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DISSERTATION

Presented in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy in the Graduate School of The Ohio State University

By

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* * * * * *

The Ohio State University 1966

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Most of all, I am grateful to my family for their encouragement, patience and faith.
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Political-Cultural Geography

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Rationale for Studying the Influence of Government on the Development of Tourism

The potentialities of tourism as a contributor to national economies have been recognized by many economists and political institutions. International organizations such as the United Nations, the Pan American Union and the Caribbean Commission have sponsored numerous conferences and studies in order to facilitate the growth of regional and worldwide tourist trade. Many Caribbean Islands have benefited from the development of their respective tourist resources. Currently, efforts are underway to develop these resources more fully and profitably.

Several factors favor the development of tourism as a supplement to the underdeveloped economies of the Caribbean. Few Caribbean Islands are endowed with mineral resources. The lack of a mineral base restricts industrial development, but poses no problem for tourism since the tourist industry requires mostly sunny climate, sandy beaches and, preferably, some sort of exotic scenery. These three raw materials abound on most Caribbean Islands. The labor intensive demands\(^1\) of the tourist trade can help ameliorate the high unemployment rates which are so common over the Carib-

\(^1\)Fortunately the tourist trade requires large numbers of unskilled and semiskilled workers. See: Commonwealth of Puerto Rico, Department of Labor, Minimum Salary Board, La industria hotelera (San Juan: Department of Labor, 1963), p. 22.
bean. The introduction of a tourist industry is a welcome addition to local economies which, traditionally, have been so lacking in diversity. The proximity of the large tourist market of North America, coupled with the recent advantage of high-speed, economical jet plane service, provides relatively easy access to a very large and lucrative supply of potential visitors. Although not peculiar to the Caribbean Area, development of a tourist industry, especially in underdeveloped economies, generates sorely needed foreign exchange capital and provides a powerful impetus to the establishment of indigenous industries.

Throughout the Caribbean, as has been true in many parts of the world where capital and organizational skills are in short supply, governments frequently become leading forces for development and, ultimately, exert strong influences on national economies.

Because of the above reasons, in conjunction with an expanding United States tourist market, tourism has experienced intensive development in many parts of the Caribbean and government involvement has been a vital component of this growth in most, but not all areas.

On account of the importance of tourism to the Caribbean Islands and because of the prominent role of the respective governments in the development of the industry, a thorough examination of this relationship

---

2 Unemployment seldom falls below fourteen percent in Puerto Rico.


between the development of a tourist industry and the role of government participation is needed.\(^5\) Even though the Caribbean Islands are diverse culturally, their positions regarding tourist resources (climate, beaches and scenery), proximity to North America, shortage of foreign exchange, high unemployment and general need for expanded economic opportunity are very similar. Consequently, insight gained into the growth of tourism on one island will be of considerable value for the others.

The role of the Commonwealth Government in the development of the tourist industry of Puerto Rico has been selected for examination. The Puerto Rico setting for the development of tourism includes most of the aforementioned characteristics which are common to the islands of the Caribbean. However, Puerto Rico cannot be considered typical of the Caribbean (if any place can), because it is so very closely associated with the United States. Nonetheless, insight into the interaction between the government and the tourist industry of Puerto Rico will provide increased understanding of the developmental dynamics of a vital industry. And, even though the study is limited to one state, the significance of the subject is much wider and, consequently, the findings herein will have application for other Caribbean Islands and, to some extent, other places in the world with a shortage of natural resources and access to tourist markets.

Basic justification for undertaking this study is rooted in the need for a better knowledge of the role (e.g., responsibilities, capacities, influences, etc.) of government in promoting the development of

\(^5\) The subject has been discussed at numerous conferences and mentioned in passing by numerous authors, but no substantive study has been discovered which focuses primarily on the relationship between government actions and the development of a national tourist industry.
a tourist industry.⁶

**Geographic Framework**

Although geographers have acknowledged the influence of government upon culture and economic activity, very few studies have given primary emphasis to the importance of government upon these phenomena.⁷ The paucity of geographic investigations on the role of government in economic activity is lamentable, especially in view of the present-day worldwide trend toward increasing involvement by governments.

The tourist industry of the Caribbean Area is an example of government influence becoming an important factor in the location and nature of an economic activity. To gain full understanding of the spatial variations within the industry of this area, an examination of the related policies of the respective governments is essential. In most parts of the Caribbean the interaction between government and the industry has been a major and growing influence on the nature of developing tourism. Because of this widespread and increasing importance of governmental influence on patterns of development, a study of the Commonwealth Government's role in the growth of tourism in Puerto Rico is well-suited for examination by a geographer. Government policy has profoundly affected the nature of the tourist industry's development in Puerto Rico. Thus, a case-study of Puerto Rico, similar in so many ways to the rest of the Caribbean, may produce findings applicable to the entire area.

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⁶When the subject of this study was first suggested to government officials, considerable interest was expressed. The need for more study of the government's role was expressed almost unanimously.

⁷Notable exceptions are the works on agriculture and government by Gordon Fielding of the University of Auckland.
Research Design

Purpose

The primary purpose of this study is to gain a clearer understanding of the influence of the Commonwealth Government on the development of the tourist industry in Puerto Rico. An improved understanding of the interaction between government and industry will be useful in further planning for tourism in Puerto Rico. Comparable areas may also find the conclusions of this study relevant.

Hypotheses

Since 1945, the Commonwealth Government has demonstrated concern over many aspects of the tourist industry. Government attention has been concentrated upon three broad aspects of tourism: growth rate, location and quality. These principal facets of government planning are representative indexes to the overall program and provide bases for three hypotheses.

Hypothesis One: Government actions have helped to accelerate the tourist industry's rate of growth.

Hypothesis Two: Government actions have helped to decentralize the location of tourist facilities from San Juan to the rest of the Island.

Hypothesis Three: Government actions have helped to produce a type of tourist industry which is acceptable to Puerto Rican societal values.

Examination and testing of the above hypotheses will provide meaningful insight into the study's overall purpose of understanding the role of the government in the development of the tourist industry of Puerto Rico.
Procedural outline

Each hypothesis will be examined within the following format:

1. Description of relevant governmental policies and actions through examination of participating agencies of the government.

2. Description of the development pattern of the topic under consideration.

3. Relate government policies and actions to changes in the industry through uses of temporal and spatial comparisons.

Most sources of information utilized in this study were obtained between January and September of 1961 when field investigations were conducted. The libraries and record files of the Economic Development Administration, the Government Development Bank and the Planning Board were the most important sources of data; approximately sixty people who were involved in the growth and development of tourism were interviewed. Data were available, also, in the libraries of the University of Puerto Rico in Rio Piedras and at the Caribbean Organization in Hato Rey, Puerto Rico.

Field investigation is essential for study of this nature since a majority of the references used were unpublished government studies, statistics, regulations, laws and annual reports which are not widely circulated. First-hand discussions with both government and tourist industry personnel helped in the formulation of more accurate conclusions.

Background Developments

Operation Bootstrap

A series of interrelating events of the late 1930's and early 1940's combined to produce far-reaching changes in the politics, economy and
overall way of life in Puerto Rico. A very large body of literature has been written on the dynamic changes which have occurred since 1940. This series of events, largely stemming from the initiative and direction of the government of Puerto Rico, has been known popularly as Operation Bootstrap.

In general, a host of comprehensive government programs have attempted to serve as catalysts for the expansion and diversification of the Puerto Rican economy. The scope of Operation Bootstrap has been very wide; ranging from agriculture to manufacturing to tourism.

Even though this study is devoted solely to the development of tourism, within Operation Bootstrap, tourism is only one facet of a comprehensive undertaking to improve economic conditions in Puerto Rico. A massive overhaul of the Puerto Rico economy has occurred since 1940. Most observers agree that government assistance has been more instrumental than any other force in the creation of improved economic conditions in Puerto Rico.


9Hardly any aspect of life in Puerto Rico has remained unaffected by the encompassing programs of the government.

10Tourism still generated less than two percent of the Net Domestic Income in 1964.
Government planning for tourism: historical perspective

The purpose of this section is to document the government's formal participation in tourism and to place the aforementioned hypotheses into historical perspective through a brief review of government planning for the tourist industry. This resumé will provide the reader with deeper insight into the objectives of government plans and outline the overall rationale underlying government involvement with the industry.

Comité de Turismo--1930. The formal entry of the Puerto Rico Government into the tourist industry occurred in 1930 under the governorship of Theodore Roosevelt Jr. At that time the Comité de Turismo was created within the administrative structure of the Department of Agriculture and Commerce. The purpose of this rather obscure body was to draw the attention of United States citizens to Puerto Rico with the ultimate goal in mind of generating investment; both directly from tourist spending and, also, indirectly from the attraction of United States investment capital.11

Records of this organization reveal no formal plan for the realization of its objectives; nor were sufficient funds made available. Between 1930 and 1936 a total sum of only $74,000 was appropriated for the Comité de Turismo and this amount was received sporadically.12

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11 This very broad purpose has remained, essentially, in all subsequent government programs.

12 Insular Government of Puerto Rico, Comité de Turismo, Informe anual del comisionado de agricultura y comercio (San Juan: Comité de Turismo, Fiscal Years 1931-1936)
The Comité functioned largely in a promotional capacity. Activities included entering an exhibit at the Chicago World's Fair, sponsoring a visit by the Cincinnati Reds Baseball Team and the publication of numerous tourist pamphlets.\textsuperscript{13}

The Comité de Turismo, without the benefit of serious planning or financial support, made only a rather feeble attempt to encourage the tourist trade.\textsuperscript{14}

The Winship Plan—1937. The Institute of Tourism was established in May of 1937 under the strong personal sponsorship and direction of Governor Blanton Winship. The Institute was similar to the 1930 program in that it was oriented toward visitor promotion and, to a lesser extent, the procurement of outside investment capital. However, there was a fundamental difference in overall expectations from the tourist industry of the Winship Era. Governor Winship in his enthusiasm and naiveté looked to the growth of tourism as the sole answer for the acute economic problems of Puerto Rico, and awarded it highest priority.\textsuperscript{15} Other distinct differences between the two programs were in the amount of financing\textsuperscript{16} and degree of organization.\textsuperscript{17}

\textsuperscript{13}Ibid.

\textsuperscript{14}The number of waterborne passengers between the United States and Puerto Rico remained remarkably constant during this period—ranging between approximately 12,000 in 1931 and 13,000 in 1937. United States Maritime Commission, Waterborne Passenger Traffic of the United States (Washington: U. S. Government Printing Office, Calendar Years 1931-1937).

\textsuperscript{15}Ross, op. cit., p. 29.

\textsuperscript{16}1938—$152,946, 1939—$280,900, 1940—$272,095; Insular Government of Puerto Rico, Institute of Tourism, Annual Report of the Institute of Tourism (San Juan: Institute of Tourism, Fiscal Years 1938, 1939 and 1940) p. 21, 14, and 16 respectively.

\textsuperscript{17}Governor Blanton Winship, Annual Report of the Governor of Puerto Rico (San Juan: Office of the Governor, 1938) p. 11-18.
The Institute worked toward its goal of attracting outside capital from private investors by stressing the need for improved accommodations and transportation facilities and by creating favorable publicity through promotional advertising. Between 1937 and 1940, expansion of physical facilities was limited to two hotel remodelings, construction of one hotel with fifty rooms and plans for another hotel of 160 rooms, completed eventually in 1943.¹⁸ No government funds were used directly in the construction or financing of these facilities, only indirectly via promotion to private investors. Efforts to persuade more cruise ships to stop at San Juan met with some success.¹⁹ However, most of the Institute's attention and money was focused upon the generation of favorable publicity. Consequently, most available funds were channeled into the publication of tourist literature and promotional activities similar to those of other resorts.

The Whitcomb Report—1945. In 1944, the dire straits of the Puerto Rico economy drove the Puerto Rico Development Company to hire an economic consultant, Emmons Whitcomb, to assess the broad economic potentialities of a tourist industry. Whitcomb's study, The Development of Tourism to Puerto Rico, was the first comprehensive investigation of tourism in Puerto Rico. The work consisted of (1) an inventory of existing facilities and attractions, (2) projections of future contributions to the economy stemming from government-based programs, and (3) recommendations for future.

¹⁸ Annual Report of the Institute, op. cit., p. 23
government involvement. The report recommended that the government play a direct role in accomplishing the following broad objectives:

A. The improvement and expansion of transport facilities, both to the island and on the island.

B. The improvement and expansion of hotel and restaurant facilities, including the training of qualified workers at all levels.

C. The improvement and expansion of entertainment and recreational facilities.

D. The establishment of an advertising campaign to attract visitors.

Whitcomb provided detailed analyses of these four broad objectives and suggested specific procedures for their implementation.

The Whitcomb study served several purposes. First, its predictions on growth of the industry indicated that government funds would be invested soundly. Secondly, the comprehensive inventory of facilities provided the Puerto Rico Development Company with a basis from which to plan immediate and future needs. Thirdly, Whitcomb's detailed recommendations provided guidelines for subsequent government actions.

The Whitcomb recommendations called for vigorous government participation in the growth and development of the Puerto Rico tourist industry (i.e., direct government construction of hotels, financing of hotels and restaurants, and extensive spending for publicity). Subsequent events

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20 Emmons J. Whitcomb, Development of Tourism to Puerto Rico, A research study for the Puerto Rico Development Company (San Juan: Puerto Rico Development Company, March 15, 1945).

21 Ibid., 12-17

22 Ibid.
that reflected the Whitcomb study included: a hotel feasibility study in 1946; the establishment of the Tourism Advisory Board in 1947; the creation of the Visitors Bureau in 1948; the Martocci Master Plan for Tourism of May 1949; and the construction by the government of the Caribe Hilton Hotel in December 1949.

Although the significant growth of tourism began in 1950, following the opening of the Caribe Hilton, the roots of modern-day tourism in Puerto Rico had their origin in the 1945 Whitcomb recommendations. By implementing most of these recommendations, the Commonwealth Government emerged from a passive to an active influence on the development of tourism.

Martocci Master Plan—1949. In May 1949 another economic consultant, Frank T. Martocci, submitted a master plan for the development of tourism which emphasized physical facilities and a commensurate government responsibility. This plan appears to be an outgrowth of the Whitcomb study, but is more comprehensive in scope and more specific in its recommendations for government involvement.

In a cover letter to the Director of the Puerto Rico Visitor Bureau, Martocci lists the following applications for his plan:

A. Indication of the actual facilities which will be needed.

B. A general guide for the overall program and as a detailed guide to check progress of individual projects.

C. Promotion of general interest in tourism.  

23 See Chapter II, Part II.

24 Letter from Frank T. Martocci, economic consultant to J. Stanton Robbins, Director, Puerto Rico Visitors Bureau, San Juan, Puerto Rico, May 1, 1949.
Although earlier plans for tourism acknowledged the advantages of spreading the tourist industry beyond San Juan, the 1949 Martocci plan was the first to give attention to decentralization and to indicate actual tourist regions over the island. A strong plea was made to spread the tourist dollar.25

Although the 1949 Martocci plan was not formally adopted as official government policy, its provisions are clearly evident in subsequent reports such as: The Tourism Advisory Board's Program, presented on April 20, 1950, and the Report to the Puerto Rico Industrial Development Company on the Tourist Industry in Puerto Rico, submitted on September 1, 1951 by J. Stanton Robbins, Director of the Puerto Rico Visitors Bureau.

The Sherwood Fine Study--1956. The Puerto Rico Industrial Development Company, in its desire for more complete and up-to-date data on the potential of the tourist industry, hired economic consultant, Sherwood M. Fine. His report, Analysis of Demand for Tourist Facilities in Puerto Rico, printed in February 1956, is a very complete analysis of growth potential for Puerto Rico tourism. Fine examined the many variables which affected the growth rate of tourism, and presented very convincing evidence that tourism could expand and that continued and increased government investment in the tourist industry would be sound economic policy. He also provided numerous detailed recommendations and alternative growth projections based upon varying degrees of government involvement.

Fine gave considerable attention to the advantages of developing tourist facilities beyond the San Juan Metropolitan Area. He underscored the lack of facility development on the island..., "further development

25 Little heed was paid by appropriate government planners.
of the outlying areas is imperative." However, only incidental reference was given to the dangers of overcommercialization and the dilution of the traditional Puerto Rican culture. To the contrary, Fine argued that this possibility was unrealistic.

The main impact of the Fine thesis was the soundness of more intensive development of tourism and the need for greater participation by the government.

**Martocci Master Plan—1957.** In 1957, Frank Martocci, then in the employ of the Puerto Rico Planning Board, adapted the findings and recommendations of the Fine report to produce still another master plan for tourism. Essentially, this plan is the Fine report adapted with no substantive changes, for use by government planners and policy makers.

Both the Fine study and the subsequent master plan which it spawned received wide attention among government and private tourist developers. However, efforts to have the 1957 Master Plan adopted as official government policy were unsuccessful.

**Muñoz Policy on Tourism—1960.** With active government participation in the promotion of a tourist industry, controversy developed among prominent Puerto Ricans, both within and outside of government, in regard to the optimum size and character of the burgeoning industry. Disagreement arose between those who advocated greater expansion of tourism as a means of bolstering Puerto Rico's economy, and those who feared that tourism

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27 Ibid., 186.
would be a vehicle for moral and cultural decay.\textsuperscript{28} The forces adverse to the expanded growth of island tourism have had considerable effect on the government's program for the industry.

In 1960, Governor Muñoz endorsed a statement entitled \textit{Policy on Tourism}.\textsuperscript{29} This document reflected strongly the views of those who had reservations over the net merit of tourism and, more specifically, were concerned about cultural preservation. Thirteen broad guidelines, listed in this statement, were oriented toward preserving traditional values and in preventing interference from tourism (i.e., permit construction only in the Puerto Rico style, exclusive use of island nomenclature for hotels and restaurants, work toward the reduction of gambling permits and games that have a foreign flavor).\textsuperscript{30}

The decentralization of facilities in order "not to resemble the pattern of Miami, anywhere in Puerto Rico" and, "the delimitation of zones where the construction of hotels would be permitted," were mentioned, not as economic strategy for spreading the tourist dollar, but as a means for the prevention of too much concentrated interference with the Puerto Rican way of life.\textsuperscript{31}

The 1960 statement of tourism policy endorsed by Muñoz, although general and vague, established, officially, the government's interest in both the quality and location of the tourist industry.

\textsuperscript{28}\textit{Ibid.}, 22. Also, the local press has fostered this issue by widespread coverage dating back to the early 1950's.

\textsuperscript{29}Governor Luis Muñoz Marin, \textit{Policy on Tourism} (San Juan: Office of the Governor, March 24, 1960).

\textsuperscript{30}\textit{Ibid.}, 2

\textsuperscript{31}\textit{Ibid.}
Summary of tourism planning

The primary purpose of this brief review of government involvement in the planning of tourism has been to outline the historical pattern of government planning and to provide authenticity for the the three hypotheses under consideration, namely: that the Commonwealth Government has attempted to influence the growth rate, the locational pattern and the character of the Puerto Rico tourist industry. The formal plans and related actions that were undertaken by the government substantiate the earlier claim that the government has truly attempted to play an influential role in the growth and development of tourism.

The record suggests, too, that the course of government planning for the industry has been affected to a considerable degree by a diversity of opinion among Puerto Rican interests. Perhaps much of the failure of the Commonwealth Government to adopt clearer and more precise plans for the tourist industry can be traced to this controversy. What might have been imagined by the unsuspecting to be an orderly evolution of government plans for the development of tourism, in reality, has been a rather ambivalent, poorly coordinated and fragmentary example of government planning.

32 To be sure, comprehensive master plans for the development of the tourist industry have been drafted, but never accepted as official government policy.

33 Virtually all interviewees expressed disappointment over the lack of clarity of government long-range objectives.
CHAPTER II

GOVERNMENT INFLUENCE ON THE GROWTH RATE OF THE TOURIST INDUSTRY

The brief history outlined in Chapter I illustrated that the Commonwealth Government has had a lengthy, multi-faceted interest in the development of a tourist industry. The oldest and most persistent theme of government policy has been the objective of stimulating the industry's rate of expansion. All of the aforementioned planning has had increased tourist trade as its most basic premise. The purpose of this chapter is to test Hypothesis One: government actions have stimulated the growth rate of the tourist industry. This will be done:

(1) by describing the tourist-related agencies, policies and programs of the Commonwealth Government,\(^1\) (2) by describing the tourist industry's growth rate, and (3) by interpreting the relationship between government's efforts and the growth pattern of the industry.

The overall "role" of the government as a developer of tourism can be more easily comprehended if it is recognized that the government agency most directly responsible for expanding the industry, the Department of Tourism, is empowered with neither the authority nor the money to implement its responsibility. Consequently, the Department of Tourism functions more in a liaison or "central committee" capacity than as a true central development administration. A result of this administrative structure is the involvement of a great many governmental agencies in

\(^1\)An outline of these government agencies and their basic relationship with the tourist industry is given in Appendix I.
the planning and growth of the Puerto Rican tourist industry.

The failure of the government to establish official quotas or goals for the growth of tourism is another important general consideration. If the government had adopted an official master plan complete with projected increases, then more precision would have been possible in the testing of Hypothesis One.

Part I. Activities of Government Agencies which Relate to Tourism

Primary Agents

Agencies of the government have been categorized subjectively according to their degree of direct relevance in the growth of tourism. Three are related to the growth of tourism most directly and, thus are considered Primary Agents. These are the Economic Development Administration (EDA), the Puerto Rico Government Development Bank (GDB), and the Office of Industrial Tax Exemption.

1. Economic Development Administration (EDA)

Among the many government agencies which have contributed to the growth of tourism, the Economic Development Administration (EDA) and its components has, unquestionably, been the most important. This organization (founded for the general purpose of fostering economic development) has become involved in a wide variety of functions. Because of the broad scope and complexity of EDA functions, there is sufficient diversity and autonomy among its divisions so that the following components merit separate analyses: (A) Department of Tourism, (B) Puerto Rico

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2Manual de Organización del gobierno del estado libre Asociado de Puerto Rico (San Juan: Negociado del Presupuesto, 1960), p. 113. An organizational diagram of EDA divisions is given in Appendix II.
A. Department of Tourism

The Department of Tourism (known until 1951 as the Puerto Rico Visitors Bureau) is charged with the general responsibility for developing a tourist industry, and, as a result, has become involved in a myriad of activities since its inception on 1948.\(^3\) Department of Tourism activities can be grouped into two broad categories, those of visitor attraction, and those of facility development.\(^4\)

**Visitor attraction.** Puerto Rico's potential as a tourist attraction was recognized from the outset, but also recognized was the fact that the island lacked a reputation as a vacationland. Thus the function of the Department of Tourism, in building an image of the island as a tourist haven, could be likened to that of a broad scale public relations company.\(^5\)

The Department has approached its job of attracting visitors through two somewhat separate but related operations: (1) the Mainland Program and (2) the Island Program.

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\(^3\)For an official, but general, description of the duties of the Department of Tourism, see: Manual de Organización, op. cit., p. 115.

\(^4\)Intermittently the Department has been required to articulate the needs of the industry before such ruling bodies as the Puerto Rico legislature, Puerto Rico Planning Board, the United States Civil Aeronautics Board, the United States Department of National Parks, the United States Congress and Minimum Wage Hearings.

The mainland offices,\(^6\) nearer to the market of the Continental United States, became centers for the dissemination of tourist propaganda, using conventional means of promoting Puerto Rico as a mecca for tourists. In general much of the promotion has been of the "soft sell" variety\(^7\) in order to appeal to the potential visitor's sophistication. These offices are also usually multi-purpose operations. Other facets of the EDA program (i.e., industrial promotion, market development, rum promotion, etc.) normally share facilities with the tourist office. This arrangement is a reflection of the government's broad economic interests.

The Department in San Juan also functions for the purpose of attracting visitors. Publicity and service-oriented activities have been carried on both directly by the Department and/or through the services of various public relations firms.

The following list is representative, but not inclusive, of the nature and scope of efforts made by the Department over the years: (1) operation of Tourist Information Centers at the San Juan International Airport, the Department's main offices in Santurce, and at Pier Three in Old San Juan, (2) publication and dissemination of tourist propaganda (i.e., Que Pasa in Puerto Rico,\(^8\) Puerto Rican fishing records, travel films, and innumer-

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\(^6\) The number has grown from only one at New York in 1950 to include Boston, Chicago, Philadelphia, Miami, St. Louis, Los Angeles, Paris and Montreal in 1964.


\(^8\) This comprehensive booklet is the official directory of tourist information. It is published monthly by the Office of Information of EDA. It provides a complete listing of recommended lodging, eating, recreation, entertainment, scenic and historic, and shopping suggestions; along with information on transportation means and popular routes. Special feature articles on places and events of note are regularly included also.
able tourist-type booklets and pamphlets), (3) promotion of convention
groups and support of a special bureau to encourage conventions, (4) con-
ducting general public relations (i.e., local press releases and sending
glamour photos back to hometown newspapers), (5) handling of special vis-
itors, (6) support for the restoration of Old San Juan, particularly
Calle Cristo, (7) sponsoring an anti-noise campaign and clean-up, fix-up
and beautification campaigns, (8) promotion of special events (i.e., San
Juan Carnival, prize fights, art shows, Caribbean Folklore Festival, Casals
Festival, Ponce de Leon Carnival, fishing contests, etc.), (9) improving
visitor treatment by the establishment of a service committee of police,
taxi drivers, stevedores, waiters, bar tenders and others with direct
tourist contact and offer them instruction in geography, English, history
and treatment of visitors, (10) invitations to groups of students from
Vassar, Briarcliff, Yale, Bradford and Princeton for College Week, (11)
participation in the Caribbean Commission and its affiliate, the Carib-
bean Tourist Association, and other international travel associations,
(12) organization of local committees to promote and develop tourism over

9 J. Stanton Robbins, Report to the Puerto Rico Industrial Develop-
ment Company on the Tourist Industry of Puerto Rico (Stonington, Connec-
ticut: by the author, 1951), p. 82.

10 Edwin A. Kendrew and Kenneth Chorley, Report on Historic Sites
and Buildings in Puerto Rico, Prepared for the Department of Tourism
(San Juan: by the author, 1949).

11 Robbins, op. cit., p. 57.

12 Commonwealth of Puerto Rico, EDA, Department of Tourism, Annual
Report to the Economic Development Administration (San Juan: Department

13 Ibid., p. 109.
the island, \(^{14}\) arrangement with oil companies to make descriptive road maps and \(^{14}\) cooperate with the United States National Park Service in the operation and restoration of historic sites.

Facility development. An acute shortage of first-class tourist accommodations was recognized from the outset.\(^{15}\) Because Puerto Rico had lacked experience as a resort center, the island was grossly deficient in many vital components of a tourist industry. Hotels, restaurants, entertainment and recreation facilities, shops and transportation service as well as the skilled labor necessary for their development were all lacking.\(^{16}\) Early planners\(^{17}\) recognized that if tourism in Puerto Rico were to make a significant contribution to the economy, considerable attention would have to be given to the development of these fundamentals.\(^{18}\)

The Facilities Development Division was established within the Department of Tourism to meet this need. This division has the broad objective of aiding in the development of facilities deemed essential to an enlarged and sustained growth of the industry.\(^{19}\) Although the major effort of the Facilities Development Division has been in the sphere of hotel development, it has also been involved in the development of res-

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\(^{14}\) Commonwealth of Puerto Rico, EDA, Department of Tourism, Annual Report to the Economic Development Administration (San Juan: Department of Tourism, 1958), p. 6.

\(^{15}\) Robbins, op. cit., pp. 16-24.

\(^{16}\) Emmons J. Whitcomb, Development of Tourism to Puerto Rico, A Research Study for the Puerto Rico Development Company (San Juan: Fridco, March 15, 1945), pp. 12-47.

\(^{17}\) The term "planners" is used broadly to include all government personnel involved in the growth of tourism—regardless of whether or not they were classified technically as planners.


\(^{19}\) Interview with Miguel A. Barasorda, Director, Facilities Development Division, Department of Tourism, Economic Development Administration, Commonwealth of Puerto Rico, January 1964.
taurants, entertainment and recreation facilities, and transportation services.

Hotels: The Facility Development Division offers a variety of free services for the accommodation of potential private investors. The office of the Hotel Consultant may conduct a feasibility study to assess the viability of a project under consideration. The same office, working in conjunction with the Division's architectural consultant is prepared to supply recommendations concerning optimal design and floor plan arrangement of functions within the hotel (i.e., kitchens, bars, toilets, etc.) to gain maximum efficiency.\(^{20}\) Suggestions on attractive Puerto Rican decor and architectural styling are frequently made. Information on available construction sites is on file. If financing is desired, as is frequently the case, and provided the project meets the approval of the Department, the Division will serve as a liaison between the potential investor and either private and/or government financiers. The Facilities Development Division also assists interested parties in complying with the stipulations of the Commonwealth tax exemptions laws.

Table 1, taken from the 1959-1960 Annual Report of the Department of Tourism, attests to the acceptance of the Division's service. The fact that all first-class facilities have utilized at least some of the Department's services indicates that its assistance is truly valuable.

Restaurants: The total number of eating establishments, the quality of food preparation and the variety of restaurant types were clearly gross-

\(^{20}\) Interview with Pierre C. Cosandey, Hotel Consultant, Department of Tourism, Economic Development Administration, Commonwealth of Puerto Rico, February 1964.
## TABLE 1

HOTELS AND GUEST HOUSES ASSISTED BY THE COMMONWEALTH GOVERNMENT, 1950-1960

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Government Development Bank</th>
<th>Department of Tourism</th>
<th>Pridco</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barranquitas</td>
<td>Barranquitas</td>
<td></td>
<td>Technical, Labor</td>
<td>554,969.16</td>
</tr>
<tr>
<td>Caribe Hilton</td>
<td>San Juan</td>
<td></td>
<td>Technical, Labor</td>
<td>10,855,015.11</td>
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<td>Cobian’s (San Luis)</td>
<td>San Juan</td>
<td>125,220</td>
<td>Technical</td>
<td></td>
</tr>
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<td>Condado Beach</td>
<td>San Juan</td>
<td>800,000</td>
<td>Technical, Labor</td>
<td></td>
</tr>
<tr>
<td>Coral Beach</td>
<td>San Juan</td>
<td>225,000</td>
<td>Technical, Labor</td>
<td></td>
</tr>
<tr>
<td>Dorado</td>
<td>Dorado</td>
<td>1,300,000</td>
<td>Labor</td>
<td></td>
</tr>
<tr>
<td>El Rancho</td>
<td>Aguas Buenas</td>
<td></td>
<td>Technical</td>
<td></td>
</tr>
<tr>
<td>Escambrón</td>
<td>San Juan</td>
<td></td>
<td>Technical, Labor</td>
<td></td>
</tr>
<tr>
<td>Gallardo Apartment Hotel</td>
<td>San Juan</td>
<td></td>
<td>Technical, Labor</td>
<td>150,000</td>
</tr>
<tr>
<td>International Airport</td>
<td>Carolina</td>
<td></td>
<td>Labor</td>
<td>20,000</td>
</tr>
<tr>
<td>Jack’s Club &amp; Hotel</td>
<td>San Juan</td>
<td></td>
<td>Labor</td>
<td></td>
</tr>
<tr>
<td>La Concha</td>
<td>San Juan</td>
<td></td>
<td>Technical, Labor</td>
<td></td>
</tr>
<tr>
<td>La Sierra</td>
<td>San Sebastián</td>
<td>7,500</td>
<td>Technical, Labor</td>
<td>6,397,813.12</td>
</tr>
<tr>
<td>La Rada</td>
<td>San Juan</td>
<td>506,697</td>
<td>Technical, Labor</td>
<td>75,000</td>
</tr>
<tr>
<td>Meliá</td>
<td>Ponce</td>
<td>117,097</td>
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<td></td>
</tr>
<tr>
<td>Meson de la Montaña</td>
<td>Rosario</td>
<td>13,750</td>
<td>Technical, Labor</td>
<td></td>
</tr>
<tr>
<td>Montemar</td>
<td>Aguadilla</td>
<td></td>
<td>Technical, Labor</td>
<td></td>
</tr>
<tr>
<td>Oasis</td>
<td>San Germán</td>
<td></td>
<td>Technical</td>
<td>22,000</td>
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<tr>
<td>Olimpo Court</td>
<td>San Juan</td>
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<td>Technical, Labor</td>
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<td>Pomarrosal</td>
<td>Río Piedras</td>
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<td>San Juan Intercontinental</td>
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<td>Labor</td>
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<td>Treasure Island</td>
<td>Cidra</td>
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<td></td>
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<tr>
<td>Villa Parguera</td>
<td>Lajas</td>
<td></td>
<td>Technical, Labor</td>
<td>185,076.89</td>
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</tbody>
</table>

Total: 3,118,729
18,854,904.00
3,251,729

Source: Commonwealth of Puerto Rico, Economic Development Administration, Department of Tourism, Annual Report to the Economic Development Administration, (San Juan: Department of Tourism, 1960), Appendix I.
ly deficient. Cooperation was extended in the form of free advice on floor plan efficiency, attractive decor and architectural styling. Also, the Division has aided prospective investors to arrange for financing via its endorsement. An example of the attention given to the quality of food preparation is found in the annual Culinary Expositions conducted by the Department. Awards are presented for outstanding entries from island participants.

A list of enterprises that have been aided by the Department is shown in Table 2. Note, also, the appearance on the list of non-Puerto Rican types of restaurants (i.e., Chinese, European, fish and continental cuisine).

The problem of insufficient hotel and restaurant facilities was complicated by a severe shortage of qualified labor. In an effort to ameliorate this barrier to the growth of tourism, the Department, in cooperation with the Department of Education and, to a lesser extent, the Puerto Rico Hotel Association, established the Puerto Rico Hotel School to train personnel for the growing industry. This training program has grown over the years from "borrowed" facilities provided by operating hotels and restaurants to the present arrangement whereby the staff and students of the school are responsible for the commercial operation of the El Barranquitas Hotel, which serves as a laboratory.

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22 Puerto Rico Hotel Association and The Department of Tourism, Official Results, Third Culinary Arts Exposition 1963 (San Juan: Department of Tourism 1963).
24 Interview with Anthony Chodorowski, Director of the Puerto Rico Hotel School, Economic Development Administration, Commonwealth of Puerto Rico, April 1964.
<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Government Development Bank</th>
<th>Department of Tourism</th>
<th>Pridco</th>
</tr>
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<tbody>
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<td>Aquarium</td>
<td>Santa Isabel</td>
<td>12,000</td>
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<td>Aquarium</td>
<td>Arecibo</td>
<td>5,000</td>
<td>Technical, Labor</td>
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<td>Bolo's</td>
<td>Mayaguez</td>
<td>Technical</td>
<td>---</td>
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</tr>
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<td>Café Palace</td>
<td>San Juan</td>
<td>12,000</td>
<td>Technical</td>
<td>4,667</td>
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<td>Cardona's Restaurant</td>
<td>Rio Grande</td>
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<tr>
<td>Cathay</td>
<td>San Juan</td>
<td>Technical, Labor</td>
<td>12,000</td>
<td>---</td>
</tr>
<tr>
<td>Cecilia's Place</td>
<td>Carolina</td>
<td>Technical, Labor</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Corsino</td>
<td>Naguabo</td>
<td>Technical</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>El Gran Café</td>
<td>Arecibo</td>
<td>Technical</td>
<td>---</td>
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</tr>
<tr>
<td>El Mediterráneo</td>
<td>San Juan</td>
<td>Technical, Labor</td>
<td>8,125</td>
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<tr>
<td>El Sh</td>
<td>Cayey</td>
<td>Technical</td>
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<td>El Yunque</td>
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<td>10,000</td>
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<td>Elmer's</td>
<td>San German</td>
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<td>---</td>
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<tr>
<td>King's</td>
<td>San Juan</td>
<td>Technical</td>
<td>---</td>
<td>---</td>
</tr>
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<td>Hyde Park</td>
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<td>---</td>
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<td>La Casa del Joven</td>
<td>Barranquitas</td>
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<tr>
<td>La Unión de Todos</td>
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<td>Ladi's</td>
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<td>Lobster House</td>
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<td>Luis R. Puerto</td>
<td>Naguabo</td>
<td>Technical</td>
<td>20,000</td>
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<td>2,330</td>
<td>---</td>
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<tr>
<td>Rayito de Sol</td>
<td>Fajardo</td>
<td>Technical, Labor</td>
<td>2,720</td>
<td>---</td>
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<tr>
<td>Restaurante Criollo</td>
<td>San Juan</td>
<td>Technical</td>
<td>---</td>
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<tr>
<td>Rincón Criollo</td>
<td>Caguas</td>
<td>Technical, Labor</td>
<td>37,700</td>
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<tr>
<td>Saxony Steak House</td>
<td>San Juan</td>
<td>Technical</td>
<td>---</td>
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</tr>
<tr>
<td>Swiss Chalet</td>
<td>San Juan</td>
<td>Technical, Labor</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Tirado</td>
<td>La Parguera</td>
<td>Technical</td>
<td>---</td>
<td>---</td>
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<td>Triana</td>
<td>San Juan</td>
<td>Technical</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Villa Firenze</td>
<td>San Juan</td>
<td>Technical</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>197,000</td>
<td>97,542</td>
<td>---</td>
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</tbody>
</table>

Source: Commonwealth of Puerto Rico, Economic Development Administration, Department of Tourism, *Annual Report* (San Juan: Department of Tourism, 1960), Appendix II
In 1964 plans were unveiled by the director of the school to extend the curriculum to include a two-year course in hotel administration, designed primarily to train management personnel.25

Table 3 indicates the annual number of graduates from the Puerto Rico Hotel School. This supply has been far short of the demand for graduates from Puerto Rican hotels.26

Entertainment and Recreation: The need for more and varied entertainment and recreation is born out by the results of the annual postcard survey.27 Department involvement in this category of facility has been less direct than for hotels and restaurants. In general, most support has been in the form of encouragement to developers, both private and government. This may be done by making a good case for the need and probable success of the new service and/or through gratis advertising after it is operational. Examples of recipients of this type of aid are El Comandante Race Track, The Island Queen (daily excursion boat running between Fajardo and Charlotte Amalie, St. Thomas of the U.S. Virgin Islands), Luquillo and other public beaches, skin diving and snorkelling, horseback riding, golf courses, Pablo Casals Annual Music Festival, tennis U.S. National Monuments such as El Morro and Fort San Cristobal, and


27Gregory Votaw and Elba I. de Sobrina, Tourist Information from the Postcard Survey of Hotel Guests (EDA, Departmental Memo to Mr. H. C. Barton, San Juan: July 31, 1958), p. 3-4. Each year a survey is made of guests to ascertain better the strengths and weaknesses of the industry. Stamped-addressed postcards are mailed to ex-visitors shortly after they have returned home.
### TABLE 3

#### ANNUAL NUMBER OF GRADUATES FROM THE PUERTO RICO HOTEL SCHOOL

<table>
<thead>
<tr>
<th>Year</th>
<th>Graduates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>24</td>
</tr>
<tr>
<td>1951</td>
<td>20</td>
</tr>
<tr>
<td>1952</td>
<td>42</td>
</tr>
<tr>
<td>1953</td>
<td>35</td>
</tr>
<tr>
<td>1954</td>
<td>41</td>
</tr>
<tr>
<td>1955</td>
<td>99</td>
</tr>
<tr>
<td>1956</td>
<td>52</td>
</tr>
<tr>
<td>1957</td>
<td>75</td>
</tr>
<tr>
<td>1958</td>
<td>43</td>
</tr>
<tr>
<td>1959</td>
<td>106</td>
</tr>
<tr>
<td>1960</td>
<td>120</td>
</tr>
<tr>
<td>1961</td>
<td>191</td>
</tr>
<tr>
<td>1962</td>
<td>195</td>
</tr>
<tr>
<td>1963</td>
<td>244</td>
</tr>
</tbody>
</table>

*Source: EDA, Department of Tourism*
Sports fishing has received more direct support than most other entertainment facilities. Recruitment by the government of Mr. Roy Bosche, Miami sports fishing enthusiast, and Captain Art Wills, an established Miami fisherman and guide, occurred in 1951. These two men were instrumental in providing enthusiasm and instruction for deep sea fishing in Puerto Rico. Government aid was forthcoming during this embryonic stage through: (1) construction of a pier for sports fishing vessels, (2) direct financial subsidy of $15,000 per year for three years and $10,000 for two additional years and (3) intensive promotion by the Department of Tourism by advertising and sponsorship of annual fishing tournaments. Table 4 includes budgetary figures for the actual amount of financial aid which was allocated for sports fishing.

Legislative approval of the Games of Chance Act, No. 221 on May 15, 1948 is another prime example of the government's efforts to broaden the appeal of Puerto Rico for tourists and, also, for prospective investors in the tourist industry. Under Section One of this Act, the following Statement of Motives is given:

The purpose of this act is to contribute toward the development of tourism by authorizing certain games of chance customary in recreation resorts in famous tourist centers throughout the world, and by the government's regulating and exercising strict safeguards and at the same time affording the Secretary of the Treasury of Puerto Rico an additional source of revenue.

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28 Commonwealth of Puerto Rico, EDA, Department of Tourism, Annual Report to the Economic Development Administration (San Juan: Department of Tourism, Fiscal Years 1950-1964).
## TABLE 4

### EXPENDITURES OF THE DEPARTMENT OF TOURISM
FISCAL YEARS 1952-53 to 1963-64

(In Thousands of Dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisement Printing and Binding</td>
<td>70</td>
<td>90</td>
<td>85</td>
<td>113</td>
<td>157</td>
<td>146</td>
<td>135</td>
<td>75</td>
<td>125</td>
<td>107</td>
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<tr>
<td>Sport Fishing Promotion</td>
<td>16</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Attention to Visitors</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Quota, Caribbean Commission</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>10</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Other Expenses (Wages, Salaries, and Other Administrative Expenses)</td>
<td>211</td>
<td>158</td>
<td>221</td>
<td>258</td>
<td>333</td>
<td>398</td>
<td>404</td>
<td>409</td>
<td>416</td>
<td>530</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>311</td>
<td>281</td>
<td>310</td>
<td>381</td>
<td>505</td>
<td>559</td>
<td>558</td>
<td>499</td>
<td>586</td>
<td>652</td>
</tr>
<tr>
<td>Hotel School 1/</td>
<td>26</td>
<td>27</td>
<td>29</td>
<td>33</td>
<td>36</td>
<td>43</td>
<td>43</td>
<td>43</td>
<td>43</td>
<td>48</td>
</tr>
</tbody>
</table>

1/ Expenditures of the Hotel School are covered from the budget of the Department of Education.

Source: Economic Development Administration, Office of the Comptroller, Finance Division.
The Division of Gambling of the Department of Tourism administers, at the expense of the Hotels, the training and screening of all casino employees. This proceeding not only assures a carefully selected and trained personnel but also honest employees and operations. Further guarantees of fairness are provided by government inspectors who are on duty in each casino during all hours of operation. In 1964, twelve hotels had been granted gambling licenses.\textsuperscript{31}

Transportation: Problems of tourist transportation have been both local and international in scope. Although the Department has recognized the vital role of transport, because of governmental structure, most of its participation has been limited to testimony given on the need for improved service.\textsuperscript{32} The bulk of the effort directed toward better international service has been the responsibility of the Puerto Rico Ports Authority and will be discussed later in this chapter.

Between 1955 and 1958 an attempt was made by the Department, in conjunction with the Department of Education, to train taxi drivers and tour conductors. A comprehensive thirty-week course in history, geography and English was taught to help these people deal with tourists. Upon completion of their training, a certificate was awarded for display in the graduate's vehicle. Unfortunately, at present, only driver safety instruction is available.\textsuperscript{33}

\textsuperscript{31}E.g., Caribe Hilton, Condado Beach, San Geronimo Hilton, La Concha, Puerto Rico Sheraton, Americana, El San Juan, El Convento, Dorado Beach, Dorado Hilton, Mayaguez Hilton and Ponce Intercontinental.


\textsuperscript{33}Interview with Eduardo Rodríguez Perez, Director, Division of Activities and Service, Department of Tourism, Economic Development Administration, Commonwealth of Puerto Rico, March 1964.
Examples of the Department's work to improve local transportation are the aforementioned efforts at negotiating for the Island Queen's operation between Fajardo and St. Thomas, and the more general efforts to solicit the service of additional cruise lines.

**Summation**

In summing up the general nature of the operations of the Department of Tourism, it is clear that the undertakings of the Department have been extremely diverse, the only limitation being the general scope of the tourist industry and the budget (see Table 1). The above review suggests, too, that there is only limited division of responsibility within the Department of Tourism, and that in reality there is considerable "team effort" with a high degree of overlapping interests and responsibilities among division.

**B. Puerto Rico Industrial Development Company (Pridco)**

**Hotel Construction.** The Caribe Hilton, which opened in December of 1949, was the product of Pridco initiative, planning, styling and financing. The Hilton Hotels Corporation agreed to operate the hotel. Since initial construction, several additions have been made (e.g., 100 room Garden Wing, a polynesian restaurant and cabanas). The government's total investment in the Caribe Hilton amounts to $12,400,000. In 1958, Pridco constructed the 252 room La Concha Hotel at a cost of $6,600,000. The Landrum-Mills Hotel Corporation manages this property. As indicated earlier, El Barranquitas Mountain Resort has been under the management of the Puerto Rico Hotel School since 1962. Pridco took over after several successive failures by private owners.

The latest activity of Pridco relating to direct hotel ownership
has been the recently opened (June 1964) Mayagüez Hilton. This project was initiated and financed ($2,400,000) by Pridco with the Hilton Corporation again handling the actual management. At present, Pridco is the owner of these four tourist hotels which have a combined capacity of 905 rooms.

**Loans.** In addition to the direct hotel ownership outlined above, Pridco has participated in the financing of a great many other hotels and a variety of tourist projects such as restaurants, golf courses and guest houses. Table 5 shows the total of Pridco loans for tourist projects since 1947. In recent years, especially since 1961, most financing of tourist projects has been a "pool effort" among private banks, Pridco and the Government Development Bank.\(^{34}\)

**Land acquisition.** In addition to the land purchased specifically for Pridco hotels, other choice tourist sites have been acquired for the purpose of holding the property until a later date when investors might become available, in order to prevent real estate speculation and/or other types of construction such as condominium apartments. The properties used for the Puerto Rico Sheraton and La Concha Hotels are examples of this type of Pridco support. Pridco presently holds considerable beach frontage east of San Juan and also in the El Convento region near Fajardo.

**Research.** Pridco, like many other Puerto Rican governmental offices, has a research division that handles problems peculiar to its functions. Much of the early research pertaining to tourism was conducted by private

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\(^{34}\)Interview with Angel Candall, Assistant Treasurer, Puerto Rico Industrial Development Company, Commonwealth of Puerto Rico, March 1964.
<table>
<thead>
<tr>
<th>Year</th>
<th>Loans Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>150,000</td>
</tr>
<tr>
<td>1948</td>
<td>--</td>
</tr>
<tr>
<td>1949</td>
<td>--</td>
</tr>
<tr>
<td>1950</td>
<td>5,000</td>
</tr>
<tr>
<td>1951</td>
<td>--</td>
</tr>
<tr>
<td>1952</td>
<td>55,000</td>
</tr>
<tr>
<td>1953</td>
<td>234,474</td>
</tr>
<tr>
<td>1954</td>
<td>28,879</td>
</tr>
<tr>
<td>1955</td>
<td>7,500</td>
</tr>
<tr>
<td>1956</td>
<td>80,000</td>
</tr>
<tr>
<td>1957</td>
<td>50,754</td>
</tr>
<tr>
<td>1958</td>
<td>86,900</td>
</tr>
<tr>
<td>1959</td>
<td>1,416,000</td>
</tr>
<tr>
<td>1960</td>
<td>10,741</td>
</tr>
<tr>
<td>1961</td>
<td>216,000</td>
</tr>
<tr>
<td>1962</td>
<td>96,368</td>
</tr>
<tr>
<td>1963</td>
<td>951,718</td>
</tr>
</tbody>
</table>

**Total** $3,389,234
consultants. More recently, research has been undertaken by EDA's own Office of Economic Research. Most Pridco sponsored studies for tourism have attempted to test the feasibility of a particular project or the viability of the industry as a whole. Generally, the research has provided testimony on the untapped potential of the tourist industry. Such works as the 1945 Whitcomb study and 1956 Fine study have been most influential as bases for government planning and investing.

Craft development. Having a mission as broad as developing economic activity can involve an organization in projects of great diversity. A case in point is the Pridco-sponsored Carolina Craft Development Center and the Cabildo Craft Center. The former was initiated in 1962, largely as a program to develop the ceramic arts among young Puerto Ricans. Subsequently, a retail outlet, Cabildo Craft Center, for the sale of products from the Carolina Corporation and other native crafts of all varieties was opened by Pridco on Calle Cristo in the heart of tourist-attracting Old San Juan. Puerto Rico has never enjoyed a highly developed handicraft industry, such as Mexico or some of the other Carib-

35 Whitcomb, op. cit.; Emmons J. Whitcomb, A Report of Puerto Rico Air Transportation Service and its Importance to the Development of Tourism, (San Juan: By the author, July 1, 1948); Proposed Hotel San Juan, Puerto Rico, prepared by Horwath & Horwath, consultants, a study for the Puerto Rico Development Company (San Juan: Puerto Rico Development Company, 1946); Sherwood M. Fine, Analysis of Demand for Tourist Facilities in Puerto Rico, prepared for the Puerto Rico Industrial Development Company (San Juan: Pridco, 1956).


37 Note Chapter I, p. 1h, reference that the 1957 Martocci Master Plan is patterned closely after Fine's recommendations.

bean Islands.  

These two centers serve several functions: (1) provide formal training and work experience for promising young artisans, (2) offer a commercial outlet for the wares of Puerto Rican craftsmen, thereby further stimulating the growth of native crafts and, also, (3) they aid tourism in that visitors are given the opportunity to acquire souvenirs which are native to the island—in addition to those ubiquitous trinkets from Japan and Hong Kong.

Festival Casals. Another activity of Pridco which, although it enhances tourism, was not developed expressly for the benefit of the tourist industry, is the annual music festival under the direction of world-famed cellist, the venerable Don Pablo Casals. Festival Casals Inc., a non-profit subsidiary of Pridco exemplifies what former Governor Muñoz calls Operation Serenity. This attempt to give cultural balance to Puerto Rican development also results in an entertainment attraction for tourists. Festival Casals is advertised widely on the Mainland.

Summary

Even though Pridco has been concerned primarily with industrial development, considerable effort has been oriented toward the growth of the tourist industry.

39Betz, Joseph, Status of Handcrafts in Puerto Rico, Puerto Rico Emergency Relief Administration, Bureau of Industrial and Agricultural Research (San Juan: Puerto Rico Emergency Relief Administration, 1936).

C. Puerto Rico Ports Authority

The Puerto Rico Ports Authority, an integral component of the EDA, has been involved both directly and indirectly in the expansion of tourism, although its main efforts have been directed toward the improvement and expansion of transportation facilities for the purpose of industrial development (e.g., the $115,000,000 harbor project of Puerto Nuevo) and to accommodate the rather mobile Puerto Rican citizen—not the Mainland tourist. However, the Ports Authority has been involved in some projects that have had a real impact on tourism. The Authority built the modern jet air terminal in 1955, and has expanded its facilities frequently since. By vigorously protesting rate increases, but at the same time insisting on an expanded schedule of flights, the Ports Authority has helped provide Puerto Rico with the most comprehensive and economical air service available in the Caribbean.

A project of lesser proportions was the modernization of Pier Three in Old San Juan for the sole use of tourist cruise ships. Although delayed frequently the renovated pier (at a cost of $750,000) became operational in March of 1964. Now cruise passengers dock at a structure containing a restaurant, gift shops, tourist information office, VIP room, guided tour office and a customs office. Another $300,000 has been appropriated by the

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41 Interview with John A. Falcon, Director, Department of Planning, Puerto Rico Ports Authority, Commonwealth of Puerto Rico, March 1964.


43 References to modernizing a pier expressly for cruise ships are found in Studies for a Master Plan of Port Development for Puerto Rico, a survey for the Puerto Rico Transportation Authority, by William C. Crosby and Alice W. Baker (San Juan: Transportation Authority, 1951).
Puerto Rico Legislature to dredge the channel in order to facilitate the docking of larger cruise ships. Although it is impossible to measure the precise value of the recently refurbished pier, certainly this improved facility will prove more attractive to visitors than its forerunner, an old dilapidated cargo pier.

D. EDA Office of Information

Since 1950 this office increasingly has become the "central clearing house" for all EDA public relations and promotional activity. Although EDA component organizations frequently undertake some of their own particular promotion and public relations needs (i.e., Ports Authority, Pridco and the Department of Tourism), the Office of Information, in liaison with private public relations firms, handles most of this activity. Also, the EDA Office of Information publishes the official monthly directory of tourist information, Que Pasa in Puerto Rico.

It is impossible to segregate expenditures for tourism promotion according to exact area of emphasis. Much attention has been given to the developing of a favorable image of Puerto Rico. Through improving the broad image of Puerto Rico (e.g., stable, progressive, tranquil, democratic, hospitable, cultured, etc.) the planners theorized that all forms of foreign investment would increase—including, of course, tourism. An example of this sort of image-building, "soft sell", might be a photo

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\textsuperscript{44} Interview with Jose Buitrago, Director, Office of Information, EDA, Commonwealth of Puerto Rico, August 1964.

\textsuperscript{45} Considerable effort was expended on this concept.

\textsuperscript{46} Sontheimer, Runkle & Associates, Inc., op. cit.
of Pablo Casals strolling the beach and entitled "Peaceful Puerto Rico". Another example of advertising which indirectly helps boost tourism is that for Puerto Rico rums. Typical of rum promotion is a tourist-tempting panoramic view, accompanied by a frozen daiquiri (mixed with Puerto Rico rum, of course). While emphasizing rum, this form of promotion, incidentally, glowingly portrays island sites in a setting that appeals to many potential visitors.

If one aspired to quantify the amount of money expended on promoting the tourist industry, it would be necessary to have two categories of expenditures: one for direct promotion and another for indirect, as seen in the ads for rum or those for industrial promotion. The source of the former is readily available, but the latter has a labyrinth of sources. An index to the importance of the industrialization program is the large percentage of visitors who list business or business-recreation as their purpose for staying in Puerto Rico (ranging between twenty-eight and forty-two percent since 1951). A further complexity exists in trying to compute the monetary value of the work of a phenomenon such as the Department of Tourism, itself, which is largely a promotional operation.

Although direct government advertising for tourists amounted to only $55,000 in 1963, with the addition of the programs for industrial advertising, the prestige campaign and rum promotion, the total for the year

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48 The Commonwealth Government promotes rum sales primarily because the Federal Excise Tax is refunded to the Puerto Rico Treasury ($112.4 million between 1950 and 1964).

comes to $1,920,000. This figure does not include the promotional
efforts of the Government Development Bank, the Water Resources Authority or the Sewer and Aqueduct Authority.

E. Office of Economic Research

This division of EDA has aided economic development, including
tourism, in a variety of ways. One function of this office is to collect
and publish statistical data. Much of the planning for tourism is
based upon these types of data. Cost and benefit studies, feasibility
studies and analyses of potential industrial linkages are conducted
regularly. Occasionally a study dealing specifically with tourism is
produced. The types of information gathered and produced by the Office
of Economic Research contribute to a clearer understanding of the needs
and potentials of the tourist industry.

2. Puerto Rico Government Development Bank (GDB)

Similar to Pridco, the Government Development Bank treats tourism
as an additional source of economic development, and, hence, a means of
improving the economy of the island. Consequently, the GDB has grant-
ed numerous loans for tourist projects, but they have been meted out
competitively with those for manufacturing enterprises and other types of

50 Mirsonia Rivera Boucher, Government and Private Expenditures for Tourist Advertising, Memorandum to Mr. Amadeo Francis (San Juan: EDA, August 12, 1963).

51 Selected Statistics, op. cit.; Postcard Surveys, published annually by EDA; and Monthly Visitor Statistics, published by EDA are examples which deal specifically with the tourist industry.

52 Machuca, op. cit.

investments. Table 6 outlines the tourist loans disbursed by the GDB since 1946.

Bank studies, by its Department of Economic Research, have been helpful in illustrating the desirability and security of investing in Puerto Rico tourism.

The GDB maintains a large public relations contingent to attract investors. Much of this investment promotion has been oriented toward tourist facilities. Over 6,000 potential mainland investors are on a regular mailing list for quarterly, special and annual reports. In addition three or four investment groups, averaging twenty to twenty-five or more guests, are invited each year, free of charge, to visit the island for a firsthand view of investment opportunities. Also, a New York Branch of the Puerto Rico Government Development Bank is maintained for closer contacts with mainland financial sources.

Another function of the Bank which has aided tourism, though indirectly, has been the special program for granting loans for the restoration of buildings in Old San Juan. By lending a maximum of seventy percent of the value on buildings for up to twenty years, the Bank has


55 i.e., Carlos G. Cadilla, Expansion turística y las nuevas facilidades hoteleras en Puerto Rico (San Juan: Banco Gubernamental de Fomento, 1959); Special Reports, published frequently by GDB; Quarterly Reports and Annual Reports of the GDB.


### TABLE 6

GOVERNMENT DEVELOPMENT BANK TOURIST LOANS

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans Disbursed</th>
<th>Year</th>
<th>Loans Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>160,000.00</td>
<td>1956</td>
<td>201,697.30</td>
</tr>
<tr>
<td>1947</td>
<td>11,164.94</td>
<td>1957</td>
<td>---</td>
</tr>
<tr>
<td>1948</td>
<td>---</td>
<td>1958</td>
<td>156,250.00</td>
</tr>
<tr>
<td>1949</td>
<td>15,000.00</td>
<td>1959</td>
<td>1,310,000.00</td>
</tr>
<tr>
<td>1950</td>
<td>805,000.00</td>
<td>1960</td>
<td>7,500.00</td>
</tr>
<tr>
<td>1951</td>
<td>45,000.00</td>
<td>1961</td>
<td>204,000.00</td>
</tr>
<tr>
<td>1952</td>
<td>---</td>
<td>1962</td>
<td>480,000.00</td>
</tr>
<tr>
<td>1953</td>
<td>392,097.43</td>
<td>1963</td>
<td>2,841,900.00</td>
</tr>
<tr>
<td>1954</td>
<td>---</td>
<td>1964</td>
<td>2,516,650.00</td>
</tr>
<tr>
<td>1955</td>
<td>225,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Grand Total</td>
<td>$9,371,559.67</td>
</tr>
</tbody>
</table>

### TABLE 7

GDB LOANS FOR THE RESTORATION OF OLD SAN JUAN*

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959-60</td>
<td>3</td>
<td>$173,000</td>
</tr>
<tr>
<td>1960-61</td>
<td>3</td>
<td>52,300</td>
</tr>
<tr>
<td>1961-62</td>
<td>7</td>
<td>249,000</td>
</tr>
<tr>
<td>1962-63</td>
<td>4</td>
<td>833,700</td>
</tr>
<tr>
<td><strong>1963-64</strong></td>
<td>5</td>
<td>229,900</td>
</tr>
</tbody>
</table>

**Totals**  22  $1,537,900

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*Nine loans pending disbursement as of April 30, 1964 amounting to $851,200.

**10-month period

Source: Government Development Bank for Puerto Rico
been instrumental in accelerating the restoration of the old city. As of May 1964, thirty loans had been granted. Table 7 lists the number and amounts of restorations loans.

By cooperating in the restoration of this old historic section of San Juan, the Bank is contributing to the betterment of one of the major tourist attractions in Puerto Rico. The fact that this renovation is not being carried out primarily for the tourist trade matters little to the prospective tourist who now visits a vastly more attractive, safe and clean historic site. The improvements were stimulated by the physical needs of local residents and the pride of Puerto Ricans in their Spanish heritage.

3. Office of Industrial Tax Exemption

One of the commonwealth's major weapons in its campaign to develop the economy of Puerto Rico has been the appeal of its tax exemption statute. Even though this law is entitled Industrial Incentive Act, hotels and associated tourist facilities are included within the broad definition of "industrial". The use of tax exemption in Puerto Rico actually goes back to the 1920's, but the first provision with sufficient flexibility to become effective was Act No. 181, approved by the Governor on May 13, 1948. The Statement of Motives accompanying this Act states:

That, considering the limitations in territory, in agricultural wealth, and in other natural resources of Puerto Rico, it is an unavoidable duty of our Government to promote the industrial development of the country in order to raise the standard of living of the people of Puerto Rico and to give a sound foundation to its economy.


59 Further discussion is available in the later discussion of the Institute of Culture.

Further insight into the intent of the law is given in a later section dealing with eligibility.

The legislature of Puerto Rico considers that the Puerto Rican climate and landscape make of our Island an excellent tourist spot, but that it is not possible to attract tourists to Puerto Rico if we lack accommodation facilities. For the purpose of encouraging the construction and maintenance of hotels which will afford suitable accommodations for tourists, and considering what that will mean for the expansion of our trade, the Legislature of Puerto Rico deems it necessary to grant tax exemption to such hotels as, in compliance with the provisions of this Act, guarantee accommodation facilities which will make tourists a good source of income for Puerto Rico.61

In most cases the 1948 Law and subsequent tax exemption laws have granted a ten year exemption from all taxes (including income taxes, license fees, excise and municipal taxes and, beginning in 1963, exemptions for equipment, machinery and real property associated with the enterprise). Exceptions to the ten year period of exemption are commercial hotels62 which receive a five year exemption and those establishments that locate in the less developed sectors of the island63 which entitles them to extended exemptions up to seventeen years in some areas.

In order to qualify for tax exemption, hotels must comply with preliminary requirements such as minimal investment and size, high standards of service and accommodation, and basic visitor amenities.64

Over the years, the tax exemption provisions have maintained their original form and purpose. Generally, the law increased in flexibility and coverage to meet the changing needs of investors and the Puerto

61Act No. 184, op. cit., p. 3-4.
63See Chapter III discussion of Tax Exemption Zones.
64See Chapter IV discussion of these stipulations.
The importance of tax exemption to developers is reflected in the fact that all tourist hotels constructed since 1949 have sought and ultimately received exemption under provisions of the Industrial Incentive Acts.

Secondary Agents

This class of governmental agency functions to the advantage of the tourist industry, but more indirectly and to a lesser extent than the examples discussed as Primary Agents.

1. Parks and Recreation Administration

The Parks and Recreation Administration has no direct responsibility toward the visitor industry, but nonetheless, it serves the industry in numerous capacities.

One of the duties of this office is to promote and govern spectator sports such as baseball, boxing, basketball, etc. This type of event, usually conducted in the very modern Hiram Bithorn Stadium, is widely advertised among tourists. These events provide another source of entertainment for all people—Puerto Ricans and non-Puerto Ricans.

Two other functions of this Administration, maintenance of public property and the development of recreation facilities, received a major boost in 1961 with passing of Act No. 113. In sum, this law created a

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65 Interview with Mr. Joseph Winne, Interim Director, Industrial Tax Exemption Office, Department of State, Commonwealth of Puerto Rico, August, 1961.

five percent tax on hotel and guest house room rentals (on that portion of the charge exceeding $10.00) to be used for the development of recreational facilities. **Act No. 113** was followed by the creation of the Recreational Development Company of Puerto Rico **(Act No. 114)** to be financed by the revenue from this hotel tax. The Development Company, in essence, augments the Parks and Recreation Administration, mostly as a developer of new facilities.\(^{67}\) The vigorous expansion of tourism is reflected in the income made available to the Recreation Development Company:

<table>
<thead>
<tr>
<th>Year</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>$573,209</td>
</tr>
<tr>
<td>1963</td>
<td>731,771</td>
</tr>
<tr>
<td>1964</td>
<td>1,012,837</td>
</tr>
<tr>
<td>1965</td>
<td>1,380,837</td>
</tr>
</tbody>
</table>

With the promise of financial backing has come a very ambitious master plan ($11.3 million over five years, ten separate projects) for beach development.\(^{68}\) These facilities, most of them elaborately complete with bath houses, showers, lockers, snack bars and restaurants and some with cabins, swimming pool plus other athletic facilities (i.e., volleyball and basketball courts) are being created for Puerto Rican citizenry, but not exclusively. The creation of beach and other recreation facilities of this nature yield a more attractive setting for all seeking recreation, regardless of their birth place.

Another benefit from this sudden burst of affluence may be viewed

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\(^{67}\) Interview with Pedro J. Delgado, Chief Accounting Officer, Recreational Development Company of Puerto Rico, July 1964.

\(^{68}\) Commonwealth of Puerto Rico, Compania de Fomento Recreativo, **Informe Anual** (San Juan: Compania de Fomento de Recreativo, 1961-1962).
in recently landscaped areas along highways and public sites. Again, visitors benefit from a program undertaken for natives.

2. The Institute of Culture

The Institute of Culture, charged with preserving and enriching the culture of Puerto Rico, has quite inadvertently given considerable support to the growth and development of tourism through a host of activities.

As the principal force behind the restoration of Old San Juan, the Institute has been instrumental in restoring a major tourist attraction. Stemming from the 1949 Historic Sites Law, the Institute has designed a very comprehensive and stringent code for restoring buildings in the old part of the city. Virtually all projects for new construction and remodeling must submit detailed plans for approval by the Institute. Tax exemptions and removal of rent controls are also available for restored properties. By the end of fiscal 1964, sixty buildings had been restored and forty others were undergoing renovation. This project, also, is being undertaken primarily for Puerto Ricans, but appreciated by many tourists, too.

Another area of Institute interest is the revival and development of traditional Puerto Rican crafts. Much of this effort involves a

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69 e.g., the vicinity of San Antonio Bridge, Condado Lagoon Monument, along Avenida de Baldorioty de Castro.


71 Commonwealth of Puerto Rico, Instituto de Cultura Puertorriqueña, División de Monumentos Históricos, Normas para la restauración de las casas antiguas de la zona histórica de San Juan (San Juan: Institute de Cultura Puertorriqueña, 1955).

72 Interview with Dr. Ricardo E. Alegria, Executive Director, Institute of Puerto Rican Culture, San Juan, Puerto Rico, February 1964.
strategy of ferreting out existing artisans over the island and encouraging them to continue and to expand their skills. Since most of these craftsmen are not financially independent and work only part-time as artisans, the Institute has attempted to give further impetus to craft development by establishing the Center of Popular Arts in Old San Juan which serves as a retail outlet for native handwork and, also, as a workshop-training center for novices. Tourists are accommodated by this service in that they are given a wider selection of authentic Puerto Rican handicraft work. The demand from businessmen (mostly giftshop owners) and tourists far exceeds the capacity of the Center, but efforts are underway to create a larger and more regular production of these native crafts. 73

A third area where the Institute assists the tourist trade is through its sponsorship of "cultural" entertainment such as the annual theater series, the Puerto Rico Ballet and frequent concerts by native performers. Naturally, all of these events are open to tourists and are advertised in the major resort hotels.

3. Department of Health

Historical evidence demonstrates, especially prior to 1947, that health and sanitary standards in Puerto Rico hotels and restaurants were far below those demanded by most tourists. 74 Today tourist-oriented restaurants, as a class, have the highest sanitary standards of all Puerto

73 Interview with Mr. Walter Murray, Director, Center of Popular Arts, Institute of Culture, Commonwealth of Puerto Rico, July 1964.

Rican facilities. Only rarely is there an infraction of Health Law, No. 120 of 1947, and then but minor in nature. Regular checks are made four times per year and immediately if a complaint is lodged. Beginning in 1963, all construction plans for new restaurants had to be cleared with the Division of Sanitation of the Department of Health, in addition to the Puerto Rico Planning Board. The general level of health and sanitation has made dramatic progress.

The food handling course, which has been offered free of charge for restaurant employees, is another attempt to guarantee more sanitary facilities.

The precise effect of high health standards on the growth of the industry is impossible to measure. But, undoubtedly, dangerous or inconvenient health conditions (i.e., need for inoculations, boiling water, abstinence from certain foods—impositions common over much of the Caribbean and Mexico) would have discouraged some potential visitors.

h. Puerto Rico Planning Board

The Puerto Rico Planning Board, because of its encompassing responsibility in planning the broad growth and development of Puerto Rico, has become involved in virtually all segments of the economy. Tourism is affected by many of the sub-bureaus within this agency.

As a principal coordinator of governmental expenditures, the review

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75 Interview with Mr. Maldonado, Restaurant Inspector, Department of Health, Commonwealth of Puerto Rico, April 1964.


77 Interview with Dr. Bera, Health Officer, Department of Health, Commonwealth of Puerto Rico, April 1964.

of annual budgets for government departments is a duty of the Board. If, in the judgment of the Board and its advisors, an agency merits expansion of its function to meet the broad needs of the island, then it is granted commensurate funds. Conversely, if an agency's "contribution" is deemed minor, relative to other possible fund allocations, then the less advantageous operation is awarded less support. The fact that the annual budget appropriation for the Department of Tourism has been increasing over the years (though not at the rate preferred by many advocates) is attributable, in part, to Planning Board endorsement of tourism as a benefit to the economy and worthy of limited government resources. It should be pointed out, too, that greater budgetary allotments for the development of tourism would have occurred had there been greater support within the Planning Board.

The Planning Board has a large research and information gathering facility. The factual bases for much of the actual planning must be undertaken by the Board. Numerous examples of both raw statistical data

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79This operation is complete with hearings and the right of petition, but the opinion of the Board is very powerful.

80 Interview, Barasorda, _op cit._

and comprehensive research on the needs of tourism\textsuperscript{82} have been prepared by subdivisions of the Board.

The planning Board also attempts to gain a clearer perspective and to exert a strong influence on the direction of the whole economy by longer-range analyses.\textsuperscript{83} Studies of this nature tend to substantiate the claim of government investment promoters that the tourist industry will continue to expand and to remain a secure investment. Consequently, tourism becomes a more stable investment than if these long-range assurances were not available.

Another responsibility of the Board is to authorize building and zoning permits. All new construction must meet the building and land-use specifications established by the Board. The fact that tourist projects have not been the subject of unfair discrimination has been instrumental in permitting the past rate of growth.\textsuperscript{84}

\textsuperscript{82}M.F.H. Roe, Recreational Facilities for People of Modest Income, a study for the Puerto Rico Planning Board (San Juan: by the author, 1957); Dr. Simon Rosa, Aspectos económicos del turismo externo en Puerto Rico y sus perspectivas (San Juan: Bureau of Economic and Social Planning, April 1963); Mario J. Buschiazzo, Estudio sobre monumentes históricos de Puerto Rico, (San Juan: Puerto Rico Planning Board, 1955); Efraín Chameco, Desarrollo regional, a report on the development of Southwest Puerto Rico as a secondary tourist area (San Juan: Puerto Rico Planning Board, unpublished, 1961).


\textsuperscript{84}Interview, Barasorda, \textit{op. cit.}
Tertiary Agents

This last category affects tourism indirectly and only to a minor degree.

1. Department of Public Works

One of the primary responsibilities of the Department of Public Works is the construction and maintenance of the highway system. Table 8 shows that the network of island roads has expanded dramatically over the years. This greatly improved system of roads has made it easier for tourists to see points of interest—particularly those outside of Metropolitan San Juan.

A minor, but potentially important project for tourism is entitled La Ruta. This project calls for the establishment of an east-west scenic route extending between Mayaguez and Maunabo to accommodate those who appreciate the natural landscapes of Puerto Rico. Although still largely in the planning stage, La Ruta is designed to be sufficiently rustic for outdoorsmen, but with a minimum of rooming and eating accommodations. Attractions of this type will have great appeal for the class of visitor who appreciates the natural landscape.

2. Department of Labor

One responsibility of the Department of Labor is to establish separate minimum wages for several industries, including hotels and

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85 Manual de organización, op. cit., p. 69.
86 See Fig. 19 in Chapter III for a map of the proposed route.
87 Commonwealth of Puerto Rico, Departamento de Obras Públicas, Informe proyecto "La Ruta" (San Juan: Departamento de Obras Publicas, October, 1963).
88 Interview with Cecilio Delgado, Coordinator of La Ruta, Department of Public Works, May 1964.
TABLE 8

EXPANSION OF HIGHWAYS IN PUERTO RICO
(in kilometers)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Primary and Secondary</th>
<th>Municipal</th>
<th>Total for the year</th>
<th>Accumulated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>7</td>
<td>101</td>
<td>108</td>
<td>2,744</td>
</tr>
<tr>
<td>1947</td>
<td>6</td>
<td>98</td>
<td>104</td>
<td>3,048</td>
</tr>
<tr>
<td>1948</td>
<td>58</td>
<td>74</td>
<td>102</td>
<td>3,150</td>
</tr>
<tr>
<td>1949</td>
<td>27</td>
<td>72</td>
<td>99</td>
<td>3,249</td>
</tr>
<tr>
<td>1950</td>
<td>56</td>
<td>70</td>
<td>126</td>
<td>3,375</td>
</tr>
<tr>
<td>1951</td>
<td>36</td>
<td>112</td>
<td>148</td>
<td>3,523</td>
</tr>
<tr>
<td>1952</td>
<td>21</td>
<td>66</td>
<td>87</td>
<td>3,610</td>
</tr>
<tr>
<td>1953</td>
<td>33</td>
<td>95</td>
<td>128</td>
<td>3,738</td>
</tr>
<tr>
<td>1954</td>
<td>25</td>
<td>109</td>
<td>134</td>
<td>3,872</td>
</tr>
<tr>
<td>1955</td>
<td>38</td>
<td>66</td>
<td>104</td>
<td>3,976</td>
</tr>
<tr>
<td>1956</td>
<td>47</td>
<td>28</td>
<td>75</td>
<td>4,051</td>
</tr>
<tr>
<td>1957</td>
<td>47</td>
<td>79</td>
<td>126</td>
<td>4,177</td>
</tr>
<tr>
<td>1958</td>
<td>36</td>
<td>72</td>
<td>108</td>
<td>4,285</td>
</tr>
<tr>
<td>1959</td>
<td>52</td>
<td>29</td>
<td>81</td>
<td>4,366</td>
</tr>
<tr>
<td>1960</td>
<td>49</td>
<td>27</td>
<td>76</td>
<td>4,442</td>
</tr>
<tr>
<td>1961</td>
<td>51</td>
<td>101</td>
<td>152</td>
<td>4,594</td>
</tr>
<tr>
<td>1962</td>
<td>33</td>
<td>66</td>
<td>99</td>
<td>4,693</td>
</tr>
<tr>
<td>1963</td>
<td>19</td>
<td>40</td>
<td>59</td>
<td>4,752</td>
</tr>
</tbody>
</table>

Source: Department of Public Works, Bureau of Traffic.
Although there has been considerable rise from the minimum of 1950, statistics show that, even with these governmentally fixed minimums, Puerto Rico hotels still enjoy a labor cost advantage over Mainland competitors. The executive Director of the Puerto Rico Hotel Association considers the cost of labor low enough to be a minor asset to prospective investors.

In essence, the minimum wage enactments of the Commonwealth Government have not resulted in labor costs becoming detrimental to hotel investment in Puerto Rico. The Minimum Wage Board contributed to tourism not in what it did, but what it did not do.

The Minimum Wage Board provides another type of service for tourism through its frequent analyses of the Puerto Rico hotel industry. These studies are used principally by the Board in its deliberations on the minimum salary scale for the hotel industry, but they are also available for public scrutiny by anyone interested in hotel investment.

Another function of the Department of Labor is the gathering of statistics on air passengers who travel between Puerto Rico and the United States. This function is necessary in order to ascertain the

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91 Interview with Roberto Bouret, Executive Director, Puerto Rico Hotel Association, February 1964.


volume of the migration of Puerto Rican workers, there being no customs service for registering movement between the U.S. and Puerto Rico since Puerto Ricans are U.S. citizens. These data are used widely by government agencies interested in the volume of tourist trade (especially the Planning Board and EDA).

The Migration Division of the Puerto Rico Department of Labor, located in New York City, has as its major objective, "to speed up and smooth out the adjustment process of Puerto Rican migrants in the United States". In the course of administering this rather comprehensive task, the Migration Division has undertaken considerable public relations and "educational" services to help both Puerto Ricans and their new neighbors adjust to each other. The present United States image of Puerto Rico is more favorable than if the Migration Division had not been operating to alleviate the problems of the immigrant.

3. Fire Department

Fire protection is rarely required since most tourist hotels are relatively new and constructed of reinforced concrete. Nonetheless; for multi-storied hotels (and other high rise structures) the Fire Department has purchased special, tall structure equipment and, consequently, the hotel industry is protected adequately against fire damage.

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94 Letter from Lita Taracido, Information Representative, Migration Division, Department of Labor, Commonwealth of Puerto Rico, June 24, 1964.

95 The Migration Division operated in 115 U.S. cities with a budget of $1.8 million in 1963-1964. Ibid.

96 Interview with Raul Gandara, Chief, Puerto Rico Fire Department, Commonwealth of Puerto Rico, April 1964.
1. Police Department

The Commonwealth Police Department, in addition to performing the normal range of police services, has provided a Mounted Unit specifically for patrolling San Juan beaches. The Mounted Unit has grown from five men, at its inception, in 1957 to seventeen in 1964. Of course, this service is not solely for tourists, but for all who use the beach areas.

5. Water Resources Authority (Electricity)

Except for a very few of the remotest barrios, all of Puerto Rico has access to public power. Naturally, the availability of electric power is essential to the operation of modern tourist facilities. It is significant that no construction has been delayed seriously due to the unavailability of electricity.

6. Water and Sewer Authority

The Water and Sewer Authority provides water to all of Puerto Rico and at the standards of the U.S. Public Health Service. Nowhere is there concern for pure public water and, as was the case for electricity, no tourist project has ever been hindered appreciably by the lack of a water supply.

Summation of Part I

The many and varied government services outlined in Part I cannot be labeled simply Puerto Rico's planned tourism, since there is no

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97 Interview with Pedro I. Moczo, Public Relations Officer, Puerto Rico Police Department, April 1964.
98 Interview, Barasorda, op. cit.
99 Ibid.
100 This topic is the central theme of one study: Bruce R. Carpenter, Puerto Rico's Planned Development of Tourism (unpublished Ph.D. dissertation, International Relations and Organization, The American University, 1964).
actual "grand design". Many of the aforementioned programs exist primarily for purposes other than the pursuit of a Puerto Rican tourist industry. Consequently, it cannot be assumed that the tourist industry has experienced either optimal coordination or rate of growth. However, neither does this absence of a strong central administration for the development of tourism mean that the above programs and policies have failed to affect the growth rate of tourism.

**Part II. Growth Rate of the Puerto Rico Tourist Industry**

Many statistical indexes to the growth rate are available and will be examined in order to understand better the nature of the growth which has occurred since the government's formal entrance into the tourist industry in 1949.

**Increase in Number of Visitors**

Clearly the increase in numbers of visitors to Puerto Rico has been quite dramatic in the last fifteen years—over 950 per cent (Figure 1). This study is concerned more with revenue-generating tourists than with visitors per se, so increases in the numbers of non-resident hotel visitors are particularly noteworthy. The main explanation for the significant discrepancy between total visitors and those staying in hotels lies in the frequent visiting of the island by former Puerto Ricans now resident in the United States. These vacationing former residents are unique "tourists" in that they usually stay with relatives, and not in the luxury tourist hotels or restaurants; and they also spend less money (Figure 4). Figure 1 shows that visitors began to arrive in greatly increasing numbers in the late 1950's. There was a brief retardation in.
NUMBER OF VISITORS, 1947 - 1964

- - - - - - - - - - - - - - - - NON-RESIDENT HOTEL VISITORS
- - - - - - - - - - - - - - - - NON-HOTEL STAYING VISITORS
- - - - - - - - - - - - - - - - REGULAR VISITORS (INCLUDES ALL VISITORS TO PUERTO RICO STAYING IN HOTELS AND ELSEWHERE, REGARDLESS OF THEIR LENGTH OF STAY AND PURPOSE OF TRIP.)

SOURCE: SELECTED STATISTICS ON THE VISITORS AND HOTEL INDUSTRY IN PUERTO RICO, EDA, 1964, P. 13, 39

Fig. 1
1961 and 1962 of total visitors, but a steady increase among non-resident hotel registrants.

Ports-of-call

One test of a location's attractiveness for tourists is its selection by shipping lines as a port-of-call for cruises. Figure 2 illustrates the increased appeal of San Juan during the last decade. Some of the increase, no doubt, is due directly to Department of Tourism promotional efforts among cruise lines and travel agencies.

Number of Tourist Days

A tourist day is defined as a twenty-four hour stay by one person (one tourist staying a week creates seven tourist days). This index (Figure 3) considers both the number of visitors and the length of their stay; giving a more comprehensive measurement of tourism than merely the raw number of guests.

Again, the late 1950's mark the first major growth spurt with a "hesitation" in 1961 and 1962. A nearly 2,000 percent increase is shown in this illustration.

Tourist Expenditures

The amount of money spent by visitors has grown very much since 1950. Figure 4 shows the same general historical trend as experienced by the other indicators. Note that in recent years the non-resident hotel spending has outstripped other types of visitor spending—indicating that this category of visitor spending has increased relative to the total amount spent by all visitors.
CRUISE SHIPS AND PASSENGERS 1951-1964

NUMBER OF CRUISE SHIPS

NUMBER OF CRUISE PASSENGERS (IN THOUSANDS)

CRUISE SHIPS

CRUISE PASSENGERS

YEARS

1951 52 53 54 55 56 57 58 59 60 61 62 63 64


Fig. 2
NON-RESIDENT TOURIST DAYS
1947-1964

SOURCE: SELECTED STATISTICS ON THE VISITORS AND HOTEL INDUSTRY IN PUERTO RICO, EDA, 1964, P.39

Fig. 3
VISITOR EXPENDITURES 1947-1964

- TOTAL EXPENDITURES
- NON-HOTEL STAYING VISITOR EXPENDITURES
- NON-RESIDENT HOTEL VISITOR EXPENDITURES
- SPECIAL VISITORS (CRUISE PASSENGERS AND MILITARY PERSONNEL)


Fig. 4
Hotel Investment

Another indicator of the growth of tourism is the amount of hotel investment which has occurred since 1950 (Figure 5). Significantly, almost two thirds ($65,674,000 of $103,834,369) of all post-1949 investment has come during 1961, 1962 and 1963.

Number of Hotel Rooms

Prior to December 1949 and the construction of the Caribe Hilton, first class hotel rooms in Puerto Rico were a rarity. Necessarily any appreciable expansion of tourism had to be accompanied by a significant volume of hotel construction. Figure 6 bears out the contention of early planners. 1950, 1958 and 1963 mark three periods of greatly accelerated growth. The areal distribution of tourist facilities and their period of construction are shown in Figure 7. The dominance of San Juan and its environs is pronounced.

Gift Shops, Restaurants and Car Rentals

Although both tourist-oriented gift shops and restaurants have increased in quantity since 1950, their growth pattern has been marked by the apparent modification in eligibility criteria used by the official government directory of facilities, Que Pasa in Puerto Rico.\(^{101}\) Also, the number of these facilities, as presented in Figure 8, does not consider their variable sizes and capacities to accommodate greater numbers of customers. Nonetheless, the data do illustrate that there has been

\(^{101}\)The author has observed that at the outset in the late 1940's, in an effort to provide for the maximum number of tourists, the Visitors Bureau recommended some marginal facilities. As the industry grew, some of the earlier places no longer received a government endorsement when they failed to adjust to increasingly higher standards.
INVESTMENT IN TOURIST FACILITIES 1948-1963

SOURCE: GENERAL ECONOMICS, OFFICE OF ECONOMIC RESEARCH, ECONOMIC DEVELOPMENT ADMINISTRATION

Fig. 5
NUMBER OF TOURIST CLASS HOTEL ROOMS
1949-1964

SOURCES: PUERTO RICO PLANNING BOARD AND QUE PASA IN PUERTO RICO

Fig. 6
GROWTH OF TOURIST HOTELS
1949-1964

SOURCE: SELECTED STATISTICS FOR THE VISITORS AND HOTEL INDUSTRY OF PUERTO RICO, 1963-64, EDA P.15-18

Fig. 7
NUMBER OF RESTAURANTS, GIFT SHOPS AND CAR RENTAL ESTABLISHMENTS 1949-1964

- TOURIST ORIENTED RESTAURANTS
- TOURIST ORIENTED GIFT SHOPS
- CAR RENTAL FIRMS

SOURCE: QUE PASA IN PUERTO RICO

Fig. 8
an absolute increase in the quantity of both restaurants and gift shops which cater to tourists.

Car rental establishments are another supporting activity of tourism. A 2,800 percent increase since 1954 in car rental outlets located at tourist sites attests to the increased demand for transportation. The graph does not show that many firms may well stock more autos than formerly and thus, reality, have experienced an even greater increase than Figure 8 indicates.

Hotel Employment

Figure 9 shows that due to the expansion of new facilities, hotel employment has increased 550 percent since 1955.

Growth of Benefits

In an effort to evaluate their programs of economic development, EDA has conducted numerous studies of the costs and benefits of their program. Figure 10 demonstrates that the growth of benefits is true to the trends already outlined in the preceding figures.

Summation of Part II

Comparisons of the growth rates depicted in Figures 1 through 10 reveal several recognizable similarities. The following periods are

102 Due to their location and tenor of advertising, it is assumed that the firms in Figure 8 deal primarily, but not exclusively, with visitors.

103 The increasing complexities of distributing accurately both government expenses and dollar benefits to the economy; plus a generally improved understanding of these phenomena by government planners, has resulted in considerable abbreviation of these studies in recent years. The latest estimates are quite crude, lacking the detailed analysis necessary for an industry such as tourism, which affects so many aspects of the economy, but, nonetheless, they are useful to show the government's own official estimates of the dollar impact of their endeavor to promote tourism. Most of the above explanation was discussed in an interview with H.C. Barton, Director, Office of Economic Studies, Puerto Rico House of Representatives, March 1964.
HOTEL EMPLOYMENT 1955-1964

- ALL HOTEL EMPLOYMENT
- TOURIST HOTELS
- COMMERCIAL HOTELS


Fig. 9
COSTS AND BENEFITS OF TOURISM
1951-1963

- - - - - - TOTAL BENEFITS
- - - - - - DIRECT BENEFITS
- - - - - - COST TO FOMENTO

MILLIONS OF DOLLARS

1951 52 53 54 55 56 57 58 59 60 61 62 63
YEARS


Fig. 10
based upon the composite image suggested by the various indexes and are being included in order to provide some qualitative insight into the pattern of growth. It is realized that the specific dates chosen to distinguish stages of development in the tourist industry are somewhat arbitrary.

1949-1950—Conception. With the construction and immediate success of the first luxury tourist hotel, other forms of growth began to occur at an increased pace. Of course, considerable organizational groundwork had taken place prior to 1950.

1950-1957—Embryonic Stage. Some new facilities were constructed during this period, but relatively few compared with later years. This was the time of greatest investment risk as the industry was largely unproven. Visitors increased in volume, though small in proportion to the 1960's when the image of Puerto Rico as a tourist attraction was far better established and facilities were available in far greater quantity. Webster's referral to an embryo as, "... a beginning or underdeveloped stage of anything... a conception precedent to realization," seems quite appropriate as a descriptive term for this formative period.

1958-1960—Fetal Stage. The second significant spurt in both facility construction and number of tourists began about 1958. Gains of almost 100 percent were realized for both of these key tourism components during this period. Expansion was truly underway, but still on a limited scale when the youthfulness and small size of the industry was compared with other established resort areas.

Webster's description of a fetus,

104 Miami has individual hotels with greater room capacity than the entire island could have mustered in 1960.
"... commonly restricted to the young in later stages of development," seems quite analogous to the 1958-1960 period.

1961-1964—Infancy. During 1962 the industry began its greatest growth acceleration. This "birth", to continue the zoological analogy, followed a brief reduction of growth during portions of 1961 and 1962—contributed to, in large part, by the recession of the United States economy and the ambitions of Fidel Castro. However, since 1961, growth has been more intense than during any previous time in the history of tourism. Of the $103 million invested in tourist facilities since 1949, $62 million was invested during 1961, 1962 and 1963, clearly rendering this the time of greatest physical expansion. More non-resident tourists were registered during this period (from 1961 through 1964) than the sum total registered between the end of World War II and 1961.

The industry has developed, then, to the degree that a period of sustained, if somewhat sporadic, growth can be anticipated. Considering the current numbers of visitors and the total amount of facility investment, it becomes apparent that tourism is "born" and promises to continue its contribution to the Puerto Rican economy.105

Part III. The Interrelationship between the Government Programs and the Growth of Tourism

This chapter was to test the hypothesis that government activities have influenced the growth rate of the tourist industry. Part I outlined the specific governmental programs which related to tourism, while Part II

described the actual growth pattern of the industry since shortly after World War II. This final section will seek to show where governmental efforts were actually instrumental in affecting the growth rate of the tourist industry.

Non-Governmental Influences

The presence of numerous government programs and a pronounced increase in tourism are not necessarily cause and effect phenomena. In order to obtain a better perspective on the role of the Commonwealth Government, a brief examination of non-government forces follows.

Puerto Rico Chamber of Commerce. The Puerto Rico Chamber of Commerce never has had a formal program or budget for the promotion of tourism.106 The Chamber has participated indirectly through its support of the San Juan Carnival, sponsorship of a forum on the state of Puerto Rico tourism and regular publication of Comercio y producción. This lack of involvement by the local Chamber of Commerce is contrary to many other tourist areas (i.e., Hawaii, Florida) where the driving force behind the development of tourism commonly is provided by the chamber of commerce. According to Mr. Colberg, the Chamber has not been more active because the government initiated the program originally and, also, due to a shortage of funds.107

Puerto Rico Hotel Association. Another probable contributor to the dramatic growth record described in Part II is the Puerto Rico Hotel Association. Since June of 1963, with the employment of its first full-time
executive director, a former head of the Puerto Rico Department of Tourism, the Association has become a very active proponent of tourism. But, prior to 1963, this organization had existed largely in name only. The experience of having a large amount of hotel business has been a recent development for Puerto Rico and, consequently, the industry has been late to organize.

Individual hotels traditionally have not been big advertisers. In recent years promotional spending has been increasing, but still not on the scale of Florida resorts.

In sum, both of these Puerto Rican establishments, because of their lack of organized effort and funds, have had an insignificant effect on the growth rate of tourism.

Transport costs. The prevailing cost of air transport between the U.S. Mainland and the Caribbean traditionally has favored Puerto Rico over its competitors for tourist traffic (Appendix III). However, air fares between San Juan and New York have changed little, either absolutely or relatively, in relation to other Caribbean Islands. Puerto Rico's "transportation advantage" existed in 1964 roughly to the same degree as it did in 1950. The evidence does not suggest that improved transport costs were a major factor in affecting the dynamic growth rate of tourism.

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108 i.e., monthly publication of Aqui in Puerto Rico, a tourist information booklet and a travelogue film depicting the attractiveness of the island were both introduced in 1964.

109 Interview, Bouret, op. cit.

110 Vis-a-vis island sugar growers who have a long history of lobbying.

111 Advertising of Puerto Rican Hotels in the United States amounted to $582,000 in 1961, $608,000 in 1962, and $698,000 in 1963, Interview, Bouret, op. cit.

112 Mirsonia Rivera Boucher, op. cit.
Although low-cost transportation is advantageous to the development of any tourist center, this feature, alone, is not sufficient to attract visitors, but must be considered as a permissive factor. If the vacation choices of tourists flying from New York were determined by transport cost alone, they could easily select other vacation sites with far cheaper transport costs than San Juan (i.e., Cape Cod, Atlantic City, etc.).

Regional promotion. The Caribbean Tourist Association, travel writers, individual airlines (especially Pan American, Eastern and Transcaribbean) and shipping lines all have been responsible for advertisement and promotion of the Caribbean area, including Puerto Rico. But, this form of regional publicity was not partial toward Puerto Rico over other tourist areas since all of these agencies have interests throughout the Caribbean. Furthermore, Figure 11 illustrates quite clearly that the growth of tourism in Puerto Rico is not merely an example of a regional growth spiral which might have been spawned as a result of this type of area publicity. The areal pattern of growth has a very uneven distribution.

The fact that Puerto Rico has experienced greater expansion of tourism than other Caribbean Islands indicates that some source other than the aforementioned exposure to regional promotion has affected its rate of growth.

International affairs. The extent to which the Cuban situation and the health of the United States economy have affected the tourist trade of Puerto Rico and all the Caribbean is largely a matter of conjecture, as no definitive investigation has been made to date. However, the impact

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113A cursory survey of the Cuban issue was made by C.H.V. Rogers of the Caribbean Commission which reveals normal growth patterns for Jamaica, the U. S. Virgin Islands and Puerto Rico—indicating little effect.
ANNUAL VISITORS TO SELECTED CARIBBEAN ISLANDS

Source: Caribbean Tourist Association

Fig. 11
of this type of influence would be nearly equal for all Caribbean tourism because of their joint proximity to Cuba and dependence upon the U.S. traveller. The former tourist industry of Cuba, naturally, would be an exception to this generalization.

In summation, the aggregate non-governmental influences on tourism can be classified as either quite minimal or affecting the Caribbean area as a whole. It is presumed that all of these forces have contributed to the growth of tourism in Puerto Rico, but the evidence available indicates that the growth pattern outlined previously cannot be explained to any significant extent by the activities of the above groups.

Influence of Government Programs

The bulk of assistance for tourism can be grouped into two broad categories: (1) visitor promotion and (2) facility development. The former has been accomplished primarily by the government, but, also by the other numerous sources discussed above. In this age of modern mass media, it is impossible to isolate the exact means by which an idea is conveyed—be it a suggestion for a vacation or a brand of deodorant. It has been established that the Commonwealth Government, with its various publicity and promotional campaigns has done far more since 1950 to attract favorable attention to Puerto Rico than the combined efforts of all private contributors. However, in recent years, especially since 1963, government publicity has declined markedly, relative to the increased number of annual visitors and relative to increased private spending.

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But, the Puerto Rican image, so attractively presented as a lure to potential tourists, is only one means of encouraging the growth of tourism. It was stated earlier that an essential prerequisite to a major increase in tourist trade was the development of adequate physical facilities. It is in this sphere of facility development that the most formidable barrier to growth existed historically.  

Prior to the construction of the Caribe Hilton in December of 1949, no first-class hotel facilities were operating in Puerto Rico. Emmons Whitcomb's vividly descriptive inventory of facilities existing in 1944 apparently was judged too offensive for public taste; since pages 12-47 were extracted from all but the not-too-public copy housed in the central files of the EDA. Even marginally acceptable establishments had a combined room total of under 300. Had a large number of tourists decided to visit Puerto Rico during those years, they would have found it impossible to obtain hotel accommodations of any caliber. Physical hotel facilities simply were not in existence which could even house, significant numbers of foreign visitors.

This point is substantiated by determining the theoretical visitor capacity of Puerto Rico hotels in 1948. If the number of eligible rooms is generously set at 300 (with 200 of these being doubles), the average visitor stay to be four days, and seventy-five percent of the rooms available for non-resident tourists (unrealistically high when local trade and normal attrition losses are included), than the absolute maximum number of


116 Whitcomb, op. cit., p. 12-47.

117 These facilities were not of the caliber which likely would attract visitors either.
tourists which could have been accommodated, assuming full occupancy all year, would have been approximately 35,000. The role of visitor attraction looms far less crucial relative to facility promotion when it is realized that the "industry" of 1948 could have cared for a maximum of only 35,000 guests—no matter how many arrived or who coaxed them into coming, the government or some other enterprise.

The tourist industry's dependency upon the development of facilities was recognized early by government planners and extensive efforts were made by the government to attract private capital into the hotel market, but to no avail. An attractive place to entertain and influence potential industrial investors was foremost in the minds of most of these men. After trying unsuccessfully to entice private investors, Pridco financed and constructed the $7.4 million Caribe Hilton. It was hoped that this initial risk taken by government enterprise would serve as a catalyst for investment by private enterprise, but the few investments which did follow fell far short of expectations.

Based on the need for more tourist facilities the government (Pridco) constructed another major tourist hotel, La Concha, $5.6 million dollars in 1958. The importance of these two projects, plus the extensive lending activity of both Pridco and GDB in comparison to private investment, is illustrated emphatically in Figure 12. Quite clearly it was government money which was responsible for most hotel

119 Ibid. p. 138.
120 Factors in the decision were: (1) existing facilities full most of the year, (2) economy still in need of more support, and (3) the financial success of the 1949 investment.
ORIGIN AND AMOUNT OF INVESTMENT FOR TOURIST FACILITIES 1949-1963

SOURCE: OFFICE OF ECONOMIC RESEARCH, EDA

Fig. 12
construction during the 1950-57 Embryonic Stage. In the 1958-60 Fetal Stage, the ratio of government to private is almost 1:1. In the Infancy Stage, 1961-1964, the government's proportion has declined both relatively and absolutely.

The government's role in developing facilities is appreciated more fully when hotel occupancy rates are examined. The months of January, February and March are considered the "season" in Puerto Rico. That existing facilities were filled to capacity during the tourist season and longer is shown in Table 9. Table 10 shows that even after considerable expansion, Puerto Rican hotels are far more crowded than those of Florida.

The uncommonly high occupancy rates of Puerto Rico hotels during both the Embryonic and Fetal Stages indicate that the most meaningful and direct way to affect the industry's growth rate would be to build more facilities so that there would be accommodations for more guests.\textsuperscript{121} Large scale physical expansion has occurred during the Infancy Stage; accompanied by marked increases in visitors and decreases in occupancy rates. Figure 13 illustrates the close association between the availability of first-class accommodations and visitor increases (a statistical association of .96\textsuperscript{4}.

Figure 14 shows that in recent years the importance of government investment in new facilities has become markedly less, as extensive private investment has occurred.\textsuperscript{122} As mentioned earlier, with the opening of many new establishments, individual hotels and the Puerto

\textsuperscript{121}Fine, op. cit., p. 9.

\textsuperscript{122}This generalization is true regarding promotional spending also.
### TABLE 9

**OCCUPANCY RATE FOR TOURIST HOTELS IN METROPOLITAN SAN JUAN**

**DURING HIGH, MEDIUM AND LOW SEASONS**

<table>
<thead>
<tr>
<th>Year</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>84.7%</td>
<td>74.1%</td>
<td>68.2%</td>
</tr>
<tr>
<td>1956</td>
<td>88.4%</td>
<td>72.5%</td>
<td>68.2%</td>
</tr>
<tr>
<td>1957</td>
<td>83.7%</td>
<td>75.6%</td>
<td>69.4%</td>
</tr>
<tr>
<td>1958</td>
<td>85.9%</td>
<td>69.8%</td>
<td>63.1%</td>
</tr>
<tr>
<td>1959</td>
<td>93.2%</td>
<td>81.6%</td>
<td>67.1%</td>
</tr>
<tr>
<td>1960</td>
<td>95.6%</td>
<td>84.6%</td>
<td>74.6%</td>
</tr>
<tr>
<td>1961</td>
<td>89.1%</td>
<td>78.6%</td>
<td>63.7%</td>
</tr>
<tr>
<td>1962</td>
<td>90.7%</td>
<td>72.1%</td>
<td>61.6%</td>
</tr>
<tr>
<td>1963</td>
<td>84.7%</td>
<td>----</td>
<td>51.5%</td>
</tr>
</tbody>
</table>

*High: January, February, March
Medium: April, July, August, November, December
Low: May, June, September, October


### TABLE 10

**COMPARATIVE HOTEL OCCUPANCY RATES FOR PUERTO RICO AND FLORIDA**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Puerto Rico</td>
<td>Florida</td>
<td>Puerto Rico</td>
</tr>
<tr>
<td>Fall</td>
<td>70.23%</td>
<td>76.89%</td>
<td>79.32%</td>
</tr>
<tr>
<td>Winter</td>
<td>85.49%</td>
<td>91.34%</td>
<td>91.34%</td>
</tr>
<tr>
<td>Spring</td>
<td>64.64%</td>
<td>70.39%</td>
<td>71.40%</td>
</tr>
<tr>
<td>Summer</td>
<td>73.34%</td>
<td>74.26%</td>
<td>78.60%</td>
</tr>
<tr>
<td>Average</td>
<td>73.46%</td>
<td>78.17%</td>
<td>80.13%</td>
</tr>
</tbody>
</table>

GROWTH OF NON-RESIDENT TOURISTS AND AVAILABLE ROOMS 1949-1964


Fig. 13
CUMULATIVE GROWTH OF TOURIST INVESTMENT 1950-1963

- TOTAL INVESTED
- GOVT. INVESTMENT
- PRIVATE INVESTMENT

MILLIONS OF DOLLARS

SOURCE: GENERAL ECONOMICS, OFFICE OF ECONOMIC RESEARCH, EDA.

Fig. 14
Rico Hotel Association have become more intensive supporters of the industry.

To this point only financing of hotel facilities has been used to illustrate the government's dominant role during the most formative period of the Puerto Rico tourist industry. However, the government aided the development of facilities other than hotels and it instituted a host of measures, in addition to financing, which were conducive to the growth of physical accommodations. Some of the major contributors bear brief mention at this point to substantiate further the government's vital role in developing facilities and hence, in affecting the growth of tourism.

The profound importance of the law legalizing casinos for tourist hotels is evident in the fact that the eight hotels with casinos analyzed in the 1963 Minimum Wage Board Study received an average of twenty-five percent of their profits from casino earnings.123

Without exception, all tourist hotels constructed since 1950 have applied for and received tax exemption under the Industrial Incentives Acts.

The comprehensive services of the Department of Tourism, particularly the Hotel School and Facility Development Divisions, also must be recognized major contributors to the accelerated rate of facility development.

Many other governmental functions outlined in Part I of this chapter have made less significant contributions to the growth of tourist facilities.

123La industria hotelera, op. cit., p. 71.
Summation of Chapter II

The efforts of the Commonwealth Government to accelerate the growth of tourism have been effective and, hence Hypothesis One is accepted as valid. Numerous developments have contributed to the rapid growth which has occurred since 1950.

Although full statistical documentation is not possible, the available evidence indicates that prior to the Infancy Stage all non-governmental promotion efforts were diminutive and sporadic compared with the generally greater and more comprehensive support provided by the various agencies of the Commonwealth Government.

In the area of facility development, the impact of the government can be measured with greater precision. Figure 12 shows that the government was the dominant investor throughout the Embryonic and Fetal Periods. Figure 13 demonstrates the close relationship between the development of facilities and increases in non-resident visitors. Figure 14 suggests that the government "pump priming" policy finally became effective in the first part of the present decade and that in the future the need for government investment will be relatively less than during the 1950's. It was during this decade of little private competition that government actions had their greatest effect on the growth of tourism. For during these years government expenditures, promotion and investment in facilities, represented an overwhelming majority of all tourist investment; whereas since 1962, private enterprise has become the principal stockholder in the tourist industry of Puerto Rico.
CHAPTER THREE

GOVERNMENT INFLUENCE ON THE LOCATION OF THE TOURIST INDUSTRY

From the brief chronology of government planning for tourism presented in Chapter I, it is apparent that there has been an official concern over the location of the industry dating back to the Whitcomb report of 1945. Over the years, government interest in the decentralization of tourism has "broadened" from the original one of providing economic growth for less-developed regions of the island to one that concerns both the prevention of hotel concentrations in San Juan\(^1\) and diversionary attractions which would lengthen the stay of visitors.\(^2\)

No single arm of the government has been authorized or empowered to implement decentralization. Nor has a comprehensive plan for decentralization with established goals and timetables been agreed upon. As was true of the program to stimulate growth of the industry, measures designed to affect location have been instigated by several agencies within the Commonwealth Government.

The purpose of Chapter III is to test Hypothesis Two: Government efforts to decentralize the tourist industry have produced a more dispersed pattern of facilities than would have developed without government aid. The examination and testing of the above is divided into three major parts:

1. Description of the policies and programs of the Commonwealth Government which relate to the location of the tourist indus-

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\(^1\) This concern began to acquire importance about 1956 with the continued growth of the industry.

\(^2\) This concept gained support in the early 1960's as occupancy rates began to decline.
try between 1950 and 1964, through examination of participating governmental agencies (Organizational Diagram in Appendix IV).

2. Description of the changes in the areal pattern of the tourist industry between 1950 and 1964.

3. Analysis of the changes in the areal pattern of the industry and the interrelationships with government activity.

Part 1. Policies and Programs of the Commonwealth Government which Relate to the Location of the Tourist Industry

Primary Agents

1. Economic Development Administration

Within the broad framework of this government organization (see Organizational Diagram, Appendix II), several divisions exist which have attempted to affect the location of tourist facilities, but the Department of Tourism and the Puerto Rico Industrial Development Company have been the most important contributors.

Department of Tourism

The Department of Tourism has attempted to encourage the spread of tourism mainly by employing a policy of persuasion upon visitors and prospective investors, as well as controlling of the licensing of gambling casinos.

The broad category of investor persuasion has been approached from various angles. One has been a policy of articulating the salient features of a non-San Juan location (i.e., mountain scenery, cheaper real estate costs, lower cost labor, and relative seclusion), another

3 The Primary, Secondary and Tertiary categories are based upon the same criteria used in Chapter II.
has been to maintain a listing of choice properties which have potential as sites for tourist resorts as a means of further encouraging development out on the Island. Prospective investors are taken to these desirable locations by Departmental personnel for first-hand observation. When a decision is made to locate in one of the more remote sections of the Island, full cooperation is extended through the consulting services of the Department. A measure of the appeal of these services is reflected in the fact that no Island project has failed to consult with the Department—some, however, more than others.

The Department, in an effort to generate local understanding and interest in the development of tourism has initiated numerous regional committees over the Island.

Advertising designed to lure visitors beyond the confines of San Juan is a further form of encouragement to internal tourism. Most promotion of this nature has been channelled through the EDA Office of Information.

Through its Division of Gambling, the Department has exerted a different type of influence. For reasons indicated in Chapter II,

4Interview with Roberto Bouret, Executive Director, Puerto Rico Hotel Association, February 1964.

5To Puerto Ricans the phrase "on the Island" refers to that portion of the Island which is not part of Metropolitan San Juan. Throughout this study terms such as "on the Island", "interior", "internal", "non-San Juan" and "beyond San Juan" will be used synonymously to denote the entire land area of Puerto Rico, minus Metropolitan San Juan. It is this non-San Juan area where the government has attempted to encourage the location of tourism.

6Hotels like the Ponce Intercontinental and the Delicias in Fajardo worked very closely with the Department throughout their planning stages.

7Commonwealth of Puerto Rico, Economic Development Administration, Department of Tourism, Annual Report (San Juan: Department of Tourism, 1953-54), p. 98.
Gambling casinos are considered a major asset to tourist hotels. All large tourist-oriented hotels depend upon casino earnings for a major portion of their total profits.

In order to qualify for a gambling permit, several requirements must be met. These include the minimum number of hotel rooms and/or total investment cost; the availability of adjunct recreational facilities; standards of service; and an annual license fee. The island has been partitioned into three zones (Figure 15) "according to their touristic importance". Table 11 illustrates the nature of the preferences granted to areas beyond Metropolitan San Juan.

**TABLE 11**

**GAMBLING ZONE DIFFERENTIALS**

<table>
<thead>
<tr>
<th>Zone</th>
<th>Annual License Fee</th>
<th>Minimum Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zone I</td>
<td>$24,000</td>
<td>300 Rooms or $5,000,000 Investment</td>
</tr>
<tr>
<td>Zone II</td>
<td>12,000</td>
<td>150 Rooms or 2,000,000 Investment</td>
</tr>
<tr>
<td>Zone III</td>
<td>6,000</td>
<td>75 Rooms or 1,000,000 Investment</td>
</tr>
</tbody>
</table>

In 1963, a decision was made to cease, temporarily, granting further gambling permits for the San Juan area. It was felt that such a policy would help spread tourism outside of San Juan and also curtail its bur-
geoning impact within the city.\textsuperscript{10}

In summary, the Department of Tourism has attempted to direct industry development beyond San Juan by (1) "selling" developers and tourists on the advantages of the interior and (2) through a policy of preferential regulations for gambling licensing.\textsuperscript{11}

Puerto Rico Industrial Development Company (Pridco)

The Puerto Rico Industrial Development Company (Pridco), since 1953, has attempted to affect the location of economic activity through the use of various special incentives designed to make the interior more attractive to investors. Most of these incentives have been oriented toward manufacturing establishments (i.e., special locational grants, consulting services and preferential rental rates for Pridco properties).

Through its normal lending channels, Pridco has loaned a total of $3,389,364 between 1946-47 and 1962-63 for tourist projects of which $1,940,318 (fifty-seven percent) was designated for use on twenty-nine projects outside of San Juan.\textsuperscript{12} Beginning June 12, 1961, a preferential interest rate of one half of one percent was granted for loans to underdeveloped zones (Figure 16). Beginning June 13, 1963, three zones were established (Figure 17) and six percent interest was charged for Zone I, five and one half percent for Zone II and five percent for Zone III.\textsuperscript{13}

\textsuperscript{10}Interview with Hector Piñeiro, Director, Department of Tourism, Economic Development Administration, Commonwealth of Puerto Rico, June, 1964.

\textsuperscript{11}Sporadic attempts toward research have been made (i.e., hiring consultant, Earl Parker Hanson, who produced Notes on Internal Tourism in June of 1960).

\textsuperscript{12}These statistics were compiled for this study by Carmen Badillo, Office of Economic Research, Economic Development Administration, Commonwealth of Puerto Rico, 1964.

\textsuperscript{13}Interview with Angel Candall, Assistant Treasurer, Puerto Rico Industrial Development Company, Commonwealth of Puerto Rico, March 1964.
Further support of internal tourism by Pridco is reflected in its direct hotel ownership. Both the Mayagüez Hilton Hotel and the El Barranquitas Hotel are owned by Pridco.

In the area of research Pridco has collaborated with the EDA Office of Economic Research to hire consultants and, also, has used its own offices to a limited extent for study of economic location in Puerto Rico.\footnote{A Regional Model for Programming Industrial Development, Report prepared for Puerto Rico Industrial Development Company by Adams, Howard & Greeley, Planning Consultants (Cambridge, Massachusetts: Pridco, June 1962) and H.C. Barton, Modifications in the Industrial Decentralization Program, Office of Economic Research, Economic Development Administration Commonwealth of Puerto Rico (San Juan: Office of Economic Research, October, 1960)}

Other EDA offices

The Office of Information, EDA, has participated in the decentralization program through the use of frequent advertisements which stress the investment advantages of an interior location. Also, its monthly publication for tourists, Que Pasa in Puerto Rico, regularly features articles which depict inviting Island sites, in addition to suggested tours, replete with route maps.

The Puerto Rico Ports Authority, EDA, is potentially involved in spreading tourism through its announced plans to construct numerous small air strips over the Island—"as funds become available."\footnote{Interview with John A. Falcon, Director, Department of Planning, Puerto Rico Ports Authority, March 1964.} Potential assistance is also evident in the Authority's pending plans for a second international airport somewhere in the southwestern section of the Island. Both of these programs, when and if, they reach fulfillment, will facilitate the transportation of tourists.
2. Industrial Tax Exemption Office

A June 12, 1961 amendment of the Industrial Incentives Act of 1954 granted an extended exemption of three years (beyond the standard ten year exemption) from taxes for those businesses (including hotels) which located in a zone designated by the Governor of Puerto Rico as an under-developed industrial zone (Figure 16). The Industrial Incentive Act of 1963 established three exemption zones: Zone I (San Juan and environs), ten years of tax exemption; Zone II (areas of intermediate development), twelve years of tax exemption; and Zone III (areas largely lacking industrial development), seventeen years of tax exemption. Figure 17 outlines these zones as delimited by the June 13, 1963 Law.\(^{17}\)

The Industrial Tax Exemption Office, through areally variable tax provisions, has tried to affect the locational pattern of all new businesses in Puerto Rico.

3. Government Development Bank

Of the $9,371,559 loaned by the Government Development Bank for tourist projects, eighteen and one half percent, or $1,733,347 (twelve projects) has been designated for use outside of San Juan.\(^{18}\) Similar to Pridco, for the period between June 12, 1961 and June 13, 1963, the Bank granted a one half of one percent preferential interest rate on


\(^{17}\)These regional delimitations are subject to review and reclassification.

\(^{18}\)These statistics were compiled for this study by Hilda V. Rive, Economic Research Department, Government Development Bank, 1964.
loans for those firms locating in areas designated as underdeveloped.  

Figure 17 outlines the preferential interest zones used since June 13, 1963: one percent for the least developed Zone III and one half of one percent for the less developed Zone II.  

Dr. Rafael Picó, Bank President, in a letter to the San Juan Star, the island's only English language daily, provides insight into Bank policies on the localization of business; "... from the beginning of its lending operations, the Bank has shown interest in decentralizing and providing hotel facilities in all sectors of the Island."  

The Bank has provided further impetus toward decentralizing by advertising (i.e., in newspapers and promotional literature). Typical are the full-page advertisements appearing in San Juan newspapers which promote the advantages of an internal location.  

In sum, the Government Development Bank has participated in the program of decentralization through granting loans to interior projects (at preferential interest rates since 1961) and via advertising programs.  

b. Puerto Rico Planning Board  

The Planning Board has been authorized to zone the Island for land-use, however, to date comprehensive land use zoning for tourism (and  


20The zones used by the Bank were the same as those outlined in the 1963 Industrial Incentive Act.  

21This letter, dated January 7, 1964, is in response to charges by Puerto Rico Hotel Association Executive Director, Roberto Bouret, that the Bank had refused to lend sufficient money to projects not of the luxury class or on the Condado Beach front section of San Juan.  

22San Juan Star, March 26, 1964, p. 11  

most other things) has been limited exclusively to the San Juan Metropolitan Area. Master plans for most forms of economic activity and government services are still in preparation by the Bureau of Master Planning of the Planning Board. Mr. Humberto J. Espinosa, Director of the Bureau of Master Planning, in a letter dated April 20, 1966, states that the forthcoming tourism master plan will not be available until 1969. Consequently, the Planning Board has not produced incentives common to the agencies thus far discussed which have attempted to "pull" tourism to the interior. Conversely, the Planning Board has instituted a "push" effect by establishing landuse restrictions in Metropolitan San Juan. Several Planning Board actions have been designed to prevent developers from constructing dense agglomerations of tourist facilities along the attractive beach front of the capital city.

The Planning Board has limited the areal concentration of tourist projects by enacting resolutions which place density ceilings on land use in tourist-prone sections of the city. These density restrictions include limits on building heights, minimum requirements for parking space and maximum total rooms. Planning Board Resolution P-114 of July 15, 1962 was more specific in that it declared a large section of Condado ineligible for further hotel construction (Figure 18).

Another Planning Board measure designed to help prevent the development of a "second Miami Beach" was Resolution P-114 of March 10, 1960.

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25 This means is used to affect all forms of land use—not exclusively tourism.
AREA AFFECTED BY RESOLUTION P-148


Fig. 18
This resolution partially rezones some fashionable residential areas (e.g., Condado and Miramar) so that commercial activity in the form of small, low-cost guest houses would be permitted. It was theorized that competition from moderately-priced guest houses would help curb growth of the ultra-luxurious hotels.26

In conjunction with the Board's concern for widespread decentralization, research has been undertaken to explore growth potentials and needs of a secondary destination area in southwestern Puerto Rico somewhere between the second largest city, Ponce, and the third largest, Mayagüez. A detailed analysis of tourism is one phase of this comprehensive investigation of development possibilities for the Southwest.27 Other staff researchers have prepared numerous maps designating various locations over the Island as most suitably zoned for tourist facilities, but no official action has been taken to date.28

In sum, the main contribution of the Planning Board to the decentralization of the industry has been in the instituting of zoning policies which limit the intensity of land use in those areas of San Juan which are most likely to produce high densities of tourist facilities. It has also done some research on the potential of tourism in southwestern Puerto Rico and some perfunctory inventorying of sites.

Secondary Agents

1. Department of Public Works

The Bureau of Highways, a major division of the Department of Public Works, is responsible for the construction and maintenance of most


28And probably no action will be taken until a master plan for tourism is finally approved.
of the island's roads. Table VII in Chapter II showed that the volume of highway expansion has been considerable (e.g., forty percent increase between 1950 and 1963). The map sequence in Appendix VI indicates that the highway network has continually expanded its service to the interior. In 1952 and again in 1964, the Bureau of Highways refurbished or replaced all deteriorated or missing road signs. These programs were especially beneficial to foreign travellers.

Although the above programs were not designed to influence the location of tourism, there is no question but that better roads have facilitated both tourist construction and travel.

If the proposed La Ruta project (Chapter II) reaches fulfillment, it will provide an attraction for that class of vacationer who appreciates the natural landscape of the mountainous interior. Although proposed primarily for native Puerto Ricans, this rugged interior traverse will attract interested non-resident tourists too (Figure 19).

2. Parks and Recreation Administration

Since fiscal 1962, the Parks and Recreation Administration, through its well-funded affiliate, the Recreational Development Company, has become involved in an extensive islandwide development program. Figure 20 illustrates the areal extent of the Administration's expansion program, including those parks which have been completed and those projected. In addition to having typical recreation facilities and restaurants, many of these new parks will include low-cost room accommodations for vacationers. The Administration also has plans to develop parks with lower priorities than the beach projects in mountainous Maricao and Aguas Buenas.  

29 Interview with Ramiro Ramírez, Chief, Division of Traffic Engineering, Department of Public Works, April, 1964.

PROPOSED LA RUTA ROUTE

SOURCE: INFORME PROYECTO "LA RUTA"
DEPARTAMENTO DE OBRAS PUBLICAS, 1963, ANEXO IV

Fig. 19
The above projects have been undertaken primarily for resident Puerto Ricans, nonetheless, these modern facilities are available to all who travel on the Island.

Tertiary Agents

Such government-owned services as fire and police protection, electric power, water and sewer lines are available throughout the island. Hence, the development of tourist facilities outside of San Juan is not hindered by a shortage of these vital services. No where are there shortages of these services that would constitute a serious detriment to the development of tourist facilities over the island.31

The Department of Labor's minimum wage policies have traditionally provided lower minimums for areas outside of Metropolitan San Juan.

Summary of Part I

Part I examines the many and diverse governmental activities which relate, in varying degrees, to the location of the tourist industry. Although no distinct agency or program has been created solely for the decentralization of tourism, there is no doubt that the government has acted through a number of agencies and programs to institute some form of tourism dispersion. Even though many government planners have been extolling the virtues of decentralization and claiming it as a formal objective since the birth of the tourist industry,32 appropriate action for the realization of this goal has been limited, almost exclusively, to the 1960's.

31 Interview with Miguel A. Barasorda, Director, Facilities Development Division, Department of Tourism, Economic Development Administration, January, 1964.

Part II. The Areal Pattern of Tourist Facilities

Between 1950 and 1964

Room accommodations are a meaningful index to the location of the tourist industry. Figure 21 shows that most of the increase in rooms has been in San Juan. Figure 22 shows that the same is true for the luxury tourist class of facility—although not to the same degree. Figure 23 shows that the percentage of hotel rooms located on the Island, vis-a-vis San Juan has varied only slightly since 1950.

The 1950-1957-1964 map sequence, while maintaining approximately the same ratio between the San Juan concentration and the scattered pattern of the Island, clearly reveals a strikingly constant areal pattern—varying only in intensity (Figures 24, 25 and 26).

Figure 27 shows that the San Juan hotel registrations have increased more and at a faster rate than Island facilities. Figure 28 provides further evidence of the continued uneven distribution of Puerto Rican tourism.

Summary of Part II

The many indexes to the location of the tourist industry all indicate that, while the Island sector of the industry has grown considerably, relative to 1950 (1,168 new hotel rooms, a 37½ percent increase), growth in San Juan has outstripped it both absolutely and relatively (3,988 new hotel rooms, a 39½ percent increase). The ratio of tourist facilities in San Juan to the rest of the Island has held remarkably constant (approximately 4:1) throughout the fourteen year period of growth.
ROOM INCREASES ACCORDING TO LOCATION

- AVAILABLE ROOMS IN SAN JUAN
- AVAILABLE ROOMS ON THE ISLAND

TOTAL ROOMS SAN JUAN & ISLAND

*ALL TYPES - TOURIST, COMMERCIAL & GUEST HOUSE

SOURCE: SELECTED STATISTICS ON VISITORS AND HOTEL INDUSTRY OF PUERTO RICO, 1963-64, EDA, P. 19

Fig. 21
GROWTH OF TOURIST HOTEL ROOMS*
ACCORDING TO LOCATION

* EXCLUDING COMMERCIAL AND GUEST HOUSE ROOMS

SOURCE: SELECTED STATISTICS ON THE VISITORS AND HOTEL INDUSTRY IN PUERTO RICO, 1963-64, EDA, P. 19

Fig. 22
PROPORTIONAL LOCATION OF HOTEL ROOMS

PER CENT OF LUXURY ROOMS
- LOCATED ON THE ISLAND

PER CENT OF ALL HOTEL ROOMS *
- LOCATED ON THE ISLAND

* TOURIST, COMMERCIAL AND GUEST HOUSE

SOURCE: SELECTED STATISTICS ON THE VISITORS AND HOTEL INDUSTRY OF PUERTO RICO, 1963-64, P. 19

Fig. 23
Fig. 24

TOURIST HOTEL ROOMS
1950

Fig. 25

1957

Fig. 26

1964

SOURCE: SELECTED STATISTICS FOR THE VISITORS AND HOTEL
GUEST REGISTRATIONS FOR SELECTED SAN JUAN AND ISLAND TOURIST HOTELS


Fig. 27
EMPLOYMENT IN HOTELS ACCORDING TO LOCATION

* TOTAL HOTEL EMPLOYMENT*
* HOTEL EMPLOYMENT FOR ISLAND HOTELS

* ALL TYPES - TOURIST, COMMERCIAL, AND RENT HOUSES

SOURCE: SELECTED STATISTICS ON VISITORS AND HOTEL INDUSTRY OF PUERTO RICO, 1963-64, EDA, P. 43

Fig. 28
Part III. Analysis of the Areal Pattern of the Industry and Interrelationships with Government Activities

The government tourist program, from its inception, has endorsed the concept of spreading tourism to the many attractive parts of the Island. Support for this dispersed development of tourism, as indicated earlier, became multi-purposed and encompassed the following diverse objectives:

1. The spread of economic opportunity more equitably over the Island. 33

2. A reduction of the danger of a dense concentration of tourist facilities in San Juan. 34

3. An increase in the visitor's total length of stay in Puerto Rico. 35

Specific quotas for locating new facilities in San Juan, the Island, or regions of the Island were never established; aside from Martocci's suggestion that San Juan be allotted sixty percent of new growth, 36 the principal purpose of decentralization was to encourage the growth of a more evenly dispersed tourist industry over the Island and, also to prevent the development of an adverse concentration in San Juan.

That the government, via many of its agencies, has undertaken a

33 "Decentralization of Puerto Rico," Lecture by Mr. Ramon García Santiago, Chairman of the Puerto Rico Planning Board, before the membership of the Puerto Rican Society of Planification, May 19, 1961. See particularly pp. 5-6 of the printed copy.


35 Interview, Bouret, op. cit.

36 Frank Martocci, Master Plan for the Development of Tourism Facilities in Puerto Rico, Prepared for the EDA (San Juan: Fridco, 1957), p. 4. The 6:1 ratio was suggested in this report, but no action was taken.
host of measures to encourage the location of tourist development outside of San Juan, was clearly illustrated in Part I.

Table 12, taken from Figures 21, 27 and 28, provides a synthesis of the industry's areal growth pattern. These indexes to the location of Puerto Rico tourism illustrate that the areal distribution of the industry varied only in intensity between 1950 and 1961. While both areas have attracted new tourist facilities, San Juan has maintained an approximate 4:1 lead over the Island sector since 1950. In 1961, as in 1950, the areal pattern of tourist facilities in Puerto Rico can be described as four fifths concentrated in San Juan and one fifth scattered over the rest of the Island.37

One might believe that since tourist facilities were still as concentrated in San Juan in 1961 as they were in 1950, that the government efforts for decentralization were a failure. However, in view of the diverse rationales for a policy of decentralization, a more meaningful assessment of the program is possible if its different objectives are examined individually.

The first of these objectives, the more equitable spread of economic opportunity, has met with some success. Since 1950, there has been an increase on the Island of 1,168 rooms, and, since 1955, an increase of 1,339 hotel jobs. In addition to these increases, there have been a greater number of employment opportunities in construction work, in restaurant and transportation services, souvenir salesmen, etc.38 Certainly the creation of upward of 2,000 total new jobs (most of them requiring very little previous training) in areas of high unemployment, cannot be discounted—regardless of San Juan's relatively much greater

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37 Figure 23 shows that the luxury tourist category fared only slightly better (5.5%).

38 However, probably not at the high 1:1.75 ratio suggested by Fine for all of Puerto Rico. See Fine, op. cit., p. 89.
## TABLE 12

### SUMMATION OF TOURIST INDUSTRY GROWTH PATTERN

<table>
<thead>
<tr>
<th></th>
<th>San Juan</th>
<th>Island</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hotel Employment</strong>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1955</td>
<td>1,211</td>
<td>172</td>
</tr>
<tr>
<td>1961</td>
<td>4,059</td>
<td>1,511</td>
</tr>
<tr>
<td>Net Increase</td>
<td>2,738</td>
<td>1,339</td>
</tr>
<tr>
<td>Percentage Increase</td>
<td>225%</td>
<td>778%</td>
</tr>
<tr>
<td><strong>Guest Registrations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1961</td>
<td>220,586</td>
<td>49,820</td>
</tr>
<tr>
<td>1964</td>
<td>351,072</td>
<td>61,871</td>
</tr>
<tr>
<td>Net Increase</td>
<td>130,486</td>
<td>12,051</td>
</tr>
<tr>
<td>Percentage Increase</td>
<td>59%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Room Increases</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950</td>
<td>1,011</td>
<td>312</td>
</tr>
<tr>
<td>1964</td>
<td>1,999</td>
<td>1,480</td>
</tr>
<tr>
<td>Net Increase</td>
<td>3,988</td>
<td>1,168</td>
</tr>
<tr>
<td>Percentage Increase</td>
<td>394%</td>
<td>374%</td>
</tr>
</tbody>
</table>

*The employment figures must be interpreted in light of their omission of casino workers and "entertainers" (i.e., musicians, dancers, nightclub performers, etc.). The larger, more luxurious hotels of San Juan place a much greater emphasis on entertainment and night life than Island hotels and, consequently, would employ a bare minimum of 1,000 additional workers for these purposes, whereas Island enterprises combined would not likely utilize seventy-five such employees. These figures are estimates of the author as there are no official statistics available.*
advance.

The creation of these new tourist-oriented jobs are net contributions to their respective local areas—both raising local living standards and helping to retard the population exodus to San Juan from the rest of the Island. In sum, the purpose of generating economic opportunity beyond San Juan has been somewhat successful; in that approximately 2,000 more permanent jobs were available in 1964 than existed in 1955.

The second objective of decentralization, that of reducing or reversing the growing density of tourist facilities in Metropolitan San Juan, has met with almost total defeat. This defeat is best exemplified by failure to arrest the rate of growth in San Juan vis-a-vis that of the Island (Figure 23). That the differential might have been much larger had the government not tried to reverse the trend, is small consolation for the actual failure.

The third objective, that of prolonging the period of visitation by getting tourists away from San Juan, is almost impossible to measure. Diverting visitors to Island hotels is only one of many forces that bear upon the length of stay (and upon the amount of money spent). However, since the average length of visit (between four and five days) has changed little for the entire period, it can hardly be suggested that internal tourism has given the length of stay an appreciable boost.

\[39\] A similar case was made by economist, H.C. Barton for the limited number of Island jobs created by Pomento-sponsored factories. See: Barton, op. cit., p. 6.

\[40\] Dr. Simon Rosa, Aspectos economicos del turismo externo en Puerto Rico y sus perspectivas (San Juan: Puerto Rico Planning Board, April, 1963).

\[41\] Further discussion of the allied topic, government efforts to disperse tourism within San Juan, will be treated in Chapter IV.

\[42\] Rosa, op. cit., Table A-3.
Summation of Chapter III

In sum, the government program to decentralize the tourist industry can be described most accurately as neither a real success nor a total failure.

Although there are some "natural" advantages to locating a new hotel on the Island (i.e., cheaper labor costs, lower land values, mountain scenery, and relative seclusion), San Juan's location is much more competitive in the tourist market with its plethora of entertainment, restaurants, shopping facilities, beaches and, particularly, its accessibility (all visitors arrive initially in the capital city). Further evidence that Island facilities are less appealing to visitors, hence less attractive to investment and more difficult to develop, is provided by the comparatively unfavorable occupancy rates for hotels outside of San Juan (Figure 29).

Since San Juan's facilities have greater appeal than those of the Island, one can justifiably conclude that the increase in Island rooms from 312 in 1950 to 1,1480 in 1964 would not have occurred without the various forms of government assistance.

In general, the government programs were sufficiently appealing to those locating projects on the Island to be widely utilized. The government, through Pridco and the Government Development Bank, participated to some extent in the financing of all Island hotels; all eligible projects that applied for, received tax exemption. The Department of Tourism's counseling services were used to a limited extent in all developments, and some projects such as El Barranquitas, El Ponce Inter-

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43 Interview with Anthony Chodorowski, Director, Puerto Rico Hotel School, Economic Development Administration, Commonwealth of Puerto Rico, April 1964.

44 Postcard Surveys repeatedly have born out the attraction of beaches plus a variety of entertainment and eating places.
COMPARATIVE OCCUPANCY RATES* FOR HOTELS IN SAN JUAN AND THOSE ON THE ISLAND

THE OCCUPANCY RATE IS THE PERCENT OF AVAILABLE ROOMS WHICH ARE RENTED

continental and Delicias Hotels, used them to the fullest extent. In short, the government programs were sufficiently appealing to be utilized widely by those projects which have located on the Island.

During the period under discussion, Puerto Rico was struggling for investment capital in a fiercely competitive market. While aiming toward development of the interior, when confronted with limited and, frequently, fickle investors, authorities felt that they could hardly afford the luxury of permitting only interior investment for fear of losing too much sorely needed capital—regardless of its location.

Because of the aforementioned (1) receptivity of government locational incentives by developers, (2) comparative locational disadvantages of the interior, and (3) overall shortage of investment capital, it is concluded that government decentralization efforts were responsible, in large part, for the 1,168 total rooms which were constructed on the Island between 1950 and 1964. However, there can be little doubt that these decentralization efforts would have been more effective had a central coordinating authority been created for the specific purpose of carrying out the program and if the various measures had been instituted earlier in the 1950's instead of, in most cases, in the 1960's.

Also, the overall task of evaluating the success or failure of the government's decentralization efforts would be simplified greatly if a clear statement of objectives with definite areal quotas had been established at the outset. Unfortunately, such clarity of purpose and objectives has not, and still does not, exist.

In conclusion, the government decentralization program was able to divert a small amount of tourism development beyond San Juan. This

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45 Interview, Barasorda, op. cit.
46 Interview, Bouret, op. cit.
diversion provided some limited economic opportunity for local areas outside of San Juan, but it failed to deter continued growth and concentration of new facilities in San Juan, and it failed to increase significantly the length of time visitors stay in Puerto Rico. By failing to accomplish two of three objectives and by affecting the other one only minimally, it can be stated that the government's program for decentralizing tourism, generally, has been ineffective and almost totally unsuccessful.

Hypothesis Two states that if government efforts to decentralize tourism have been effective, the industry's areal pattern should so indicate. This it does not do, therefore the hypothesis is rejected. Some beneficial effects of government efforts were identified, but their aggregate impact was judged insufficient to alter the overall negative assessment of the decentralization program.
CHAPTER IV

GOVERNMENT INFLUENCE ON THE QUALITY OF THE TOURIST INDUSTRY

The strongest declaration of the Commonwealth Government's concern over the quality of the burgeoning tourist industry appeared in 1960. However, many components of quality tourism had been a part of the government program since the very beginning of the modern period. Government interest in affecting the kind of tourism which was developing in Puerto Rico became twofold. Early planners felt that only a first-rate tourist plant would be sufficiently appealing to attract a substantial volume of visitors and to produce a significant contribution to the Puerto Rico economy. A second major concern related to the quality of tourism arose from a fear that an uncontrolled industry might develop and bring alien values into the Puerto Rican culture through the establishment of an overcommercialized enclave for outsiders. Although this latter rationale for attempting the control of tourism gained some very vocal support early in the 1950's, intensive concern for cultural preservation, as this quasi-nationalistic feeling might be labeled, developed mainly in the late 1950's as the industry began to demonstrate

1 Governor Luis Muñoz Marín, Policy on Tourism, Office of the Governor (San Juan: Office of the Governor, March 21, 1960).

2 For example, see: J. Stanton Robbins, Report to the Puerto Rico Industrial Development Company on the Tourist Industry of Puerto Rico (Stonington, Connecticut: By the Author, 1951), p. 5-8.

3 Typical of this sentiment was the series of thirteen articles entitled "La Intrigulís Puertorriqueña" which appeared in El Mundo during October and November of 1952. The author, Emilio S. Delaval, is a prominent Puerto Rican Lawyer, judge, writer and civic leader.
clear signs of attaining sustained growth.\textsuperscript{4}

The purpose of this chapter is to test Hypothesis Three: Government efforts toward affecting the quality of tourism have produced a tourist industry which is different from the type that would have developed without government involvement.

In order to measure the influence of government programs and policies on the "quality" of tourism, it will first be necessary to select particular facets of quality which, while representative of the government objectives, also are capable, at least to some extent, of being measured. The following segments of the government program have been selected as meaningful (and measurable) indexes to quality, as defined by the Commonwealth Government programs for tourism\textsuperscript{5}:

1. High Level of Sanitation,
2. Wide Range of Prices,
3. Complete Honesty in Gambling,
4. First Class Standards of Service and Accommodations, and
5. Preservation of a Native Style Tourism (vis-à-vis an Overcommercialized Type).

These five traits, in aggregate or separately, do not comprise "quality" completely satisfactorily—as defined either by the Puerto Rico Government or by Webster's New Collegiate Dictionary. Also, any

\textsuperscript{1}This view is articulated in: Miguel A. Barasorda, "Tourism in Development Planning," Planning for Economic Development in the Caribbean (Caribbean Organization, San Juan: 1963), pp. 93-94. See also: Guillermo Rodríguez, "Memorandum on a Public Policy for Tourism," Memorandum to Governor Luis Muñoz Marín (San Juan: EDA, February 13, 1957).

\textsuperscript{5}Other aspects of quality which could have been included are:

1. The Establishment of Hotel Facilities Suitable for Mainland Businessmen. This objective was not examined because of the difficulty of measuring it. However, based on the fact that during some years as many as twenty-five percent of all visits are for purposes of business, it appears as though this objective has been rather successful.

2. Bring about a Means for Cultural Exchange. Perhaps the most controversial of the multitude of duties "assigned" to tourism, this concept, too, is exceedingly difficult to evaluate. Preliminary investigations reveal though that the tourist industry has produced a very poor mechanism for cultural exchange. This statement is based mostly upon the type of tourist who is attracted to Puerto Rico from the United States. The wealthy class of visitor coming to visit has demonstrated great reluctance to stray from the beaches, bars, or casinos—let alone involve himself in the concerns of a largely poor, tropical, Spanish speaking populace.
attempt to measure such qualitative phenomena as standards of service or degree of overcommercialization cannot be definitive, but can only provide some insight into relative quality. Despite these acknowledged limitations, conceivably an analysis of the Puerto Rico experience at quality control of tourism, even though somewhat inconclusive, will be useful to island planners and to others who hope to retain a measure of control over their own developing tourism. A further reason for attempt-such a complicated undertaking stems from the high priority given to this principle by the government as well as its deep significance to many Puerto Rican people. It must be considered a major objective of the government program for tourism.

**High Level of Sanitation**

A high level of sanitation for tourism was a part of the program from the very outset. Early sanitary conditions were especially deplorable. Whitcomb and others made strong pleas for the necessity of improving sanitation in restaurants and hotels.

In 1947, Sanitary Regulation Number 120 for restaurants was instituted by the Puerto Rico Department of Health. This regulation initiated a comprehensive sanitary code for eating places, complete with provisions for periodical inspections by government personnel and penalties for non-compliance. Regulation 120 is typical of public health provisions in that it establishes minimum requirements for refrigeration temperatures.

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6Especially in the form of public pronouncements and quasi-formal policy statements.

7The Tourism Advisory Board's Program, Prepared by the Tourism Advisory Board for the Economic Development Administration (San Juan: EDA, April 21, 1950), p. 2.

8Emmons Whitcomb, The Development of Tourism to Puerto Rico (San Juan: Puerto Rico Development Company, 1945), pp. 27-41; and Proposed Hotel San Juan, Puerto Rico, Prepared by Horwath & Horwath, Hotel Consultants for Pridco (San Juan: Pridco, December 9, 1946)
dishwashing temperatures and bacteria counts, insect and pest controls, food storage areas, food preparation areas, waste disposal, lavatory facilities and employee cleanliness and health, etc.9

Restaurants are examined by Department of Health inspectors approximately every three months, unless a customer registers a complaint, in which case an impromptu inspection is made.10

A restaurant inspector for the Department of Health revealed in an interview that tourist-oriented restaurants are very clean and, as a class, maintain the most sanitary eating facilities in all of Puerto Rico.11 The inspector attributed these high standards of cleanliness to (1) the fear among hotel and restaurant management of their clientele's sensitivity to an adverse rating from the Department of Health and (2) concern that a poor report by the Department of Health may jeopardize their tax exemption status. Rule infractions in tourist hotels and restaurants are normally minor oversights and are corrected readily. Second warnings are exceedingly rare.12 Another reason for high health standards in tourist facilities is the high quality of their equipment and buildings. Most tourist-oriented facilities are relatively new and are constructed with the latest modern kitchen and cleaning equipment. This alleviates greatly the burden of cleanliness in the tropics.

Further impetus to high standards originates from the semianual examination of kitchen facilities and overall restaurant attractiveness conducted by the Department of Tourism. If an establishment should be

9Government of Puerto Rico, Department of Health, Reglamento de sanidad num. 120, restaurantes (San Juan: 1947).

10Interview with Dr. Berea, Health Officer, Department of Health, Commonwealth of Puerto Rico, April, 1964.

11Interview with Inspector Maldonado, Department of Health, Commonwealth of Puerto Rico, April, 1964.

12Ibid.
judged unsatisfactory, it will not be included in the Department's list of recommended facilities. A loss of this endorsement means that the restauranteur must continue the operation of his establishment minus tourist clientele—a penalty never sought voluntarily and, hence, a powerful weapon for inducing high standards of cleanliness. 13

In the government-sponsored Hotel School curriculum, considerable emphasis is given to sanitation practices—both for personnel and for the handling of food. As more and more formally trained graduates take positions in hotels and restaurants and improved practices are learned, still higher standards will undoubtedly evolve.

In sum, one can safely conclude that the present high standards of cleanliness in eating places for tourists have resulted, in large part, from the efforts of the Department of Health and the Department of Tourism (Division of Facility Development and the Hotel School).

Wide Range of Prices

The development of a wide range of prices has long been an aim of the government.14 Hopefully, both a larger and a more culturally diverse market (i.e., including teachers, students, clergymen, office-workers; in addition to upper income visitors) could be reached if an adequate supply of moderately priced facilities were made available. 15


15This does not mean that there has been complete agreement on this objective, since some observers associate an influx of middle and lower class visitors with an increased threat to the Puerto Rican value system. The derogatory phrase, cheapening of the market, is used commonly to signify these lower and middle class visitors. See: Cesar Calderon, "Necesidad de controlar el desarrollo del turismo en Puerto Rico," an unpublished public statement (San Juan: May 6, 1964).
Government efforts to bring about the development of moderately priced facilities have included a persuasion-promotion policy by the Department of Tourism and, to a limited extent, a similar policy by the government lending institutions: Pridco and the Government Development Bank. These policies, however, were not awarded the highest priorities. Although the principle of a wide range of prices was highly desirable, little was done to achieve it.

Loans from the Government Development Bank and Pridco were also used to assist less sumptuous and, hence, lower priced hotel facilities. In response to a charge in the San Juan Star by former tourism director, Roberto Bouret, that the Government Development Bank refused to consider lending money to any project not of the luxury class and/or on Condado Beach, Bank President, Dr. Rafael Picó replied:

This statement does not agree at all with the policy and practice the Bank has always followed. Since it started operation, the Bank has disbursed twenty-eight loans to hotels and guest houses for the total amount of $8,718,000. Of this, only four are luxury hotels representing an investment of $1,825,000 and the remaining twenty-four, for $3,923,000, almost 50% of the total amount disbursed, has gone to other types of hotels that are neither luxury nor beach front. Pridco hotel loans have totaled $3,127,338 for twenty-four separate hotel and guest house projects. However, four loans totalling $2,300,000 comprised seventy-three and one half percent of this amount, thus relatively little was left to be dispersed among less costly projects.

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16 This fact was mentioned by both former Director Bouret and current Director Piñeiro during the course of being interviewed.

17 This point was made abundantly clear in an interview with Roberto Bouret, Executive Director, Puerto Rico Hotel Association, February, 1964.

18 Letter from Rafael Picó, President of the Government Development Bank to Mr. William H. Dorvillier, Editor of the San Juan Star, January 7, 1964.

19 These figures were provided by Carmen Badillo, Office of Economic Research, Economic Development Administration, Commonwealth Government of Puerto Rico, for this study, 1964.
Beginning early in fiscal 1964, the government decided to discontinue the granting of casino licenses for Metropolitan San Juan, but not for the rest of the Island. Three reasons were given for this change of policy by Division of Gambling Director, Mendez Muñoz: (1) the growth of facilities out on the Island would receive a relative boost (2) the growth of facilities would be encouraged to develop and (3) the danger of San Juan being overwhelmed with tourists, à la Miami, would be lessened. Due to the short time which has lapsed since this provision was instituted, its impact upon the growth of lower cost facilities cannot be measured.

In sum, government support of medium and lower cost facilities has been given through loans, but not to the same extent as to the more profitable and less risky luxury facilities. Some promotional gestures by the Department of Tourism, and the recent policy of refusing to grant more gambling licenses for San Juan have been other forms of government participation.

As might be expected, such half-hearted efforts have not been very successful. Table 13 shows that average room rates in Puerto Rico exceed those of Florida by approximately twenty percent. To be sure, there are some rooms which cost less than the average, but nothing oriented primarily to the tourist trade. The lower cost facilities, without a significant exception, are either commercial hotels or guest houses which lack swimming pools, direct access to the beach, restaurants, entertainment and other commonly expected tourist services.

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20 No formal declaration appeared.

21 Interview with Mendez Muñoz, Director, Division of Gambling, Department of Tourism, Economic Development Administration, Commonwealth of Puerto Rico, March, 1964.

22 One local index has been the frequent mention of this issue by the Island Press.

23 See Appendix V for a summer and winter listing of room rates.
TABLE 13

AVERAGE ROOM RATES

<table>
<thead>
<tr>
<th>Year</th>
<th>Puerto Rico</th>
<th>Florida</th>
<th>Average for the United States</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Under 500 Rooms</td>
<td>Over 500 Rooms</td>
<td>Resorts</td>
</tr>
<tr>
<td>1961</td>
<td>$20.53</td>
<td>$16.52</td>
<td>$7.91</td>
</tr>
<tr>
<td>1962</td>
<td>21.47</td>
<td>17.75</td>
<td>8.01</td>
</tr>
<tr>
<td>1963</td>
<td>22.56</td>
<td>18.02</td>
<td>8.33</td>
</tr>
<tr>
<td>1964</td>
<td>21.55</td>
<td>18.46</td>
<td>8.31</td>
</tr>
</tbody>
</table>


Appendix V indicates that prices in tourist-oriented facilities do not range widely. Few facilities with beach frontage and casinos exist and they are clearly the most expensive. Even the lowest priced facilities do not compare favorably with the United States motel and motor hotel average rate per room per day of $11.23.  \(^24\)

Figure 30 provides supplemental evidence that the overall cost of vacationing in Puerto Rico has steadily increased. Figure 31 suggests that these rising costs have all but eliminated the lower income visitors, while those with incomes in excess of $10,000 have increased from forty-one percent to an average of nearly sixty percent of the annual total number of visitors to Puerto Rico.

An examination of the overall attempts of the government to establish moderately priced facilities shows that, on the contrary, some government actions have had the opposite effect. Government owned ho-

\(^24\)Trends in the Hotel Business, 1964, Prepared by Harris, Kerr, Forster, Certified Public Accountants, XIII, Figure 44, p. 35.
ANNUAL TOURIST EXPENDITURES PER DAY
1947-1964

SOURCE: SELECTED STATISTICS ON THE VISITOR AND HOTEL
INDUSTRY OF PUERTO RICO, 1963-64, EDA, P. 39.

Fig. 30
INCOME LEVELS OF NON-RESIDENT HOTEL VISITORS

- **NOT REPORTING**
- **ANNUAL INCOME LESS THAN $5,000**
- **ANNUAL INCOME $5,000-$10,000**
- **ANNUAL INCOME OVER $10,000**

**Source:** Selected Statistics on the Visitors and Hotel Industry of Puerto Rico, 1963-64, EDA, P. 40

Fig. 31
tels such as the Caribe Hilton and the La Concha traditionally have been among the price pacemakers. Moreover, the minimal investments required to qualify for a gambling permit are inconsistent with the policy of encouraging smaller, lower cost accommodations. The greater the original investment, the higher are depreciation charges, real estate taxes, and interest charges—hence, higher rates for food and rooms.25

In conclusion, the dearth of moderately priced tourist facilities which existed in 1964, and the increasing proportion of visitors from the upper income levels, would indicate that the government objective of providing accommodations for all income groups has fallen very short of its goal.26

Complete Honesty in Gambling

Government policy, adamant in its support of fair and honest gambling in casinos, dates back to the original law for legalizing and formalizing games of chance in Puerto Rico, passed on September 21, 1948.

Government efforts to control gambling, normally administered by the Department of Tourism's Division of Gambling, have been marked. Before a gambling license is granted, lengthy background investigations (frequently in cooperation with the United States Federal Bureau of Investigation) are made of those responsible for the proposed casino. Government inspectors are permitted free access to casino records and equipment as well as to any information requested concerning the operation of a gambling parlor.27 All rules of play such as permissible


26In addition to a paucity of government action on this issue, there is the serious "natural" barrier of lower occupancy rates and profits common to moderately priced facilities—hardly providing an incentive for more investment. See: Carmen Machuca, Trends in the Tourism Industry in Puerto Rico (San Juan: EDA, December 11, 1963), Table 2.

27Commonwealth of Puerto Rico, Legislature, Games of Chance Act No. 221, Section 6, May 15, 1948.
games, bet limits and detailed conditions of play, hours of operation, etc., are established by the government and posted publicly in all gambling parlors. All casino employees must be trained by the government—at the hotel’s expense. No advertising of casino gambling is permitted.28 During hours of operation (8:00 pm to 4:00 am in 1964), government inspectors are always on duty on the casino premises. Liquor and/or food are not allowed in the casino. Any infraction of the above rules gives the government authority, "... to temporarily or permanently suspend or cancel the franchise, license, rights and privileges enjoyed under the Games of Chance Act... and their decisions to that effect shall be final and unappealable."29

A precise measure of the effectiveness of the above provisions for fair and honest gambling is impracticable. However, there is considerable evidence to support the government allegation that casino gambling in Puerto Rico is truly fair.

The most meaningful testimony to the effectiveness of government regulations and the consequent honesty in casino gambling30 is the paucity of reprisals that have been necessary by the government. According to Division of Gambling Director, Mendez Muñoz, minor infractions are corrected immediately because of acknowledged importance casino earnings are to the overall profitability of the hotel. The risk of gambling license revocation far outweighs any serious consideration of short-run dishonesty.31

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28 Presumably to reduce the danger of an influx of notorious gamblers from abroad. See: Act 221, op. cit., Sec. 8.
29 Act 221, op. cit., Sec. 9.
31 Interview, Mendez Muñoz, op. cit.
Strict compliance with the gambling law has been a problem only on one occasion. This incident involved a rather bizarre series of events surrounding a government discovery that the name of a major stockholder of the former Ponce de Leon Hotel had been omitted purposely from the official list submitted to the government for approval. The unlisted man turned out to be Zachery Strate, who, along with Teamster Union head, James Hoffa, was under indictment in the United States Courts for allegedly misusing $20 million of union loan funds. This clear violation of Sec. 6 of the Gambling Law (which requires the divulging of all hotel ownership) precipitated a sharp government reaction. The provisional gambling permit of the recently opened hotel was rescinded. Within a week the hotel closed for business—publicly claiming that without gambling earnings it could not profitably operate. After several weeks of behind-the-scenes maneuvering, ownership of the $11 million hotel changed hands. Hilton International was contracted by the new owners to handle the management, a new provisional gambling permit was reissued by the government and almost immediately the hotel reopened for business under the new name of San Gerónimo Hilton. 32

The prompt, decisive handling of the Ponce de Leon affair, especially in view of such an able adversary as the head of the Teamster Union, won the government acclaim from some traditionally hostile critics. 33 Such governmental actions substantiated its own claims that gambling irregularities in any form would not be tolerated.

A lengthy search has revealed no other record of complaint or criticism of gambling legality in Puerto Rico. 34

32 See the sequence of articles in May and June 1961 in the San Juan Star.
33 Alex Maldonado, San Juan Star, May 9, 1961, p. 23.
34 Postcard Surveys have not revealed any complaints on this count.
One can conclude that the government objective of maintaining fair and honest gambling facilities has been very successful. This assessment is based upon the passage of a comprehensive gambling law coupled with effective means of surveillance and enforcement. Significant, too, was the fact that no charges of dishonesty against Puerto Rico casinos were discovered.

First Class Standards of Service and Accommodations

Accounts of the general unsuitability of tourist accommodations and services in Puerto Rico prior to the construction of the Caribe Hilton are legion. Government planners early asserted that if the industry were to be successful, new facilities must be of the highest quality.

The terms "standard" and "quality" are used by the Puerto Rico Government to signify tourist facilities which are attractively constructed, furnished and managed—as measured against international tourist standards.

Tangible evidence of government concern for minimum standards is exemplified by the formulation of the Code of Minimum Standards for Tax Exempt Hotels, approved by the Governor on May 7, 1953. This document contains elaborate minimal requirements for the following: posting of room rates, sales promotion, furnishings and decorations (e.g., minimal annual investment for depreciation), food supplies, dining rooms and kitchen, dishwashing, water supply, swimming pools, water-flushed toilets, sewage disposal, refuse, fire protection and employees' quarters.

35 Rafael Benitez Carle, Address before the Travel Writers Association of New York, March 2, 1959, p. 5.
36 Robbins, op. cit., p. 6.
37 Act 221, op. cit., Sec. 4.
38 H.B. Meek, Code of Minimum Standards for the Tax Exempt Hotels of Puerto Rico, As approved by the Governor (San Juan: EDA, May 7, 1953).
All hotels desiring tax exemption must first comply with regulations of the 1953 Code. Government inspectors from the Office of the Hotel Consultant, Department of Tourism, inspect hotels semiannually to assure their continuing compliance with the Code. Additional assistance is available, upon request, from the Division of Facility Development which will give the services of its experienced office, free of charge, to prospective hotel and restaurant developers who are grappling with design and planning problems and who seek to satisfy government minimal standards.

Another example of the government's concern for quality in tourism is the 1961 Menu Study of the Division of Facility Development. This study attempted to broaden the menus of many restaurants to include a greater variety of cuisine—especially Puerto Rican dishes. Similar in purpose is the Annual Culinary Arts Exposition which gives awards for outstanding quality in food preparation and display. This event is co-sponsored by the Puerto Rico Hotel Association (private businessmen) and the Puerto Rico Department of Tourism.

The Puerto Rico Hotel School is another example of the government's commitment to quality. Hotel School graduates have been in great demand because of their efficiency and level of skill. The contribution of the Hotel School is appreciated even more because Puerto Rico has previously lacked a reservoir of experienced hotel workers (e.g., cooks, 

\[39\] Virtually all hotels built since 1953 have conformed and many older establishments have been expanded and refurbished in order to qualify for the highly valued tax exemption.

\[40\] This survey was conducted by the Office of the Hotel Consultant and involved a comprehensive questionnaire for inventoring the content of menus; followed by some recommendations for more appealing offerings.

\[41\] As was mentioned in Chapter II, the Puerto Rico Hotel Association was not a major force prior to 1963. Presumably, this private organization will play an increasingly influential role in the future.
The administration may take into consideration the number of licenses, the location of the licensees and the kinds and quality of the facilities offered by the concessionaires which shall best serve the purposes of this act, which are those of encouraging for, and providing tourists with, attractions and accommodations at a level with international standards, and which will best serve to promote tourism. The Administration may make its recommendations under conditions that the licensee shall comply with certain requirements as to the establishment, expansion, or improvement of particular attractions and accommodations for tourists, whether at the same place where the hotel, restaurant, or recreation place of the applicant is already established, or at any other place in Puerto Rico, and the license granted on the basis of such conditional recommendations shall be revoked in case the conditions determined are not complied with.

Specific requirements such as a swimming pool and/or a developed beach area, complete with lockers, showers, lifeguards as well as established minimum investments for hotels, are also necessary prerequisites for approval of a gambling permit and a tax exemption.

Both the gambling license and the tax exemption stipulate clearly that any subsequent deterioration in quality will subject the owner to a revocation of the aforementioned privileges. The importance of tax exemptions and gambling licenses as incentives for high standards is reflected in the warning of the Department of Tourism that corrective action will immediately follow any infraction. On no occasion has cancellation of the tax exemption or gambling permit been necessary in order

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42 This requirement is not enforced, however, since the rapid growth of new facilities and the consequent demand for labor has far outstripped the production of Hotel School graduates.

43 Act 221, op. cit., Sec. 4.

After meeting the requirements of the Code of Minimum Standards, the ten year tax exemption usually is awarded automatically.
to maintain the government's minimal standards of quality. This fact is significant.

Considering the various government agencies which have instituted minimum standards for tourist facilities as prerequisites for concessions, the conclusion may be drawn that government programs have been very successful in the creation of a higher quality of accommodations and service than existed prior to the advent of these programs, or than would have occurred without such government participation.

Unfortunately, there is no precise means of measuring the nebulous concept of tourism standards or quality. One possible indication that existing Puerto Rico standards are more than acceptable is their obvious appeal to large numbers of tourists (Figures 1, 2 and 3). Also significant is the large number of these tourists who are returning for subsequent vacations—over one quarter of the 1961 total had visited before.

To conclude that government programs have helped produce higher standards of tourism does not ignore the fact that even higher standards are possible and feasible. Evidence that some of the government planners were aware that more could be done for the quality of tourism is found in the Code of Minimum Standards, Part II which was formulated in the early 1960's. This document, had it been accepted by the Planning Board, would have been an addenda to the original 1953 Code. Part II would have required new facilities to devote more space and money to gardens and

---

145 For a candid description of facilities during World War II, see Whitcomb, op. cit., 12-47.

146 Only incidental reference is returned in the Postcard Surveys.

147 It is likely that many of these are returning businessmen. See the Annual Postcard Surveys.
landscaping, developing sea views and other provisions which would have contributed to higher standards. 48

Service is still a major concern of tourist leaders. 49 Both the quality of service and speed with which it is carried out need improvement.

However, the historical record and the type of facility available today show that immense improvements have occurred. Since all tourist hotels have participated in the tax exemption program (and thus subjected to the Code of Minimum Standards) and most tourist hotels and restaurants have participated in other government programs for the upgrading of tourism, it is apparent that much credit for the improved quality of tourism must go to government initiative.

Preservation of a Native Style Tourism (vis-a-vis an Overcommercialized Type)

The preservation of a native style tourism is a principle that had its origin in national pride, a quality easily observable among many Puerto Ricans. As tourism continued to expand at a rapid rate during the 1950's, many Puerto Ricans became concerned that their cherished island might be affected adversely by outsiders with non-Puerto Rican ways. Development à la Miami Beach, Florida was cited frequently as the probable destiny for San Juan if the tourist industry was left uncontrolled. Numerous Puerto Rico leaders have spoken out publicly in support of strong government control in an effort to prevent "another Miami Beach". 50

48Barasorda, op. cit. and Bouret, op. cit.

49Interview with Anthony Chodorowski, Director of the Puerto Rico Hotel School, Economic Development Administration, Commonwealth of Puerto Rico, April, 1964; Barasorda, op. cit.; Bouret, op. cit.

50Public concern along this theme has been voiced by Governor Sanchez Villalà; former Governor Muñoz Marin; Fomento Administrator Rafael Durand; former Fomento Administrator and head of the U.S. Alliance for Progress, Teodoro Moscoso; former President of the Government Development Bank, Rafael Pico; President of the Puerto Rico Planning Board, Ramon Garcia Santiago; prominent businessman, Cesar Calderon, plus many others.
Even though considerable and widespread concern was expressed over the type of tourism which might develop, usually the criticisms were non-specific (i.e., the phrase, "We don't want another Miami Beach.") and seldom translated into programs of action. The anti-Miami Beach attitude stems from the abundance of tourist-oriented amusements found in Miami which are designed only to divert tourists—without regard to their utility or impact upon local residents. Characteristic of the most offensive type of tourist trappings, deplored by critical Puerto Ricans, are shooting galleries, penny arcades, morally questionable female stage shows by morally questionable females, junky carnivals and such base attractions as monster lands, cheap gingerbread villages, wax museums, talking alligators, etc. These, in aggregate, produce a gaudy, honky-tonk atmosphere, which Puerto Rico traditionally has not possessed. This type of development would contribute very little, if anything, to Puerto Rican people, but might actually endanger or undermine Puerto Rican cultural values.

In addition to fearing for the decay of Puerto Rican culture, critics seem to agree that it is demeaning, if not servile, for Puerto Ricans to be subjected to such alien "atrocities" in order to gain a livelihood. Perhaps this feeling is expressed most succinctly by Teodoro Moscoso, Administrator, Economic Development Administration: "In other words, we should be ourselves and put our best foot forward, but we should not borrow a wooden leg and try to pass it off as our own just to please the tourists."

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51 This list was compiled from numerous interviews and readings (especially departmental memos).

52 At least not in this form.

53 This is a repeated theme among critics of tourism.

54 Teodoro Moscoso, "Memo on Don Short's Comments on the Tourism Master Plan," Memorandum to Rafael Durand, EDA, August 27, 1958.
Examples of government action that provides assistance to this rather nebulous concept are such programs as the annual Pridco-sponsored Casals Festival, the varied functions of the Puerto Rico Institute of Culture, restrictions of the Planning Board and recommendations of the Department of Tourism.55

While the Festival Casals Inc. and activities of the Institute of Culture have afforded visitors (and, naturally, natives alike) a "culturally superior"56 form of diversion, the Planning Board in conjunction with the Department of Tourism, prevents the establishment of cheap honky-tonk-like facilities by restricting building permits, endorsements for tax exemption, government loans and entry on the officially approved accommodation listing.57

When a prospective developer produces a blueprint that seems too ostentatious, the Division of Facility Development of the Department of Tourism advises him how to alter the project to make it more amenable to Puerto Rican tastes. In most instances, a reasonable compromise is reached, however, some projects have been forwarded to the Planning Board minus the approval of the Department of Tourism.58 Usually some concessions are wrung from the prospective developer concerning building design, decor, room size and nomenclature.59 However, when the prospective establishment is not a hotel seeking tax exemption or government financing, but a small car rental agency, sandwich stand, restaurant

55The functions of these agencies are discussed more fully in Chapter II.

56As defined by the critics.

57Barasorda, op. cit.

58Usually the Planning Board would exert further pressure in the hope of salvaging the project, but if the developer refuses to cooperate, the whole proposal may be rejected.

59The use of Spanish names has been encouraged. See: Muñoz, op. cit.
or pay parking lot, then the power of power of the Department of Tourism and the Planning Board to influence the nature of the project is reduced significantly, often to the extent that "good taste" is not enforceable. Thus, when the threat of a refusal of tax exemption, casino license, or government loans cannot be made, undesirable facilities can and do gain admittance. As a consequence of this loophole, some small unsightly operations (i.e., car rentals, souvenir shops, sandwich stands, etc.) have developed, despite an opposing government policy.

A major handicap in the government program for preventing honky-tonk caliber facilities is the recognition that the terms "honky-tonk" or "Miami Beach" type were never clearly defined so that proper restrictions against them could be implemented. However, the present "gentlemen's agreement" type of policy, although nowhere clearly spelled out, has succeeded in preventing "another Miami Beach", at least to the extent that very, very few overtly cheap commercial enterprises have been imported. Table 11 below lists some of the types of establishments frequently attacked by critical Puerto Ricans and commonly associated with cheap, overcommercialized tourism.

Table 11 and, more importantly, field reconnaissance, indicate that Puerto Rico has far fewer cheap tourist-oriented operations than might be expected for a tourist attraction of its size.

Were it not for the aforementioned government policies that deter the types of establishments listed in Table 11, a larger number of them

60 Barasorda, op. cit.

61 Cooperation exists among government agencies to the extent that it is most unlikely for any project to receive tax exemption or a loan from either the Government Development Bank or Pridco, if general endorsement is not forthcoming from the Department of Tourism and the Planning Board.

62 Consider such places as the Wisconsin Dells, the Black Hills, Lookout Mountain, Tennessee or Waikiki Beach.
### TABLE 14

SOME COMMON COMMERCIAL ENTERTAINMENT FOUND AT RESORT AREAS

<table>
<thead>
<tr>
<th>Establishment</th>
<th>Miami</th>
<th>San Juan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dance Halls, Studies, Schools, including Children's</td>
<td>897</td>
<td>8</td>
</tr>
<tr>
<td>Bowling, Billiards and Pool</td>
<td>62</td>
<td>19</td>
</tr>
<tr>
<td>Race Track Operations, including Racing Stables</td>
<td>98</td>
<td>N/L*</td>
</tr>
<tr>
<td>Amusement Parks, Kiddie Parks, Theme Parks</td>
<td>5</td>
<td>N/L</td>
</tr>
<tr>
<td>Concession Operator of Amusement Devices, Rides</td>
<td>58</td>
<td>N/L</td>
</tr>
<tr>
<td>Carnivals and Circuses</td>
<td>6</td>
<td>N/L</td>
</tr>
<tr>
<td>Tourist Attractions, Natural Wonders</td>
<td>7</td>
<td>N/L</td>
</tr>
<tr>
<td>Coin-operated Amusement Devices</td>
<td>29</td>
<td>N/L</td>
</tr>
<tr>
<td>Misc. Commercial Amusements</td>
<td>211</td>
<td>77</td>
</tr>
<tr>
<td>Turkish Baths, Massage Reducing Salons</td>
<td>79</td>
<td>N/L</td>
</tr>
</tbody>
</table>

*None Listed

would undoubtedly have developed in Puerto Rico. Had a well defined policy against objectionable establishments been formalized and implemented, the existing few distasteful establishments might have been reduced even further, or possibly eliminated entirely.  

Supporting evidence for this last statement is based upon the success of the Historic Sites Law of 1949 which declared most of Old San Juan an official historic site. A comprehensive plan for preserving and restoring the grandeur of the old quarter was developed and strictly enforced by the Puerto Rico Institute of Culture. This ancient Spanish fort area has been gradually refurbished and remains without any of the loud vulgarities which so often are associated with such a popular tourist attraction. A strongly enforced plan has been successful.

An example of incomplete or fragmentary planning which produced a fiasco may be found in the decision to refuse permission for luxury hotels in Condado. This was done to stop the development of a tourist "wall" between Puerto Ricans and their sea. At the same time, permission to construct highrise condominium apartments on the same choice real estate produced the tourist "wall" everyone was trying to prevent (figure 32). The result is somewhat similar to the situation in Miami Beach, but rather than a row of hotels for very wealthy Americans, there is rapidly developing a row of condominiums for very wealthy Puerto Ricans (and also some Americans). Either hotels or condominiums will serve to wall off the sea for a privileged few, in Miami for tourists in hotels, in San Juan for natives in condominiums.

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63 Barasorda, op. cit. and Bouret, op. cit.

64 Commonwealth of Puerto Rico, Instituto de Cultura Puertorriqueña, Division de Comentarios, Normas para la restauración de las casas antiguas de la zona histórica de San Juan (San Juan: 1955).

65 See Chapter II for more on the role of the Government Development Bank in granting loans for restoration of Old San Juan.

66 Technically, Puerto Rico law declares all beach property to be public, but there is the practical matter of accessibility.
CONDOMINIUM CONSTRUCTION IN SAN JUAN 1961-64

- Each dot represents a condominium with six floors or more which has been granted a building permit between January 1961 and February 1964.

Source: Planning Board, Bureau of Permits

Fig. 32
Had a comprehensive long-range landuse plan been devised for the allocation of these choice, but rare, land resources to the optimum advantage of all Puerto Ricans, then both hotels and condominiums might have been controlled, and the tourist "wall" prevented.

In sum, empirical field observations indicate that Puerto Rico lacks the grotesque, "fast-buck" type of tourism which has developed so commonly at other places which attract large numbers of visitors. One can not say, however, that the tourist plant is "pure" Spanish Puerto Rican in style nor that a small number of indiscreet facilities have not infiltrated. The most effective means of encouraging a higher quality of tourism have been through implementing the policies of the Department of Tourism and the Puerto Rico Planning Board, which may refuse permission for tax exemption and government financing for unsuitable projects. Were it not for this screening system (even with its few leaks), Puerto Rico would have attracted a different caliber of facility, more similar to that found at innumerable tourist centers over the United States.

**Summation of Chapter IV**

Of the five government programs for inducing higher quality which have been considered, the high level of sanitation and honesty in gambling have been very successful. Programs for the creation of a high standard in accommodations and service, and the preservation of Puerto Rican culture, have been less successful, but, nonetheless, have contributed significantly to the original government objective. The government plan to develop a wide range of prices for visitors was clearly unsuccessful.

The more successful efforts succeeded largely on the merits of good planning and, conversely, the less successful endeavors failed because of insufficient planning and follow-up action. On the bases of
the five indexes which have been examined, there is considerable evidence that suggests than when a facet of quality control (i.e., sanitation, gambling, restoration of Old San Juan) is genuinely understood and a comprehensive plan for control devised, then effective control is possible. However, when a partial or incomplete plan and means for its enforcement were poorly thought out and implemented (e.g., range of costs), then prospects for success were diminished.

In sum, Hypothesis Three has been substantiated; the government program to affect the quality of tourism in Puerto Rico has been largely successful. Moreover, the Puerto Rican experience demonstrates that when planning for the control of tourism is undertaken with a clear purpose, accompanied by realistic minimal standards and an effective means of enforcement, then only can positive results be expected.
CHAPTER V

SUMMARY AND CONCLUSIONS

Synthesis of Findings

An examination of the relationship between the programs of the Commonwealth Government and the development of Puerto Rico's tourist industry has demonstrated that the former has had a pronounced effect upon the latter. Because of the comprehensive role played by the government, the tourist industry in Puerto Rico is much larger and more indigenous in character than it would have been if the Commonwealth Government had not acted.

Hypothesis One

The most crucial governmental action was the assistance for the expansion of tourist facilities. The strong temporal correlation between the number of tourist rooms available and the number of arriving visitors shows that lack of accommodations was a major obstacle to the growth of the industry. A breakdown of capital investment in tourist facilities reveals that government investment and loans to private developers comprised the greatest share at a time when sufficient private investors were unavailable. Subsequently, investment increased markedly, but the government's contribution declined both absolutely and relatively to private enterprise. These events indicate that government investment served to "prime the pump" for later investment from the private sector. One can only speculate as to when and how much the private sector would have developed tourism in Puerto Rico on its own volition.
Hypothesis Two

Government influence on the location of the tourist industry in Puerto Rico has been minor. New facilities have been constructed out on the Island, but eighty percent of all facilities have remained in San Juan. Government efforts have been ineffective for two reasons.

First, even though the principle of decentralization had been espoused repeatedly, no substantive plan was put forth for implementing this concept. Consequently, necessary direction and coordination was unavailable.

Secondly, any attempt, even a well-administered one, to decentralize tourism would have been faced with the fact that the type of tourist who is attracted by the seclusion and tranquility of the interior is but a small fraction of the total market. This fact is born out vividly by the low occupancy rate of existing interior facilities.

Hypothesis Three

The government programs to affect the quality of tourism, generally, have been ambiguous and sporadic. However, some aspect of quality (e.g., sanitation and gambling) have been defined clearly and provided with an administrative framework for implementation. These aspects of quality which have been fortunate enough to receive adequate planning and commensurate government support, have been carried out very successfully. But, when government programs for affecting quality such as range of costs and overcommercialization are considered, then the aggregate influence of government appears relatively less important.

Recommendations for Future Government Action

The findings of this study show repeatedly that government programs have been most successful when a clear plan of action has been
supported by a strong government commitment of money and personnel. And, conversely, on issues where government participation has been ambivalent and sporadic, the results have been disappointing. Clearly, all government programs examined in this study could have been more successful had adequate planning been accompanied by strong governmental support.

In some instances, the lack of clarity and purpose has meant failure of government aims, while in other cases only partial fulfillment has occurred. The growth rate of the tourist industry exemplifies this last point well.

If the government had committed itself to a comprehensive, long-term master plan for the development of the industry, then private investors and the semi-autonomous agencies of the government (e.g., Pridco, GDB, Planning Board) would have had a clearer understanding of the future course of government action. The result of such a formal government commitment would have been an improved climate for investment as individuals became confident that the Commonwealth Government would continue its support of tourism.

Intragovernmental transactions would have been facilitated greatly too, if clearer policies had been established. Also, less time and energy would have been consumed in procuring necessary support for tourism (i.e., money for advertising, expansion of the Hotel School, suitable land use zoning regulations) among the various governmental agencies that affect tourist projects.¹

In sum, if a firm government policy on the growth of tourism had

been promulgated in the early 1950's, and an improved atmosphere for capital investment developed along with more coordination and efficiency among the various government agencies, one can speculate that the benefits which the growth of tourism has brought to Puerto Rico would have arrived years sooner and in greater quantity.

Issues like decentralization and quality control would have benefited from a firm government policy relatively much more than the growth rate. For example, the shortage of moderately priced facilities would have been alleviated immensely if less costly hotels had been offered incentives such as casino licenses, longer tax exemptions and easy government financing.

The best interests of all elements affected by the tourist industry (the Commonwealth Government, private investors and the Puerto Rican people) will benefit most when the future role of the government is clarified and a strong commitment given to the announced policies. For the evidence shows that only with full support does a program have the likelihood of optimum fulfillment.

**Future Investigations**

In the course of analyzing such a broad subject as contained in this study, several related research topics have been uncovered. For reasons of continuity and time these allied problems have been set aside for future study.

**Diffusion of Tourism**

A large body of information is available on the attitudes of Puerto Rican people toward the introduction of tourism to their homeland. A long,
bitter and vocal controversy has raged over the merits of a foreign-based tourist industry. Examination of this issue would provide insight into the problems of cultural diffusion. The degree of acceptance or rejection of tourism by influential members of society is an important factor in the industry's development.

Impact of Tourism on the Landscape

The total impact of tourism on an area is another issue which was mentioned frequently by Puerto Rico officials. Recent examples exist (e.g., Fajardo and Dorado) where large luxury hotels have been established amidst a traditional rural setting. Some insight into the extent to which this imported industry has affected the local way of life could be ascertained by examining historical changes in local employment structures, income levels, education and vocational training patterns, community services, attitudes toward foreigners, modes of entertainment, to name a few. These results could be compared with a traditional area which has not been affected by hotel construction.

The many prevailing myths concerning tourism's capacity for transforming regions deserves an investigation.

Government as an Agent for the Development of Tourism

A secondary objective of this study is to provide understanding of the government-tourist industry relationship which will have relevance elsewhere in the Caribbean Area. This challenge could be met much more effectively if a separate study were devoted to understanding the potentialities of government as a force for the development of tourism. Emphasis would be on maximizing the capacities of government to promote tourism. Of course, in order to be of real utility, consid-
erable attention would have to be given to the variable conditions for development which exist in the Caribbean.

The final product would approximate a handbook for the use of individuals seeking to encourage the growth of tourism on their island. Presumably an understanding of the developmental role which can be played by their government would expedite and strengthen their undertaking.
**APPENDIX I**

**Basic Functions of the Government Agencies Related to the Growth of the Tourist Industry**

**Primary Agents**

1. **Economic Development Administration**

   A. Department of Tourism
      1. Visitor Attraction
         a. Mainland
         b. Island
      2. Facility Development
         a. Hotels
         b. Restaurants
         c. Entertainment
         d. Transportation

   B. Firdco
      1. Hotel Construction
      2. Loans
      3. Land Acquisition
      4. Research
      5. Craft Development
      6. Festival Casals

   C. Ports Authority
      1. Air Passenger Service
      2. Cruise Ship Pier

   D. Office of Economic Research
      1. Research
      2. Compilation of Statistics

   E. Office of Information
      1. General Public Relations

2. **Government Development Bank**

   A. Loans
   B. Research
   C. Public Relations
   D. Restoration Aid

3. **Tax Exemption Office**

   A. Purpose
   B. Provisions

**Secondary Agents**

1. **Parks and Recreation Administration**

   A. Spectator Sports
   B. Beach and Park Development

2. **Institute of Culture**

   A. Restoration of Historic Sites
   B. Craft Promotion
   C. Culture Promotion
APPENDIX I (contd.)

3. Department of Health
   A. Restaurant Inspection
   B. Food Handling Courses

4. Planning Board
   A. Budget Review
   B. Research and Statistical Compilation
   C. Building and Zoning Regulations

Tertiary Agents

1. Department of Public Works
   A. Highway Construction
   B. La Ruta Project

2. Department of Labor
   A. Minimum Wages
   B. Research and Statistical Compilation
   C. Public Relations—N.Y. Migration Division

3. Fire Department
   A. Protection
   B. High-rise Equipment

4. Police Department
   A. Protection
   B. Beach Patrol

5. Water Resources
   A. Public Power

6. Water and Sewer
   A. Public Water
   B. Public Sewers
APPENDIX III

Caribbean Air Passenger's Costs from New York*

<table>
<thead>
<tr>
<th>Year</th>
<th>San Juan</th>
<th>Kingston</th>
<th>Percent of San Juan</th>
<th>Santo Domingo</th>
<th>Percent of San Juan</th>
<th>Port of Spain</th>
<th>Percent of San Juan</th>
<th>Bermuda</th>
<th>Percent of San Juan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>$130</td>
<td>$185</td>
<td>114%</td>
<td>$217</td>
<td>167%</td>
<td>NA</td>
<td>$90**</td>
<td>69%</td>
<td></td>
</tr>
<tr>
<td>1955</td>
<td>128</td>
<td>180</td>
<td>114%</td>
<td>228</td>
<td>178%</td>
<td>NA</td>
<td>99</td>
<td>77%</td>
<td></td>
</tr>
<tr>
<td>1960</td>
<td>94.30</td>
<td>162</td>
<td>174%</td>
<td>140</td>
<td>118%</td>
<td>248</td>
<td>263</td>
<td>105</td>
<td>111</td>
</tr>
<tr>
<td>1964</td>
<td>121.50</td>
<td>155</td>
<td>128%</td>
<td>155</td>
<td>128%</td>
<td>209</td>
<td>172</td>
<td>110</td>
<td>91</td>
</tr>
</tbody>
</table>

* Round-Trip lowest cost accommodations.

** 1951

Source: Taken from Pan American Air Fare Study, 1964.
APPENDIX IV

Organizational Diagram of Government Agencies Related to the Location of the Tourist Industry

Primary Agents

1. Economic Development Administration
   A. Department of Tourism
      1. Investor and Visitor Persuasion
      2. Casino Licensing
      3. Research
   B. Puerto Rico Industrial Development Company
      1. Preferential Loans
      2. Hotel Ownership
      3. Research
   C. Other EDA Offices
      1. Office of Information
      2. Ports Authority

2. Office of Industrial Tax Exemption
   1. Preferential Tax Exemption

3. Government Development Bank
   1. Preferential Loans

4. Puerto Rico Planning Board
   1. Zoning Restrictions
   2. Research

Secondary Agents

1. Department of Public Works
   1. Highway Network
   2. La Ruta Project
2. Park and Recreation Administration
   1. Beach Development Program

Tertiary Agents
  1. Police, Fire, Electric Power, Water and Sewer Services
  2. Department of Labor
     1. Minimum Wage Board
## APPENDIX V

**Puerto Rico Hotel Rates - Winter 1964-65**

<table>
<thead>
<tr>
<th>Tourist hotels</th>
<th>Plan</th>
<th>Single</th>
<th></th>
<th>Double</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Min.</td>
<td>Max.</td>
<td>Min.</td>
</tr>
<tr>
<td><strong>SAN JUAN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Americana * x</td>
<td>EP</td>
<td>$25</td>
<td>$38</td>
<td>$29</td>
</tr>
<tr>
<td>Atlantic Beach *</td>
<td>EP</td>
<td>15</td>
<td>22</td>
<td>18</td>
</tr>
<tr>
<td>Caribe Hilton * x</td>
<td>EP</td>
<td>25</td>
<td>37</td>
<td>29</td>
</tr>
<tr>
<td>Condado Beach * x</td>
<td>EP</td>
<td>20</td>
<td>34</td>
<td>24</td>
</tr>
<tr>
<td>Condado Lagoon</td>
<td>EP</td>
<td>17</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td>Da Vinci</td>
<td>EP</td>
<td></td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>El Convento x</td>
<td>EP</td>
<td>20</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>El San Juan * x</td>
<td>EP</td>
<td>26</td>
<td>37</td>
<td>26</td>
</tr>
<tr>
<td>Holiday Inn *</td>
<td>EP</td>
<td>15</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>La Concha * x</td>
<td>EP</td>
<td>25</td>
<td>35</td>
<td>30</td>
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<tr>
<td>La Posada</td>
<td>EP</td>
<td>12</td>
<td>14</td>
<td>18</td>
</tr>
<tr>
<td>La Rada</td>
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Note: Winter rates apply from December 15, 1964 through April 15, 1965. Rates subject to change without notice.
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#### Commercial Hotels

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| Bolívar                             | EP    | $6     | $10    |
| Capitol                             | EP    | $5     | $8.50  |
| Central                             | EP    | $3     | $5     |
| Columbus                            | EP    | $7     | $10    |
| El Hato Rey                         | EP    | $7     | $11    |
| El Portal                           | EP    | $8     | $11    |
| International Airport               | EP    | $10.50 | $14.50 |
# APPENDIX V (contd.)

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APPENDIX V (contd.)

Puerto Rico Hotel Rates - Summer 1963

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ON THE ISLAND

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Note: Summer rates apply from May 1 through December 14, 1963.
Rates subject to change without notice.
(a) Summer rates at Dorado Beach Hotel and Dorado Hilton Hotel, Dorado, apply from April 15 through December 20, 1963.

* = Indicates hotels have Beach Frontage.
X = Indicates hotels have gambling casinos.

ABBREVIATIONS

EP = European Plan
CP = Continental Plan
AP = American Plan
MAP = Modified American Plan

Source: Commonwealth of Puerto Rico
Economic Development Administration
Department of Tourism
APPENDIX VI

EXPANSION OF HIGHWAYS IN PUERTO RICO

1940

1946

1959

1964

SOURCE: PUERTO RICO, DEPARTAMENTA DE OBRAS PUBLICAS
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