Suchel to make deodorant, soap, shampoo and other products.

Sharp Electronics products are exclusively distributed in Cuba by a Canadian company. There are two retail and service locations. Canon photocopiers and facsimile machines has the overwhelming market share in Cuba supported by a retail and service center.

Food and Beverage

Republic of Cuba government-operated Cubanacan, S.A.(the largest tourism company within the Republic of Cuba) and Republic of Cuba government-operated Gran Caribe S.A., have established or plan to establish Cuban cuisine restaurants in France, People's Republic of China, Brazil, Mexico, Spain, and Italy. A replica of the famed Tropicana nightclub opened in Spain in 1994.

Cubanacan, S.A., currently operates franchised restaurant brand Pizza Nova, and has discussed opportunities to operate Swiss Chalet and Harvey's brands.

Puerto Rico, with one-third the population of the Republic of Cuba, has 100 Burger King restaurants.

Construction

The Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury provided a license to a New Jersey-based construction company for the purpose of remodeling the Embassy of Germany in Havana. The value of the contract was several hundred thousand dollars.

Most new heavy construction equipment in the Republic of Cuba has been imported from Asia.

(Source: US-Cuba Trade & Economic Council)

Internet Access

Internet access costs about \$260 per month for Cubans. Needless to say, not many Cubans, whose average pay is \$10 to \$20 per month ,can afford private access to the Internet. The antiquated phone systems, shortage of computers and other details have restricted the Internet Age in Cuba. Internet access is provided for foreign diplomatic and business interests, embassies, research and governmental agencies and universities.

(Source: Cuba Business Journal, 1/21/2000)

GULFSTREAM INTERNATIONAL AIRLINES TO BEGIN PACKAGE DELIVERY SERVICE TO CUBA

Dania, Florida-based Gulfstream International Airlines (1999 revenues exceeded US\$80 million) has signed an exclusive agreement with Republic of Cuba government-operated Cubapacks International S.A. (a subsidiary of Republic of Cuba government-operated Corporacion Cimex S.A.) for package delivery

services from the United States to the Republic of Cuba beginning on 1 May 2000. Gulfstream International Airlines reported that the company expects year-one gross revenues from the service of approximately US\$300,000.00 to US\$400,000.00. The package delivery service may initially to be limited to packages containing food products, healthcare products, and clothing. Gulfstream International Airlines may also seek to provide package delivery services for all products licensed by the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury in Washington, D.C., and by the Bureau of Export Administration (BXA) of the United States Department of Commerce in Washington, D.C., to be exported (sold) to entities within the Republic of Cuba. *Such products currently include: agricultural products, artwork, entertainment (motion pictures, music, etc.), farm supplies, food, informational materials, medical equipment, medical instruments, medical supplies, medicated products, medicines, pharmaceuticals, and camera-ready artwork for advertising purposes, etc.* Houston, Texas-based Continental Airlines, Inc. (1999 revenues exceeded US\$7 billion) has a 28% interest in Gulfstream International Airlines. Gulfstream International Airlines operates a code-share agreement and connection agreement with Continental Airlines. Gulfstream International Airlines may also seek authorization to provide, in conjunction with Continental Airlines, counter-to-counter package delivery service for customers sending packages from the United States to the Republic of Cuba. Currently, packages sent from the United States to the Republic of Cuba use the services of small, primarily family-operated package forwarders located in the State of Florida and the State of New Jersey. These companies charge US\$10.00 per pound of which US\$5.00 is paid to Cubapacks International S.A. Generally, packages are required to be held in a secured area for 48 hours prior to transport on an aircraft to the Republic of Cuba. Cubapacks International S.A. serves as a package forwarder within the Republic of Cuba, resending packages to the ultimate addressee. Gulfstream International Airlines currently operates regularly-scheduled passenger flights between Miami, Florida-based Miami International Airport and Jose Marti International Airport in the city of Havana, Republic of Cuba using Boeing-727 aircraft leased from Miami, Florida-based Falcon Air Express, Inc., and Miami, Florida-based Miami Air, Inc. The roundtrip airfare is US\$299.00 plus US\$50.00 Miami International Airport airport tax and US\$20.00 Jose Marti International Airport departure tax. The company also charters its 50-seat Dash-7 turboprop aircraft manufactured by Toronto, Canada-based De Havilland and 19-seat Beechcraft 1900-R turboprop aircraft manufactured by Wichita, Kansas-based Raytheon Aircraft (a division of Lexington, Massachusetts-based Raytheon Company, 1999 revenues exceeded US\$19 billion). Gulfstream International Airlines reports transporting approximately 4,000 passengers each month between the United States and the Republic of Cuba. Gulfstream International Airlines has a code-share agreement with St. Paul, Minnesota-based Northwest Airlines Corporation (1999 revenues exceeded US\$10 billion). Gulfstream International Airlines has a connection agreement and operates the TWA Connection from San Juan, Puerto Rico, with St. Louis, Missouri-based Trans World Airlines, Inc. (1999 revenues exceed

US\$3 billion) TWA Connection. Gulfstream International Airlines has a code-share agreement with Panama City, Panama-based COPA airlines. Individuals subject to United States law traveling to the Republic of Cuba should only use travel agents that have been licensed by the OFAC. Tico Travel, 161 East Commercial Boulevard, Fort Lauderdale, Florida 33334. Telephone: (954) 493-5335 or (800) 493-8426; Facsimile: (954) 493-8466; E-mail: tico@gate.net; Internet: <http://www.destinationcuba.com>. Brussels, Belgium-based DHL International Limited owns a minority share in Redwood City, California-based DHL Worldwide Express, Inc. Government of Germany-operated Deutsche Post AG owns 25% of DHL International Limited. DHL Worldwide Express has authorization from the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury in Washington, D.C., to provide delivery services between the United States and the Republic of Cuba. DHL International Limited commenced operations within the Republic of Cuba in September 1990 through an agreement with Panama City, Panama-based UTISA, which is controlled by the Ministry of Communications of the Republic of Cuba. DHL Worldwide Express, which is controlled by individuals subject to United States law, receives revenues from DHL International Limited for package delivery services to the Republic of Cuba. The delivery services are limited to 2-pound packages containing documents, brochures, videotapes, compact discs, etc. DHL Worldwide Express sends packages from the United States to the Republic of Cuba through Mexico City, Mexico, where the packages are transferred from the operational control of DHL Worldwide Express to the operational control of DHL International Limited. The packages are then sent by commercial aircraft (Aeromexico and Mexicana de Aviacion SA de CV) to the Jose Marti International Airport in the city of Havana for delivery. The cost of sending a one-pound package from the United States to the Republic of Cuba is approximately US\$81.00. The cost of sending a one-pound package from the Republic of Cuba to the United States is approximately US\$39.00. The delivery time for packages sent from the United States to Havana, Republic of Cuba, is four days. The delivery time for packages sent from Havana, Republic of Cuba, to the United States is three days. In 1998, DHL International Limited delivered from various countries approximately 80,000 packages to the Republic of Cuba. In 1998, DHL International Limited sent approximately 32,000 packages from the Republic of Cuba to various countries. Republic of Cuba government-operated International Insurance Company (ESICUBA) has an agreement with DHL International Limited to insure packages sent by customers of DHL International Limited from the Republic of Cuba to other countries. Neither Atlanta, Georgia-based United Parcel Service of America, Inc. (1999 revenues exceeded US\$24 billion) nor Memphis, Tennessee-based FedEx Corporation (1999 revenues exceeded US\$17 billion) currently operates direct delivery services or indirect delivery services between the United States and the Republic of Cuba.

Monday 30 November 1998

**Cuba a prolific source of IT staff, projects
Four companies are working to persuade Canadian high-tech firms that they can ease their shortage of trained staff by dipping into the large pool of Cuban talent. Tess Van Straaten reports.**

Tess Van Straaten

The Ottawa Citizen

First there was the Silicon Valley, then Silicon Valley North, and now, if a handful of Canadian and Cuban business leaders have their way, Silicon Island will be next.

Two Canadian companies, Edmonton-based Sentai Software Corp. and Ottawa-based Indcom Trading Co., have teamed up with two Cuban high-tech companies to attempt to make Silicon Island a reality.

"Cuba, for me, was always seen as a resort," said David Kauffman of Sentai Software. "But four years ago we installed a software system there and it was an eye-opener. There was a significant pool, a backlog if you will, of sophisticated IT people down there."

Mr. Kauffman began by recruiting Cuban programmers to fulfill his own company's high-tech needs. He then saw an opportunity to help ease Canada's shortage of experienced information technology talent.

What resulted was CubaSoft Solutions Inc., a four-company partnership with the dual goals of recruiting Cuban IT talent to Canadian firms, and undertaking IT development projects for Cuban and Canadian clients.

The Cuban partners are Centresoft Corp. and Cimex Corp.

From turnkey operations to recruitment, Mr. Kauffman said that while there is "clearly the opportunity to make lots of money," CubaSoft will also give Canadian companies a competitive edge internationally.

"It provides them with a new availability of a short resource -- that's number one," he said. "Number two is the ability to penetrate the Latin marketplace. It's hard to get to Argentina or Mexico without (Latin American) expertise."

Martin Kaufman, president of both Indcom Trading and Cubasoft, said Cuba's unique situation makes it a good choice for Canadian companies looking at the Latin American market.

"One of the things the Cuban government has been focused on since the inception of the revolution is education," said Mr. Kaufman. "Thirty-nine years later, (Cuba) has a wealth of engineers."

With an astounding 47 universities -- each with dedicated IT departments -- Cuba boasts the most highly educated population in the Americas. More than 13,000 students have graduated from computer science and computer engineering programs on the island.

"Cuba is preparing people now for the development of the country and for the development of foreign affairs and trade," said Antonio Diaz Batista, dean of computer science at Cuba's ISPAJE University. "Every country that's looking to develop must first think of information technology. That's where the future is."

For the last 24 years, Mr. Diaz Batista has helped to educate and train some of Cuba's estimated 5,000 high-tech workers. And while he admits Cuba's technology industry is "not very big," Mr. Diaz Batista said he believes Canadian partnerships will help it to grow.

"We've had a bad crisis since 1990, and we're just now starting to improve our economy," he said. "We're starting with information technology, and Canada has a good technology level so people can learn here and get more experience here."

While Canada can offer access to financial resources and a North American entree, Mr. Kauffman said Cuba offers much sought-after expertise in telemedicine, multimedia and Y2K remediation.

To that end, Cubasoft hosted a symposium in Ottawa last week on the Silicon Island project, targeting Canadian government, industry, recruitment firms, technology companies and IT professionals.

"We hope to gain potential customers and alliances and break the barrier to Cuba," explained Mr. Kauffman.

That said, the Ottawa symposium was a clear indication that political concerns remain front and centre in business dealings with Cuba.

Organizers were left fielding questions about security clearance, the safety of putting intellectual property in Cuban hands, and concerns over the stigma of collaborating with Cuba -- especially in light of the U.S.'s stormy relationship with the Castro regime.

"Cuban organizations are more licensed than many North American corporations I deal with," said Mr. Kauffman. "As someone who owns a substantial chunk of code that's in many (Cuban) hands, I'm comfortable."

For the federal government, ISO 9000 certification, not security, appears to be the primary stumbling block to doing business with Cubasoft. When the Department of Public Works and Government Services learned ISO certification was not in works, representative Rob Davis said his department probably won't be interested in pursuing a relationship.

"I think (Cubasoft) is an opportunity for Canadian companies. If they want to export to Spanish (speaking) countries it's a golden opportunity," he said. "But we're probably not going to look into it any further at the present time."

For his part, Mr. Kauffman said he isn't daunted. He said attractive below-market costs and an almost completely untapped talent pool will convince more Canadian companies to partner with Cuba.

"It's embryonic at this stage," he said. "This can help Canadian companies to get the upper hand, and I would love to beat up the Americans at this game."

QUEST NET CORPORATION DISCONTINUES FIBER OPTIC CABLE PROJECT

Aventura, Florida-based Quest Fiber Corporation, a wholly-owned subsidiary of Aventura, Florida-based Quest Net Corporation (OTCBB: QNET), has reported that the company has discontinued the proposed construction of a 40 Gbps undersea fiber optic cable from Key West, Florida, to Havana, Republic of Cuba. In a media release, Quest Net Corporation wrote that *"Project Unidad"* would *"have opened secured broadband applications for educational, scientific and commercial users and would have greatly enhanced the availability and use of the Internet by the Cuban residents. The political situation, at its current stage, will prove to be very time consuming and extremely difficult to overcome the obstacles that Quest Net Corp. will face in securing the necessary licenses needed to go forward. Quest Net Corp. deeply regrets that the present political atmosphere is leaving no foreseeable likelihood of a successful conclusion to 'Project Unidad.' This will enable Quest Net Corp. to streamline their operations to concentrate on their Internet Wireless Connectivity."* In March 1999, Quest Net Corporation reported that the company had filed with the Federal Communications Commission (FCC) in Washington, D.C., for authorization to construct a 40 Gbps undersea (buried to 4,900 feet) fiber optic cable with capacity of more than 530,000 simultaneous connections between the United States and the Republic of Cuba. The project consisted of approximately 180 kilometers of undersea cable and two landing points. Quest Net Corporation reported that the company had not initiated discussions with the Ministry of Communications of the Republic of Cuba, choosing to await a decision by the FCC. In June 1999, Mr. Camilo Pereira, President of Quest Net Corporation, received a license from the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury in Washington, D.C., authorizing a visit to the Republic of Cuba. "Project Unidad" sought to *"open broadband applications with security for educational, scientific and commercial users and*

greatly enhance the availability and use by residents of the Republic of Cuba. The Internet will be more readily available to residential users facilitating communication between the average citizen and the world with a primary link with the United States. With the change in the political atmosphere and the emergence of a more open relationship between Cuba and major world powers, the demand for bandwidth and voice capacity is expected to grow sharply as the Cuban economy continues to develop and diversify.” The overall cost of the project was estimated to be approximately US\$13 million and would have required twelve months to implement. Currently, fiber optic connectivity does not exist between the Republic of Cuba and other countries. Within the last five years, several United States-based telecommunications companies have made similar proposals to the FCC, all of which were eventually rejected by the Bureau of Export Administration (BXA) of the United States Department of Commerce on the basis of concerns about technology transfers to the Republic of Cuba. New York City-based AT&T Corporation has one copper cable that was installed more than 40 years ago, which is being used to transmit telephone service between the United States and the Republic of Cuba. Direct telephone services between the United States and the Republic of Cuba were re-established in 1993. The “Project Unidad” system was being designed primarily for data and only to carry Internet and data traffic. Quest Net Corporation was not be involved in the settlement of telephone tariffs. A feasibility study had been completed by Spring Lake, New Jersey-based SetWave Communications, which specializes in management and design of Fiber Optics undersea cables. SetWave Communications had been awarded the management contract for the construction and installation of the cable. Quest Net Corporation was negotiating with Morris Town, New Jersey-based Tyco Submarine Systems (TSS), a subsidiary of Exeter, New Hampshire-based Tyco International (1998 revenues US\$13.5 billion) to construct and to install the cable. Tyco Submarine Systems, formerly known as AT&T Submarine Systems, was sold by AT&T Corporation to Tyco International in 1998. TSS is the largest supplier of submarine cable systems in the world, having installed more than 155,000 miles of undersea cable. “*Quest Net Corporation operates its own OC-12 (622Mbps) Fiber optic self-healing SMARTRing backbone running from Key West, Florida, to Sebastian, Florida. The company is a provider of secure, full-service global Internet and Intranet broadband digital networking solutions for businesses and individuals. Quest Net Corporation is one of the largest regional Internet Service Providers (ISP) and offers dedicated high speed Internet access, metropolitan and wide area network data transport services, including virtual private networks to several commercial clients and other ISP’s and Wireless Internet Connections at speeds of up to 3Mbps, and a distance of up to 20 miles on a 2.4 Ghz and 5.8 Spectrum.*”

FLORIDA EAST COAST INDUSTRIES PLANS FOR CUBA COMMERCE

Mr. Robert Anestis, Chief Executive Officer of St. Augustine, Florida-based East Coast Industries (1999 revenues of approximately US\$270 million, with a market

capitalization of approximately US\$1.6 billion), reported that the company would have an interest toward the Republic of Cuba. Florida East Coast Industries has three core businesses: **1)** Florida East Coast Railway (FECR) **2)** commercial real estate and **3)** telecommunications. According to Mr. Anestis, *"Everybody expects there will be a change in policy with respect to trade with Cuba. We believe that we're in a great position to benefit. If Cuba opens, there will be a great deal of additional freight shipping through the ports in south Florida to and from Cuba."*

United States Companies and the Republic of Cuba

Some of the U.S. parent companies and U.S. parent companies of foreign subsidiaries which have engaged in commerce with entities within the Republic of Cuba under licenses issued by the U.S. Department of the Treasury's Office of Foreign Assets Control from 1985 through the Present.

(Source: US-Cuba Trade & Economic Council)

Alcoa
Am International
Aeroquip
Armco
AT&T
Beckton Dickinson
Baker Hughes
Buckman Laboratories
Borg-Warner
Bridgestone/Firestone
Beatrice Companies
Barry Wehmiller
BF Goodrich
Butler Manufacturing
Central Soya
Continental Grain
Corning
Crane Cooper Industries
Cummins Engine
Combustion Engineering
Coleman
Champion Spark Plug
Del Monte
Dow Chemical
Door-Oliver
Drew Chemical
Drexel Burnham Lambert
Dresser Industries
E.D. & F Man
E.I. Dupont

Environtech
Emhart Industries
Eli Lilly and Company
Exxon
Fisher & Porter
Ford Motor
General Electric
Genlyte Group
Gerber Products
Gilbarco
Goodyear Tire and Rubber
GTE International
H.B. Fuller
H.H. Robertson
Hercules
Hoechst Celanese
Honeywell
Hussman
IBM World Trade
ITT
Ingersoll-Rand
International Multifoods
International Securities Investments
Johnson & Johnson
Johnson Controls
John Fluke Manufacturing
Joyce International
LDDS/Metromedia
Lubrizol
Litton Industries
Manville
Mastercard International
MCI Communications
3M
Mennen
Monsanto
Morton International
McGraw Edison
N.L. Industries
NYNEX
Otis Elevator
Owens Corning Fiber
Pfizer
Philipp Brothers