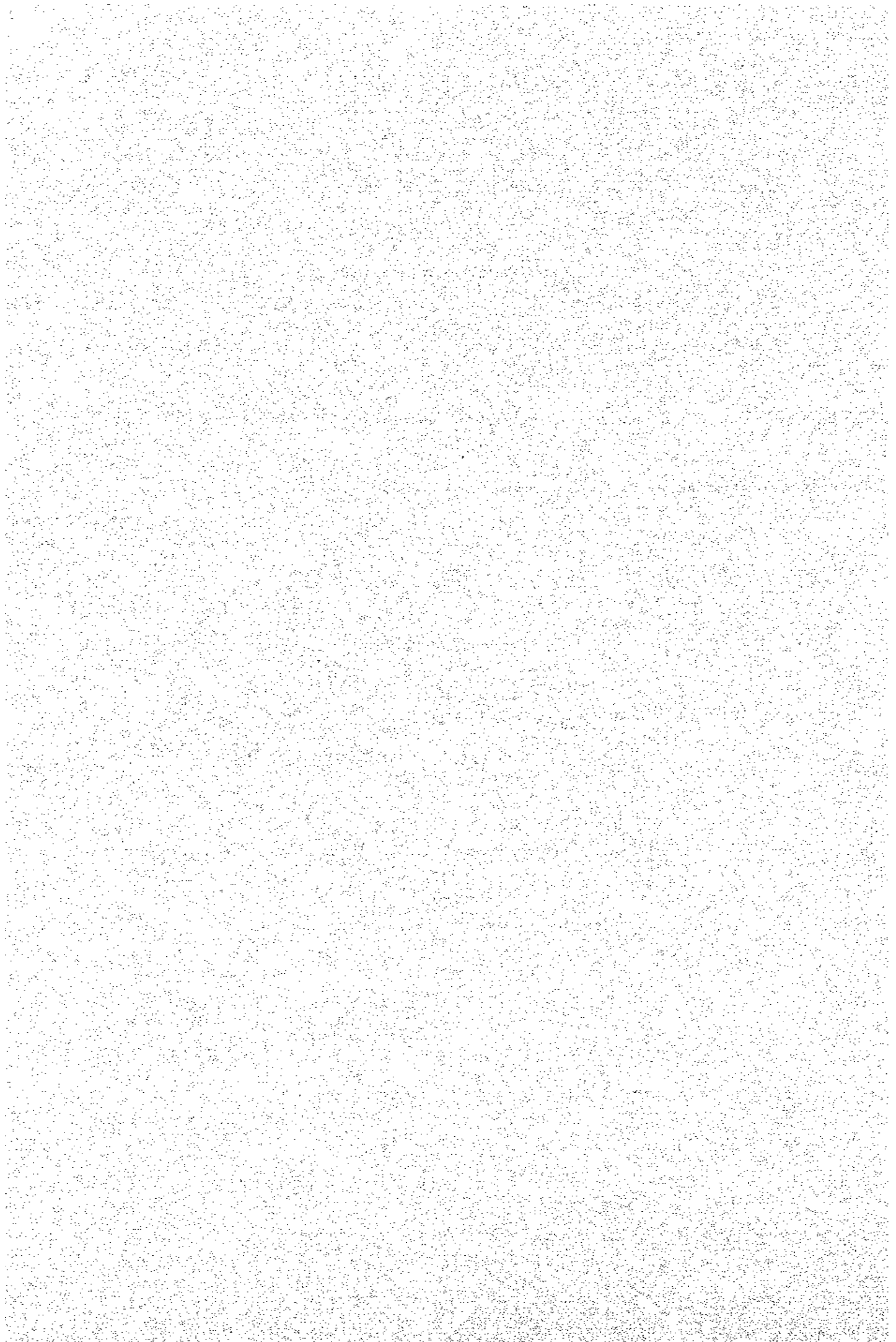


### **3. Strategy of Los Cabos**

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### 3. Strategy of Los Cabos

#### 3.1. Regional context

##### 3.1.1. Location of Los Cabos tourism region

Figure 3. 1 shows the location of Los Cabos and Los Cabos tourism region. Table 3. 1 defines areas that belong to respective levels of the hierarchical system of the tourism region.

Figure 3. 1 Los Cabos tourism regio



Source: JICA study team

Table 3. 1 Levels of the study areas

Level	Coverage	Function
Level-1	Los Cabos; Cabo San Lucas, San Jose del Cabo	Tourism center
Level-2	Los Cabos - La Paz area	One-day trip area
Level-3	BCS state	Tourism corridor / tourism zone (Short excursion)
Level-4	BCS, Baja California, Sinaloa, Sonora and Chihuahua	Tourism region (One-week tourism circuit)

Source: JICA study team

##### 3.1.2. Physical and socioeconomic conditions

The Baja California Sur state covers a territory of 73,677 square km, with 2,705 km of coastline along the Gulf of California and the Pacific Ocean. The population was around 345,000 in 1992, the second smallest state in Mexico, with a high annual

growth rate of 4.1%. In 1990, GRDP was \$US 4.25 billion and GRDP per capita was \$ 13,407.

A mountain chain runs the whole length of the narrow peninsula therefore the area for cultivation is limited to some valleys. There are no major industrial plants except some mining and salt industries. Employment of the state in 1990 is 102,763, 60% of which are engaged in the tertiary industry. Due to the scarcity of local industries, a great amount of products are imported from other states.

The tourism sector constitutes 35% of the GRDP of the state. In 1992, tourism generated US\$137 million, of which Los Cabos generated US\$104 million, La Paz US\$23 million, and Loreto US\$10 million. The state development plan assumes that visitor arrivals to the state will amount to 800,000 (domestic and foreign) with an annual growth rate of 8%. Foreign exchange earnings will amount to US\$300 million with an average annual growth rate of 28% in the year 1999.

Major indices of physical and socioeconomic conditions of the Baja California Sur state are summarized in Table 3. 2.

**Table 3. 2 Major indices of physical and socioeconomic conditions of the BCS state**

Items		Descriptions	
<b>Baja California Sur state</b>			
Geographical conditions	Area	73,677 km <sup>2</sup>	
	Coastal line	2,705 km of Pacific Ocean and Mar de Cortes	
Population	Total in 1992	345,000; 2nd lowest population	
	Growth rate per annum	4.1 %	
	Population density	14.5 capita/ km <sup>2</sup>	
GRDP (1990)	Total GRDP	\$ 4.25 billion	
	GRDP per Capita	\$ 13,407	
Employment	102,763; 60% for tertiary industry		
Major Industries	Tourism, salt, mining		
<b>Los Cabos</b>			
Climate	Temperature	Highest; 28.3°C (July) Lowest; 19.0°C (January) Average; 23.7°C	
	Rainfall	Highest; 107.3 mm(September) Lowest; 0.3 mm(May) Total; 262.7 mm	
Population	Total in 1990	43,920 persons	
Employment		Persons	Composition (%)
	Total	15,384	100.0
	Primary	1,851	12.0
	Secondary	3,128	19.9
	Tertiary	9,467	64.3
N.C.	838	3.3	

Source: State statistics of Baja California Sur, compiled by JICA study team

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### **3.1.3. Regional development programs**

#### **(1) Regional Development Program of the Baja California Sur state (1993-1998)**

##### **a. General objectives of the state development program**

The objectives of the state's regional development program are:

- to encourage integrated development of the state,
- to maintain sustainable economic growth,
- to improve basic services, infrastructure, and natural environment preservation, and
- to promote social development.

##### **b. Specific objectives and actions of the state development program**

According to the state's regional development program, objectives and actions specific to the fields of infrastructure, urban development, and natural environment are as follows.

###### Water supply

Water supply and water resources development is the most crucial to develop tourism in Baja California Sur.

###### Transportation and communication

Transportation and communications should be more efficient and cover a wider area to improve the state economy,

###### Natural environment

To regulate utilization of natural resources and to implement measures for conservation, natural environment plans need be established to include the following:

- regulation for polluting firms,
- municipal ecological ordinance and research programs, and
- simplification of paperwork in assessment of environmental impact.

#### **(2) Tourism development program of the Baja California Sur state**

The Tourism Development Program of the Baja California Sur state (1993-1999) stipulates that "to activate the current situation of tourism, all possible efforts are required to support the creation of specific conditions for the development of other possible tourist destinations, in addition to the traditional beach and sun destinations of Los Cabos, La Paz, Loreto, and Nopolo." The state government is to take the following actions to achieve the above strategy:

- to develop local tourism products,
- to improve and diversify access routes to BCS,
- to promote aggressive and coordinated marketing activities, and
- to take financing actions.

Provision of high quality services is regarded as a prerequisite to diversify tourism from the traditional beach-sun tourism product to up-market-oriented nature and wildlife tourism.

### **3.1.4. Tourism in the Baja California Sur state**

The tourism indices of Baja California Sur state are given in Table 3. 3.

**Table 3.3 Major tourism indices of the Los Cabos tourism region**

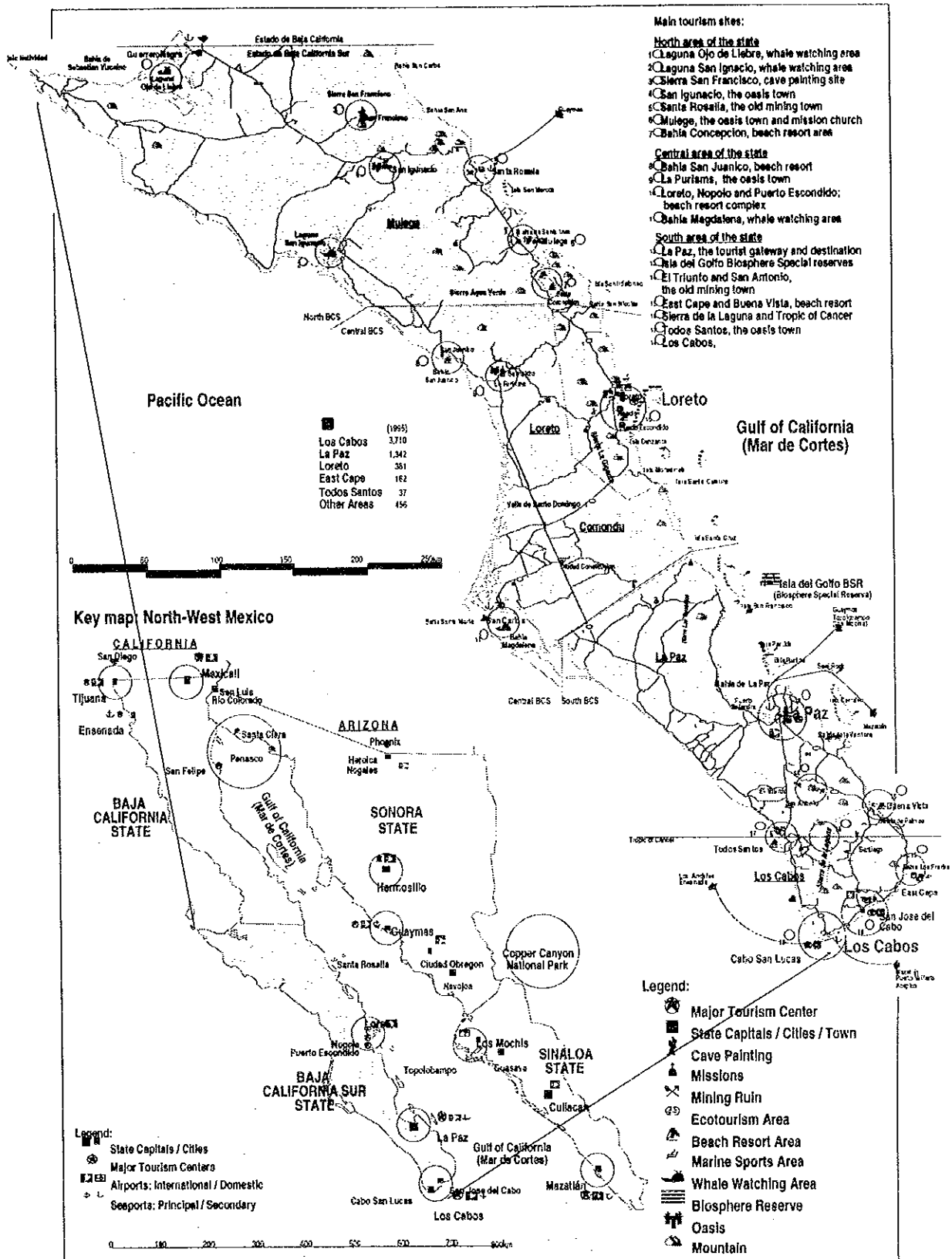
Items		Descriptions			
GRDP of Tourism Sector (1992)	Total of the state	US\$	137 million (35% of total GRDP of the state)		
	Los Cabos		104 million		
	La Paz		23 million		
	Loreto		10 million		
Market of Los Cabos (1995)	North America		86 %		
	Europe		10 %		
	Latin America		1 %		
	Asia and others		2 %		
Visitor arrivals to hotels (1995)		Total	Domestic	International	
	State total	777,459	274,166	503,293	
	Los Cabos	448,834	58,355	390,479	
	La Paz	198,101	147,752	50,349	
	Loreto	35,963	12,440	23,523	
	Others	94,561	55,619	38,942	
Airline passengers (1994p)	Los Cabos Composition (%)	Domestic	International	Charter	
		46,900	241,000	84,000	
Hotels capacity (1995)		13	65	22	
		hotel rooms (rooms)	Occupancy rate (%)	length of stay (night)	
		State total	6,088	55.1	3.01
		Los Cabos	3,710	61.4	3.72
		La Paz	1,342	46.5	1.99
		Loreto	381	36.4	1.94
Others	655	46.3	2.18		

Source: SECTUR data compiled by JICA study team

Figure 3. 2 shows the existing conditions of Los Cabos tourism region. Los Cabos constitutes of two tourism sub-centers, namely, Cabo San Lucas and San Jose del Cabo. The area between the sub-centers are called Los Cabos Corridor. Though the use of "corridor" contradicts JICA study team's definition of tourism corridor which implies connecting route between beach center(s) and inland tourism center(s), it is tolerated here as the word is already an established terminology.

Los Cabos - La Paz Resort Belt indicates a coastal area that includes Los Cabos Corridor , East Cape, and La Paz. Los Cabos - Copper Canyon Circuit is a touring route between Chihuahua and Los Cabos via Los Mochis in the Sinaloa state.

Figure 3.2 Existing conditions of Los Cabos tourism region



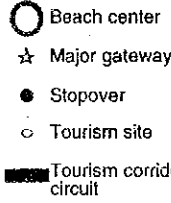
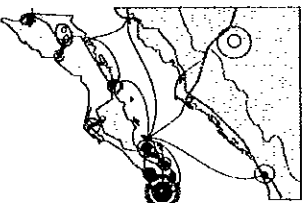


Source: JICA study team

### 3.2. Assessment of tourism development and promotion scenarios

#### 3.2.1. Alternative scenarios for Los Cabos tourism region

Three alternative scenarios for Los Cabos tourism region were set according to the methodology as discussed in the theoretical framework section. Figure 3. 3 summarizes the three scenarios.

**Figure 3. 3 Alternative scenarios for Los Cabos tourism region**

	Alternative-1	Alternative-2	Alternative-3
<b>Legend:</b> 			
<b>Diversification of tourism products</b>	Diversification level: low - Development of Los Cabos Corridor and East Cape for beaches and activities	Diversification level: medium - Development of Los Cabos-La Paz Resort Belt for beaches/activities - Baja Ecotourism Circuit including whale watching, desert trekking - Mar de Cortes Eco-cruise - La Paz-Copper Canyon Corridor	Diversification level: high - Development of Los Cabos-Loreto Resort Belt for beaches/activities - Baja Ecotourism Circuit including whale watching, desert trekking - Mar de Cortes Eco-cruise - La Paz-Copper Canyon Corridor
<b>Target markets</b>	- Concentration on the traditional market; North America	- Expansion of the traditional market; North America - Development of new markets; Asia, Europe, Domestic, Latin America	- Consolidation of the traditional market; North America - Development of new markets; Asia, Europe, Domestic, Latin America
<b>Tourism administration</b>	- Coordination for development and promotion within the municipality	- Coordination in the BCS state for development - Coordination of Fondos Mixtos in the neighboring states	- Coordination of neighboring states for development - Coordination of Fondos Mixtos in neighboring states
<b>Development/ tourism promotion costs</b>	- Development cost; small - Tourism promotion cost; small - Investment concentration effects; high	- Development costs; medium - Tourism promotion cost; medium - Investment concentration effects; medium	- Development cost; large - Tourism promotion cost; large - Investment concentration effects; low

Source: JICA study team

#### Alternative-1:

- concentrates development efforts on Los Cabos Corridor and East Cape,
- improves tourism amenity in existing tourism centers, and
- targets primarily at short-haul beach resort tourism and sports activities market such as golf, game fishing, and diving.

#### Alternative-2:

- allocates greater part of development efforts on the Level-2 area and formulates Los Cabos - La Paz Resort Belt by revitalizing La Paz and developing the East Cape area,
- develops various types of tourism products within the tourism corridor area (Level-3), and create linkage with tourism resources outside of the BCS state, and
- targets at both short-haul market and the long-haul market.



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Alternative-3:

- develops Level-4 area, Los Cabos - Loreto Resort Belt and Los Cabos - Copper Canyon Circuit.
- gives development priority to create touring circuits of rail journey in Copper Canyon, Mar de Cortes Eco-cruise, and Baja Ecotourism Circuit., and
- places emphasis on the long-haul market rather than the short-haul market.

**3.2.2. Selection of a scenario**

The three scenarios were assessed from the view point of resort life cycle, potential and type of tourism resources, and development possibilities as discussed in the theoretical framework section. The JICA study team concludes that **Alternative 2** is the best scenario for Los Cabos tourism region. The rationale for this choice is summarized as follows:

- Los Cabos is at the initial stage of the resort life cycle which generally requires investment on existing tourism centers to assure its further growth.
- There are potential areas for beach resort development within the one-day trip area such as East Cape and La Paz. These areas should not be neglected from the development strategy of Los Cabos.
- Tourism resources within the one-day trip area (Level-2) are not very competitive except beautiful beaches.
- There are, however, several nature sites that have tourism potential in the tourism corridor area (Level-3) such as whale watching sites, cave paintings, and remote islands in Mar de Cortes.
- Copper Canyon located in the Level-4 area is extremely competitive for the long-haul market. Los Cabos tourism region has to consider to establish linkage with the competitive tourism resource to cater for the long-haul market.
- Los Cabos has a geographical advantage in the Asian market due to better accessibility by way of Los Angeles than other Mexican destinations. The market opportunity should not be missed.
- Considering Los Cabos's potential, Alternative-1 is a too humble scenario while Alternative-3 is not appropriate as Los Cabos is at the initial stage of resort life-cycle and needs investment on existing beach centers. Therefore, Alternative-2 is the best scenario for Los Cabos tourism region.

### 3.3. Tourism development and promotion strategy of Los Cabos tourism region

#### 3.3.1. Tourism development and promotion strategy

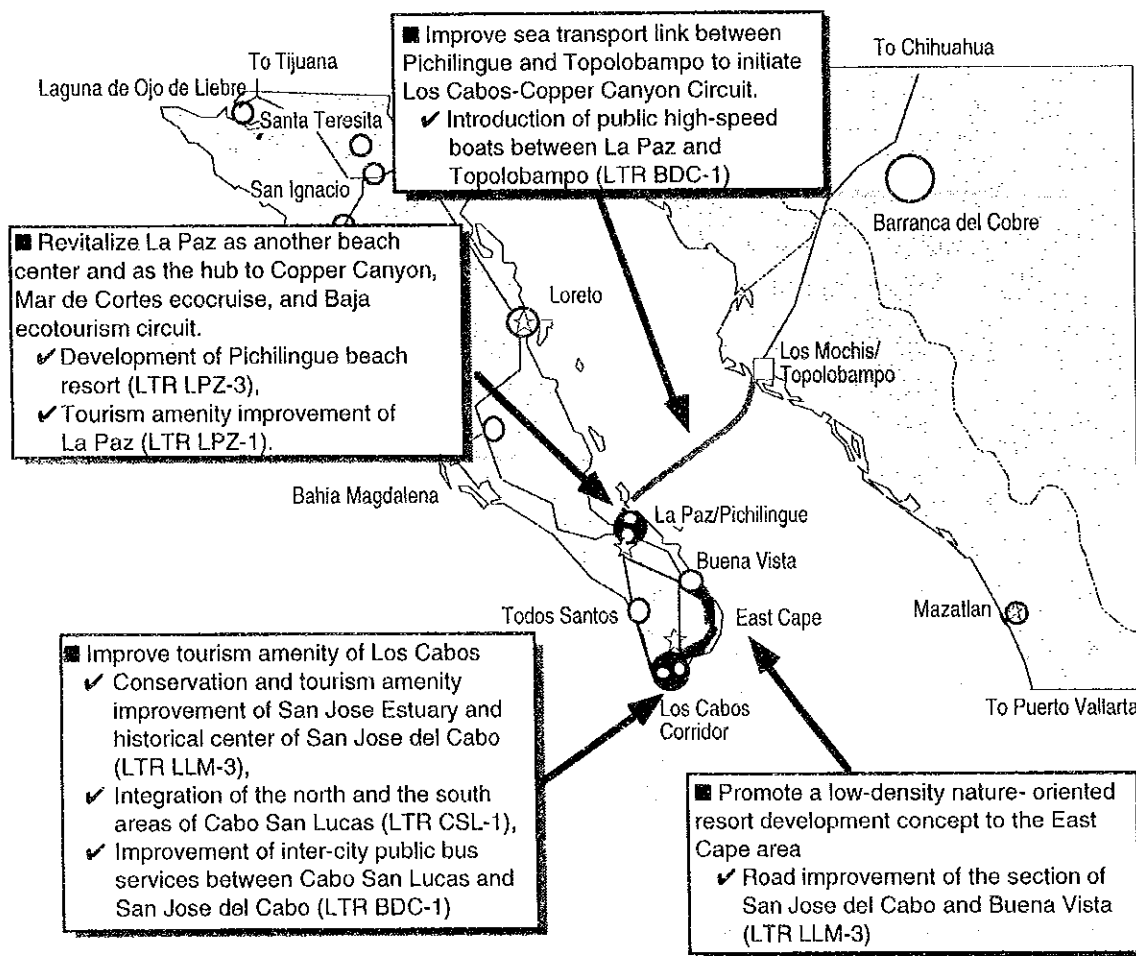
The overall goal of Los Cabos tourism region is to establish Los Cabos - La Paz Resort Belt as the base for beach resort tourism, and Los Cabos - Copper Canyon Circuit as the anchor touring circuit, and to combine them as a competitive set of tourism products.

Since Los Cabos is at the initial stage of the resort life cycle, tourism amenity improvement in Los Cabos Corridor and development of new tourism products within its one-day trip area are important. Integration of tourism and local economy is another issue for tourism destination at the initial stage. In view of increasing nature-orientation among consumers, it is necessary to introduce an alternative type of beach resort development along Mar de Cortes, and to introduce nature-based attractions such as Mar de Cortes Eco-cruise and Baja Ecotourism Circuit.

#### (1) Action plan strategy by 2002

At the action plan stage, Los Cabos should concentrate its development efforts on the one-day trip area (Level-2). It is also necessary to prepare for the future stage: to develop infrastructure for more nature-oriented development in the East Cape area, and for linkage with Copper Canyon. Revitalization of La Paz is important to improve its hub function for touring circuits that will be stressed in the long-term strategy. Figure 3. 4 details the action plan strategy and action projects.

Figure 3. 4 Action plan strategy of LosCabos tourism region



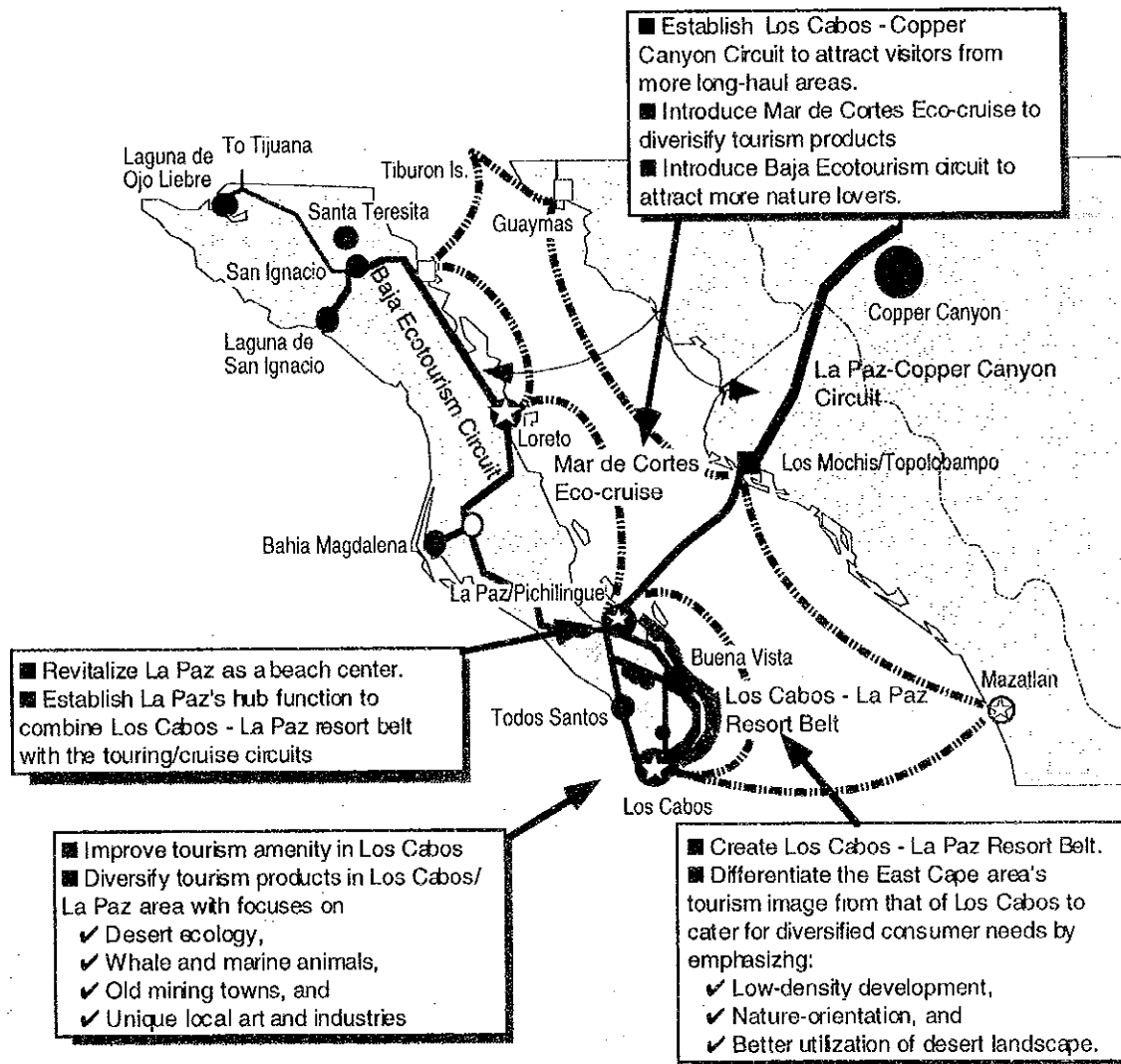
Source: JICA study team

(2) **Long-term strategy by 2010**

By the target year of 2010, Los Cabos should formulate Los Cabos - La Paz Resort Belt with three touring/cruise circuits of Los Cabos - Copper Canyon Circuit, Mar de Cortes Eco-cruise, and Baja Ecotourism Circuit. The coastal area between Los Cabos and La Paz along Mar de Cortes should be established as an alternative beach resort area that should be characterized by nature orientation and exclusive low-density development contrasted with existing beach centers.

Within the one-day trip area, a variety of tourism products should be developed to strengthen the competitiveness of Los Cabos. These tourism products should focus on the two aspects, namely, wise use of the nature for tourism, and integration of tourism with local economy. Figure 3. 5 details the long-term strategy.

Figure 3. 5 Lont-term strategy of Los Cabos tourism region



Source: JICA study team

3.3.2. **Spatial structure of tourism**

Proposed spatial structure of Los Cabos tourism region in the target year 2010 is detailed as shown in from Figure 3. 6 to Figure 3. 9 at respective levels of the tourism hierarchical system.



Figure 3.7 Spatial structure of tourism at Level 3 (tourism corridor)

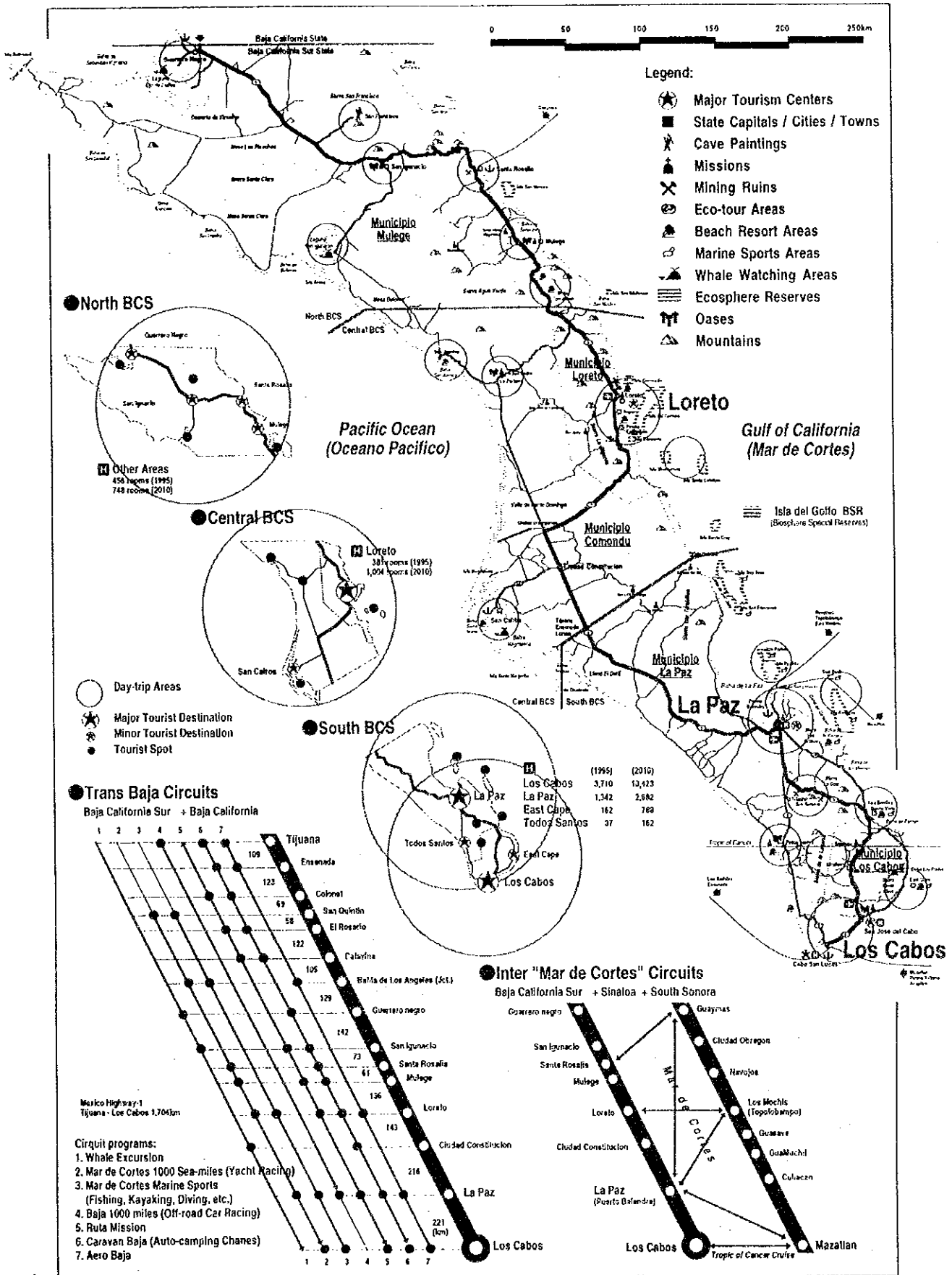


Figure 3.8 Spatial structure of tourism at Level 2 (one-day trip zone)

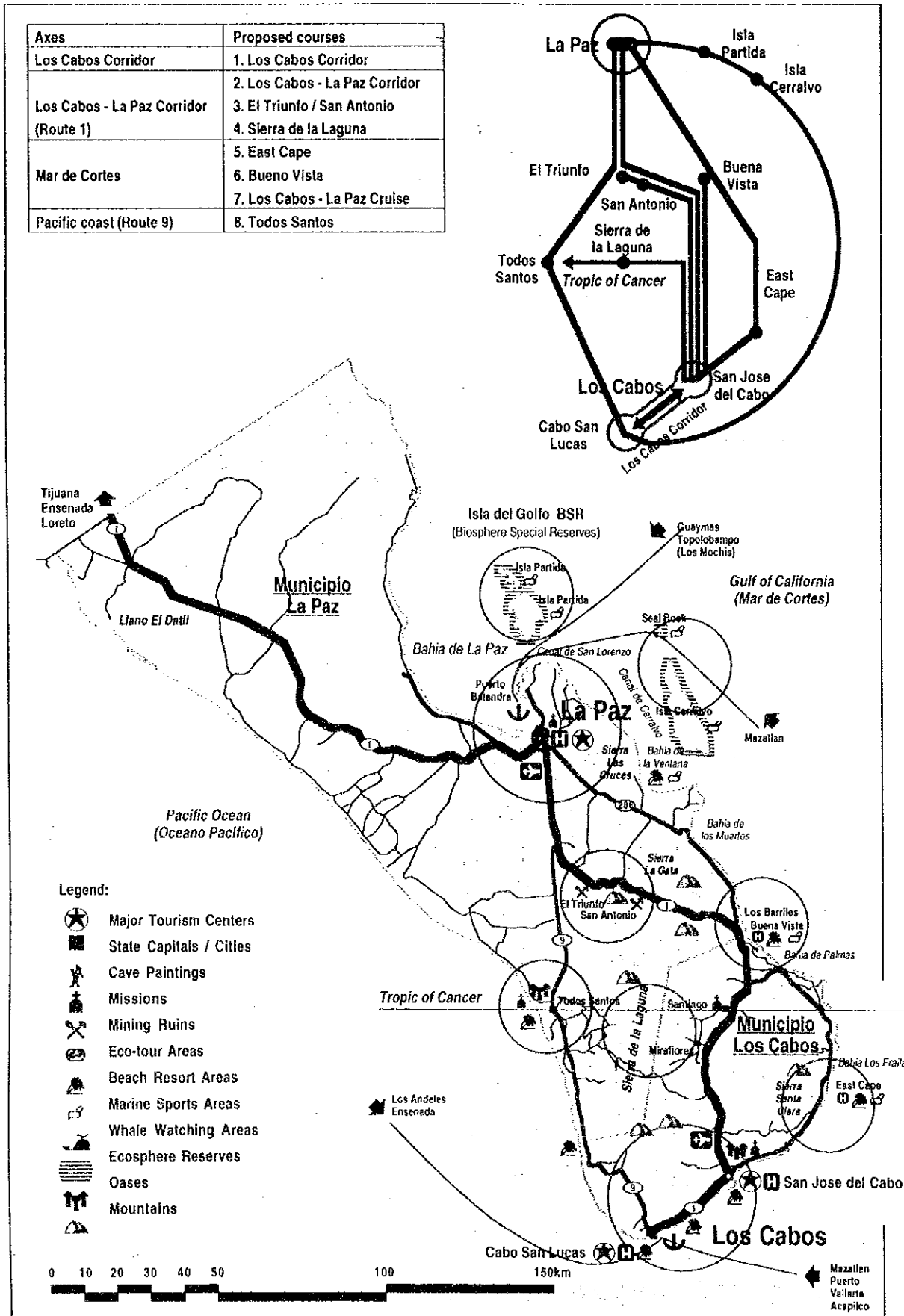
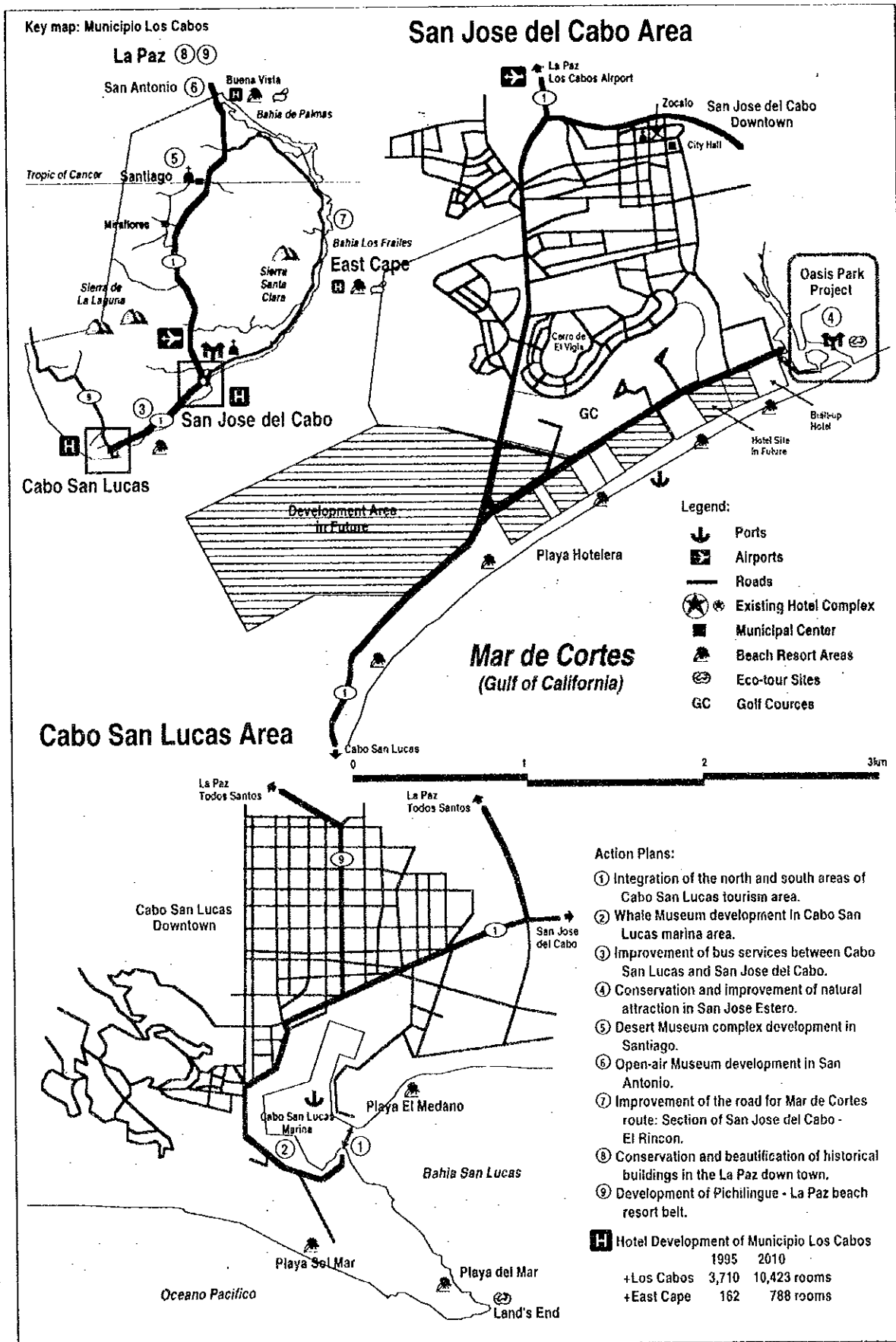


Figure 3.9 Spatial structure of tourism at Level 1 (tourism center)



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### 3.3.3. Marketing directions

#### (1) Tourism images of the Los Cabos tourism region

Los Cabos tourism region should create following tourism images for advertisement in accordance with the strategy as discussed in the previous section.

- Exclusive beach resorts in the wilderness of desert landscape.
- Ecotourism destination centered on "desert" and "marine animals," and
- Golf and game fishing destination.

Above images of Los Cabos should be combined with the tourism images of Copper Canyon with gorges, pine forests, and water falls for appeal to the long-haul market.

#### (2) Target markets of the Los Cabos tourism region

Los Cabos tourism region's target markets are identified as follows:

- People who are interested in nature and wildlife, and are willing to participate in ecotourism,
- Beach resort tourists from North America, in particular, long-weekend tourists from the neighboring states of USA, and
- Asian tourists who seek for beach and the nature.

North America will continue to be the most important market of the region though shares of other markets are expected to grow faster than the short-haul market. Asian market has relative importance in Los Cabos due to its advantageous location to the market compared with other Mexican destinations.

#### (3) Directions for tourism product development

To achieve the goals and strategy for the Los Cabos tourism region, the JICA study team proposes following tourism products. Creation of tourism products is especially important for Los Cabos as the destination lacks in number and variety of tourism products.

##### a. Beach resort tourism

Beach resort tourism is the principal tourism product of Los Cabos but it needs diversification toward two directions. One is toward development of non-beach attractions, and the other is toward modification of development concepts for more nature-orientation.

Not only because the core image of the Los Cabos tourism region is the nature and wildlife, but also because physical development in the desert landscape is easily recognizable, resort developments should be paid considerable attention so as to promote harmonious development with the surrounding nature. The East Cape area, in particular, should target at up-market clientele by emphasizing low-density and nature-friendly development, and by combining nature excursions rather than night life.

##### b. Activities

Various opportunities for sports activities exist in and around Los Cabos. Among them, the most significant are game fishing, golf, and scuba diving. Game fishing and golf are important elements for the short-haul market, and are considered as one of the important images of Los Cabos. The image should continue to be emphasized in the market through various tourism promotional measures. Promotion of convention and incentive tourism would contribute to the growth of golf tourism.

Mar de Cortes has a possibility to attract divers from more long-haul regions, such as East Asia and Europe; therefore, efforts should be made at publicizing the attraction.



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**c. General interest nature and wildlife tourism**

This type of tourism products will enhance the core image of the Los Cabos tourism region as a nature and wildlife destination, and serve to enhance the competitiveness of beach destination in the market.

The most important product is Los Cabos - Copper Canyon Circuit. The touring route starts from Chihuahua or Creel, and includes several excursions into the canyon and Tarahumaran villages, spectacular train journey to Los Mochis, and boat trip to La Paz across Mar de Cortes. The circuit could cater for up-market mass tourism. Therefore, the study team classified it as general interest tourism, although it is publicized as "ecotourism". The combination of Los Cabos and the Copper Canyon is primarily for the long-haul market because it is not very realistic to expect domestic and US visitors to cover such a large area in a trip.

Another anchor product is Baja Ecotourism Circuit which covers major nature tourism sites in BCS covering whale watching sites, oasis, old mining towns, pre-Hispanic cave paintings, deserted beaches, and so on. The circuit focuses on unusual ecology of Baja California, and caters primarily for nature lovers by adopting selective marketing methods. The following ecotourism section discusses more details about individual attractions of the circuit.

The image of Los Cabos as a nature and wildlife destination requires the conservation of San Joss Estuary. As it is close to the hotel zone of San Jose del Cabo, it could be utilized as a nature area suitable for nature walk, horseback riding, and boat trips.

Additionally, whale museum, desert ecology museum, and eco-camping are proposed to diversify tourism products in the one-day trip area from Los Cabos. Two museums will locate near Los Cabos to give some ideas on Baja's ecology to beach tourists. The eco-camping is designed to be a no-comfort-ignored type of camping for up-market clientele who prefer to have closer contact with the nature. Mar de Cortes Eco-cruise may be a nature and wildlife tourism, but it is discussed in the cruise ship tourism section.

**d. Ecotourism**

Ecotourism and the nature and wildlife tourism overlap each other, and precise distinction is not easy. The study team, however, defines ecotourism products as those which are managed by local people and target at niche market segments of ecotourism.

The most important product of this category is the whale watching in Bahia Magdalena, but such opportunities exist in Laguna San Ignacio and Laguna Ojo de Liebre as well. They are also attractive as sites for boat trip for mangrove and bird watching, and these attractions would be useful to lessen seasonal fluctuation of the whale watching sites.

Baja desert trekking is to appreciate the desert ecology by learning native knowledge from local guide. This could be combined with eco-camping. It could also cater for beach tourists who want some variety in their itinerary. Opportunities for the trekking exist in various parts of the peninsula. Two museums as mentioned earlier also serve to facilitate better appreciation of ecotourism products. The trekking for cave paintings as will be discussed later should be appealed as a type of ecotourism as well.

**e. Archeological tourism**

Cave paintings found in Santa Teresita Canyon is the principal tourism product in this category. The canyon itself has natural beauty; therefore, publicizing the site as a combination of archeological and natural interests would appeal to a more wider range of people than appealing as a single archeological attraction. It should be utilized under an ecotourism concept, and physical development should be kept

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minimum focusing on the improvement of trails for trekking and donkey trip so as to ensure tourists' safety.

**f. Mexican cultural tourism**

The role of Mexican cultural tourism in the Los Cabos tourism region is supplementary because this type of tourism resources is not abundant and the region is to focus on the nature and wildlife tourism. These attractions, however, sometimes play important roles to give changes to often monotonous trips to nature and wildlife sites, and integrate tourism and local economy by providing tourists with opportunities for shopping of locally produced items. Among the primary products are old mining towns of El Triunfo, San Antonio, and El Rosario, artist village of Todos Santos, and various local industry-based attractions.

The artist village of Todos Santos gives a good model scenario to revitalize and conserve negligent rural towns. The scenario would be applicable to old mining towns near Los Cabos. Proposed projects include conversion of old local architectures into small-scale but cozy tourist accommodation and villas, development of open air museums utilizing old mining facilities, introduction of silver/gold workshops, and improvement of tourist amenities.

Artist community in Todos Santos could be better utilized by publicizing it as "an artist village beside an oasis" although it assumes careful arrangement to avoid conflict between residents and tourists.

**g. Cruise ship tourism**

The cruise in Mar de Cortes differs from ordinary cruise ship tourism in that it targets at up-market clientele who are interested in ecology. Therefore, tourism promotion activities should be differentiated from those for common cruises by employing the "low-volume high-income" strategy.

Mar de Cortes Eco-cruise is a cruise package of 7 to 10 days that calls on major ports on the coast of Mar de Cortes such as Mazatlan, Los Mochis, Kino Bay/Tiburón Island, Loreto, La Paz and Los Cabos. Unlike Caribbean cruise, it employs small/medium sized cruise ship and focuses on the needs of nature lovers who like to enjoy desert and marine ecology. Ecotourism project by Seri people in Tiburón Island could be included in the cruise for a variety of attractions.

**h. Theme park**

No theme park is proposed in the Los Cabos tourism region because the region should emphasize the destination image of nature and wildlife, and there is little indigenous population in BCS who need protection from mass tourism like the case in Cancún.

**i. Convention and incentive tourism**

Convention and incentive tourism may have development potential in Los Cabos in the long-term perspective. Convention and incentive tourism requires development of a wide range of services such as transportation, rental services of various equipment, advertising, data processing, and clerical services, which are not sufficient at present. Los Cabos should concentrate on incentive tourism rather than convention tourism. Presence of good golf courses would be favorable to develop incentive tourism.

Table 3. 4 shows a matrix of possible tourism products by category and geographical area in Los Cabos tourism region.

**Table 3. 4 Tourism products and tourism areas in the Los Cabos tourism region**

	Cabo San Lucas	Los Cabos Corridor	San Jose del Cabo	Los Cabos La Paz central corridor	Los Cabos La Paz Pacific corridor	Los Cabos La Paz Mar de Cortes corridor	La Paz	Loreto	Other areas	Barranca del Cobre - La Paz corridor
Archaeological tourism									Donkey trip for cave paintings in Santa Teresita	
Mexican cultural tourism	Touring	-	-	-	-	-	-	-	-	-
	Unique towns and villages				Old mining towns (open air mining museum, Mexican style hotel, gold/silver workshops)	Artist village of Todos Santos (art exhibition, galleries, Mexican style hotel)				
	Tourism - local industry complex	Hand-blown glass factory	Mexican handicraft center		Tourist plantation & snake skin farm					
	Alternative accommodation	-	-	-	-	-	-	-	-	-
	Regional cultural museums	-	-	-	-	-	-	-	-	-
Nature and wildlife tourism	Touring									Luxurious train journey in Barranca del Cobre
	Nature excursion				Desert trekking	Desert trekking	Desert trekking		(Donkey trip for cave paintings) Whale watching in Bahía Magdalena Whale watching in Laguna San Ignacio Whale watching in Laguna Ojo de Liebre	
	Ecology museum	Whale museum			Desert ecology museum					
	Alternative accommodation					Ec lodge Luxurious camp site in the desert				
Cruise ship tourism								Eco-cruise in Mar de Cortes	Eco-cruise in Mar de Cortes	
Resort tourism	Los Cabos resort	Los Cabos resort	Los Cabos resort		Pacific Coast resort	East Cape resort	La Paz resort	Loreto resort		
Activities	Golf Game fishing Diving	Golf Game fishing Diving	Golf Game fishing Diving		Game fishing	Game fishing Diving	Game fishing Diving	Golf Game fishing Diving		
Theme park	-	-	-	-	-	-	-	-	-	-
Convention tourism			International convention center							

Source : JICA study team

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**(4) Directions by geographical market segment**

The anchor tourism products in Los Cabos tourism region that appeal to the long-haul market are nature-based tourism resources such as Copper Canyon, whale watching, and various possibilities to enjoy the nature and wildlife. Combining these tourism products with beaches in Los Cabos - La Paz Resort Belt would be the basic strategy to develop the long-haul market.

Like other destinations beaches, sport activities, incentive tourism would be tourism products, on which the short-haul market put relative importance.

**a. Domestic market**

Taking into account the market volume, domestic market should not be neglected. Expensive travel cost from central part of Mexico and lack of reasonable accommodations, however, hinder the growth of the market. Los Cabos is regarded as one of the exclusive beach destinations by the domestic market. The high destination image could be utilized to attract high-spending segment of the market to Los Cabos.

Introduction of discounted airfares during the low-season and weekdays would promote domestic tourism to Los Cabos, which would lessen seasonal and weekly fluctuation.

For the domestic market, touring routes proposed in this study would be independent tourism products rather than part of tour itinerary. They should be promoted by employing selective marketing methods.

**b. Southbound market (USA & Canada)**

Beach and sports activities will continue to be the most important tourism products for the market. Touring circuits proposed in the study would sell to the market but they would be independent tourism components rather than part of beach trip itinerary.

Los Cabos has been regarded as an "in" destination for the market, and the destination image should be carefully maintained through advertisement as well as through control of tourism development to conserve the nature. Tourism development in the East Cape area should be of low-density and exclusive type to maintain the favorable image of Los Cabos tourism region.

Nature oriented attractions such as whale watching, Mar de Cortes cruise, trekking for cave paintings should be publicized toward appropriate market segments rather than being publicized as part of beach resort tourism.

**c. Northbound market (Latin America)**

Combination of the touring of Copper Canyon and a stay at a beach in Los Cabos - La Paz Resort Belt would be the most competitive set of tourism products for general interest tourists. Combination of a beach and Baja Ecotourism Circuit or Mar de Cortes cruise would appeal to nature-lovers rather than general interest tourists.

Taking into account the relative popularity of Mexican historical cities in the market, it would be worth a consideration to promote to combine Los Cabos with the Mexican cities circuit by way of Guadalajara.

**d. Westbound market (Europe)**

Combination of the touring of Copper Canyon and a stay at a beach in Los Cabos - La Paz Resort Belt would be the most competitive set of tourism products to appeal to the market. Combination of a beach and Baja Ecotourism Circuit or Mar de Cortes cruise would appeal to nature-lovers rather than general interest tourists.

Los Cabos tourism region's principal appeal to the market should be its nature and wildlife. The tourism image should be created through tourism promotion activities

conducted jointly by tourism organizations in the tourism region. It would be necessary to approach to SIT travel organizers that would be interested in the desert nature and ecotourism.

Since the European market does not prefer high-rise hotels, ongoing tourism development in the East Cape area, which is to be more nature-oriented and physically unobtrusive, would be favorable to attract visitors from the market.

**e. Eastbound market (Asia)**

As already discussed, Los Cabos has an advantage in this market segment compared with other Mexican beach destinations due to the better accessibility by way of Los Angeles. Another strength of Los Cabos in the market segment is its appeal of unusual desert ecosystem since the combination of beach and desert does not exist in East Asia.

Eastbound market often combines Los Cabos with the cities in the US West Coast. It is necessary to appeal to the market to combine Los Cabos with touring circuits of the nature and wildlife in Los Cabos tourism region rather than with smoggy Los Angeles in order to extend the length of stay in Mexico. Diving is assessed to be a competitive tourism product of Los Cabos - La Paz area for the market. Los Cabos should be appealed to Asian divers as an elite diving destination.

Table 3. 5 summarizes the prospects of tourism products by geographical market .

**Table 3. 5 Prospect of tourism products by regional market segment**

	Domestic	Southbound (North America)	Northbound (Latin America)	Westbound (Europe)	Eastbound (Asia)
Archaeological tourism	○	○	○	○	○
Cultural tourism	Touring	-	-	-	-
	Unique towns & villages	○	○	○	○
	Tourism local industry complex	○	○	○	○
	Alternative accommodation	-	-	-	-
	Regional cultural museums	-	-	-	-
Nature and wildlife	Touring	○	○	⊙	⊙
	Nature excursion	○	○	○	○
Ecology museum	○	○	○	○	○
Alternative accommodation		○		○	○
Cruise ship tourism	○	⊙	○	○	○
Resort tourism	⊙	⊙	○	○	⊙
Activities	○	⊙			○
Theme park	-	-	-	-	-
Convention/Incentive	○	○			○
Ecotourism		○		○	○

Note: ⊙ = very prospective, ○ = prospective, blank = not very prospective, - = not available  
Source: JICA study team

### 3.3.4. Development framework

The development framework of visitor arrivals and hotel room requirement for Los Cabos tourism region is given in Table 3. 6. The framework is set only for star hotels excluding non-star hotels, condominiums and other types of accommodations, such as camping facilities, mobile houses, and tourism villas. The framework at the tourism center level is obtained by distributing the framework at the state level as shown in Volume 2 of this report.

Los Cabos tourism region is at the initial stage of tourism development. Therefore development efforts should concentrate on the one-day trip area (Level-2) in accordance with the strategy of the tourism region.

**Table 3. 6 Development framework of Los Cabos tourism region**

Tourism Destinations	Hotel Arrivals (x1,000)										Hotel rooms				
	Domestic					International					1995	2000	2002	2005	2010
	1995	2000	2002	2005	2010	1995	2000	2002	2005	2010					
La Paz	148	196	218	251	340	50	66	75	88	121	1,342	1,703	1,855	2,081	2,682
	1.00	1.33	1.48	1.70	2.30	1.00	1.31	1.49	1.76	2.41	1.00	1.27	1.38	1.55	2.00
Loreto	12	25	31	41	65	24	55	74	102	170	381	480	575	718	1,004
	1.00	1.98	2.50	3.28	5.25	1.00	2.35	3.14	4.32	7.24	1.00	1.26	1.51	1.88	2.64
Los Cabos	58	91	107	131	194	390	589	704	877	1,302	3,710	5,201	6,060	7,348	10,423
	1.00	1.55	1.83	2.25	3.33	1.00	1.51	1.80	2.25	3.34	1.00	1.40	1.63	1.98	2.81
East Cape	n.a.	31	43	59	102	n.a.	40	55	77	131	162	435	490	572	788
	n.a.	1.00	1.36	1.90	3.27	n.a.	1.00	1.36	1.91	3.25	1.00	2.69	3.03	3.53	4.86
Todos Santos	n.a.	6	8	11	17	n.a.	7	9	11	17	37	84	97	115	162
	n.a.	1.00	1.25	1.62	2.56	n.a.	1.00	1.24	1.61	2.50	1.00	2.28	2.61	3.10	4.38
Others	n.a.	36	43	54	63	n.a.	27	33	40	47	456	502	571	675	748
	n.a.	1.00	1.20	1.49	1.75	n.a.	1.00	1.19	1.48	1.71	1.00	1.10	1.25	1.48	1.64
Baja California Sur	274	385	450	547	781	503	785	949	1,196	1,789	6,088	8,406	9,647	11,509	15,807
State Total	n.a.	1.00	1.17	1.42	2.03	n.a.	1.00	1.21	1.52	2.28	1.00	1.38	1.58	1.89	2.60

Source: SECTUR, BCS state, JICA study team

### 3.4. Tourism development and promotion plans

Following plans and programs are required to realize the strategy of the tourism region as discussed in the previous section.

#### 3.4.1. Tourism policy and administration

This section proposes institutional and organizational programs necessary to support and realize the strategy of the tourism region.

##### (1) Introduction of development guidelines to, and promotion of nature-oriented development in, Los Cabos - La Paz Resort Belt

Los Cabos - La Paz Resort Belt, in particular, the East Cape area should be developed as a beach resort area that is more low-density, nature-oriented, and physically unobtrusive than existing beach centers. Introduction of development guidelines, publicizing of alternative development concepts and know-how, and investment promotion for nature-based tourism should be implemented to induce the alternative type of tourism development.

##### (2) Inter-state coordination system for tourism administration

Though Los Cabos has traditionally focused on the Northbound market, JICA study team has assessed that Los Cabos has good potential to attract the long-haul market. Since visitors from the long-haul market generally travel a wider area than those from the short-haul market, tourism regions are set to cover the area of possible travel circuit of long-haul visitors.

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Hence, it is necessary to establish tourism administration that covers the whole tourism region, namely, Baja California Sur, Sinaloa, Chihuahua, Sonora, and Baja California states. To realize region-wide tourism administration, following organizations are necessary.

**a. Inter-state coordination body for tourism administration**

It is necessary to establish an organization for coordination of tourism administration of Los Cabos tourism region to transform the tourism region into a single integrated tourism destination by introducing the combination of beaches in BCS and touring of Copper Canyon, Mar de Cortes Eco-cruise, and Baja Ecotourism Circuit.

**b. Inter-state coordination body for tourism promotion**

SECTUR should take the initiative to establish an organization for coordination among Fondos Mixtos in the tourism region to facilitate effective tourism promotion activities toward the long-haul market.

**(3) Visitors surveys at airports**

Proposed organization for the coordination of tourism promotion should conduct periodical visitor survey at major airports in the region to investigate visitors' profile, satisfaction level, and influence of tourism promotion activities.

The survey aims to obtain basic data for marketing and tourism planning, to improve services levels, in particular, those of hotels and airports, and to evaluate the effectiveness of tourism promotion activities.

**(4) Financial assistant system for tourism SMEs**

An organization in charge of financial support for tourism SMEs should be established under respective state governments to encourage local participation in tourism. The organization does not only help SMEs to obtain financial support from FONATUR but, if possible, have its own fund for direct assistance to SMEs.

There are very few attractive souvenirs rooted in traditional culture and history. It is one of the reasons for limited economic impact of tourism on local economies in BCS. Nurturing of tourism SMEs should be emphasized in BCS for better integration of tourism and local economy.

**(5) Enhancement of training system for ecotourism guides**

Since Los Cabos tourism region has many potential tourism resources for ecotourism, a training system for ecotourism guides should be established by respective state governments. The guides should, in principle, be local people to feed back economic benefit of tourism to local communities.

**(6) Introduction of discounted airfares to Los Cabos**

Airfares of domestic regular flights between Los Cabos and major cities in Mexico are quite expensive. In order to stimulate domestic tourism demands to Los Cabos, it is recommended to introduce discounted fares during the low season and on weekdays.

**3.4.2. Reception services**

The following aspects on reception services need to be improved for effective and efficient tourism promotion in the region.

**(1) Services in hotels in Los Cabos**

More investment is needed to improve the services level in the hotels in BCS. It is necessary to conduct periodical customer satisfaction surveys to feed back customers' opinion to hoteliers to make them realize the necessity. Improvement of the tourism education system as discussed in Volume 2; National-level Strategy would also provide a solution to solve the issue.

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(2) **Beautification of towns and roadside**

Downtown of Cabo San Lucas and San Jose del Cabo, as well as Puerto San Carlos that is a base for whale watching in Bahia Magdalena need beautification.

Garbage scattered on the roadside in BCS need to be removed not to disturb the beautiful scenery. It is especially important in BCS as the nature is the most important tourism appeal to its visitors, and garbage is easily recognizable from far away due to thin vegetation.

(3) **Airport facilities and services**

The airports of San Jose del Cabo and La Paz need to create a good sense of arrival for passengers. It would be achieved by renovating the interior of the terminal buildings to be consistent with tourism images of respective beach centers.

Airport authority should provide more information on the exceptional custom regulation which requires custom clearance even for passenger who take domestic flight.

(4) **Improvement of public transportation**

Public transportation in Los Cabos needs improvement. Taxi services are available but more expensive than other beach destinations. It is recommended to introduce public bus services for visitors like those in the Cancun hotel zone should be provided not only in the town areas of Cabo San Lucas and San Jose del Cabo, but also between the two towns.

In Cabo San Lucas, public boat services across the marina would necessary to improve visitors' convenience, and to promote development of the southern part of the town.

The coach window of the Chihuahua-Pacific Railway should be made more clean for a better view of Copper Canyon.

**3.4.3. Tourism promotion plan**

Like Puerto Vallarta and Cancun, Los Cabos needs to put more importance on the tourism promotion toward the long-haul market. As already discussed, tourism promotion for the long-haul market should cover a wider area than the short-haul market. Los Cabos should be combined with Copper Canyon to appeal to Latin America, Europe and Asia. Among the long-haul countries, Japanese market started to grow at a remarkable pace, and needs a special attention.

Table 3. 7 summarizes recommended tourism promotion measures for respective tourism products in the region. The key tourism products in the tourism region are emphasized by gray shade based on the strategies of the tourism region. Following section discusses a few considerations for tourism promotion activities as supplement to the table.

Campaign "Visit Los Cabos Year"

Besides the activities listed in Table 3. 7, it is recommended to conduct "Visit Los Cabos Year" at an interval of around 5 years. The proposed inter-state organizations for tourism administration and sales promotion should take the initiative to conduct the campaign. The campaign should accompany events and festivals before and during the campaign period. Organizations that participate in the campaign should also publicize the significance of tourism and solicit local people to participate in the events.

Approaches to potential organizers for special interest travel

Tourism resources in Los Cabos such as whale, wild birds, fishing, scuba diving, sailing, rail way, canyon, mountains and desert, could be targets of special interest travel (SIT). Tourism organizations for tourism promotion in Los Cabos tourism



region should place importance on approaches to potential SIT organizations compared with other tourism destinations.

Table 3. 8 shows the specifications of respective tourism promotion activities based on Table 3. 7.

**Table 3. 7 Tourism products and appropriate tourism promotion measures**

Tourism Products & Resources	Archaeological tourism	Mexican cultural tourism					Nature and Wildlife tourism				Cruise ship tourism	Resort tourism	Activities	Theme park	Convention/Incentive	Ecotourism
		Touring	Unique towns & villages	Tourism local industry complex	Alternative accommodation	Regional cultural museums	Touring	Nature excursion	Ecology museum	Alternative accommodation						
Brochure, map & poster	○	-	○	○	-	-	⊙	○	○	○	⊙	⊙	⊙	-	○	○
Manual for travel trade (Publication)		-	○	○	-	-	○	○	○	○	⊙	⊙	⊙	-	⊙	○
Production of graphic media (video, photo)		-	⊙	○	-	-	⊙	○	○	⊙	⊙	⊙	-	○	-	-
AD. on TV & Radio		-			-	-					⊙	○	-			
AD. in newspaper & magazine		-			-	-	○					⊙	○	-		
AD. in special interest group's publication	⊙	-			-	-	⊙	⊙	○	⊙	⊙	⊙	-	⊙	⊙	⊙
Cooperation to journalists	○	-	⊙	○	-	-	⊙	⊙	○	○	⊙	⊙	○	-	○	⊙
Familiarization trip for mas media & taravel trade		-	○	○	-	-	⊙	○	○	○	⊙	⊙	-	⊙	○	○
Press Release	○	-	⊙	○	-	-	⊙	⊙	○	○	⊙	⊙	-	○	⊙	⊙
Cooperation to shooting crews of TV/Movie	○	-	⊙		-	-	⊙	⊙		⊙	○	⊙	○	-		○
Seminar for the travel trade		-	○	○	-	-	⊙	○	○	○	⊙	⊙	-	⊙	○	○
Participation in travel trade shows		-		○	-	-	○			○	⊙	⊙	-	⊙		
Participation in tourism mission		-		○	-	-	⊙	○		○	⊙	⊙	-			○
Joint Campaign with travel trade	○	-	○	○	-	-	○		○	⊙	⊙	⊙	-	⊙		
Organization of travel trade shows		-	○	○	-	-	○	○	○	⊙	⊙	⊙	-	⊙	⊙	⊙
Travel week		-		⊙	-	-	○				⊙	⊙	-			○
Approach to special interest groups	⊙	-	○	○	-	-							-			⊙

Note: ⊙ = very effective, ○ = effective, blank = not recommendable, - = not available

Shaded columns are the tourism products of relative importance in Los Cabos tourism region.

Source: JICA study team

**Table 3.8 Specification of tourism promotion projects for the Los Cabos tourism region**

**Table Tourism Promotion Projects List**

Project Name	Description	Target markets	Intervals
<b>Production of promotional tool</b>			
Image-oriented brochure	5 language-versions/total 50,000copies per production	Almost all markets	Every 2 years
Information-oriented brochure	5 language-versions/total 50,000copies per production	Almost all markets	Every 3 years
Poster	3 kinds/10,000 copies each	Almost all markets	Every 4 years
Map	Incl. city map/Spanish : 20,000 copies per production, English : 50,000 copies	Almost all markets	Every 5 years
Manual for travel trade	Spanishi&English/10,000 copies per production	North Ameirca & Domestic	Every 6 years
Graphic Media (1)	VIDEO, 20 minutes/5 language versions	North Ameirca & Domestic	Every 7 years
Graphic Media (2)	Color Slides, CD-ROM, etc.	All markets	Every year
<b>Advertisement</b>			
TV	2 markets resions	Domestic	20 times per year
Radio	5 markets resions	Domestic	Every day except Sat. & Sun.
Newspaper (1)	5 markets regions	Domestic	20 times per year
Newspaper (2)	3 places	North America	12 times per year
Magazines (1)	5 media	Domestic	20 times per year
Magazines (2)	3 media	North America	12 times per year
<b>PR activity</b>			
Cooperation to Journalist	Comunicaton charges, etc.	All markets	Every year
Familiarization trip		All markets	108 persons per year
Press Release		All markets	Every year
Cooperation to Shooting Crews		All markets	3 cases per year
<b>Approach to trade sector</b>			
Seminar/Presentation	Including participation in Tourism Mission organized by SECTUR	All markets	19 times per year
Familiarization trip for trade sector		All markets	60 pesons per year
Travel trade show	Including participation in Tourism Mission organized by SECTUR / Participation in	All markets	11 times per year
Joint Campaign		All markets	6 cases per year
Travel Trade Mart (Organizing)	Organization of Travel Trade Mart	All markets	Every year
<b>Approach to Consumers</b>			
Travel Week	3 places in North America/ 2 places in Asia & Eurone	North America, Europe & Asia	Every year
Approach to special interst group	Charge for communication & travel expenses	North America, Europe & Asia	Every year
Promotion of International exchange	Charge for communication & travel expenses	Internatio-nal long haul	Every year
<b>Campaign and Events</b>			
Visit Year	Subsidies for beautification of towns and scale up of festivals and events (4 places)	All markets	Every 5 year
Photo contest	Handling of applied photos & purchase of prizes,etc.	All markets	Every year

Source: JICA study team

### 3.4.4. Recommendations for sustainable tourism

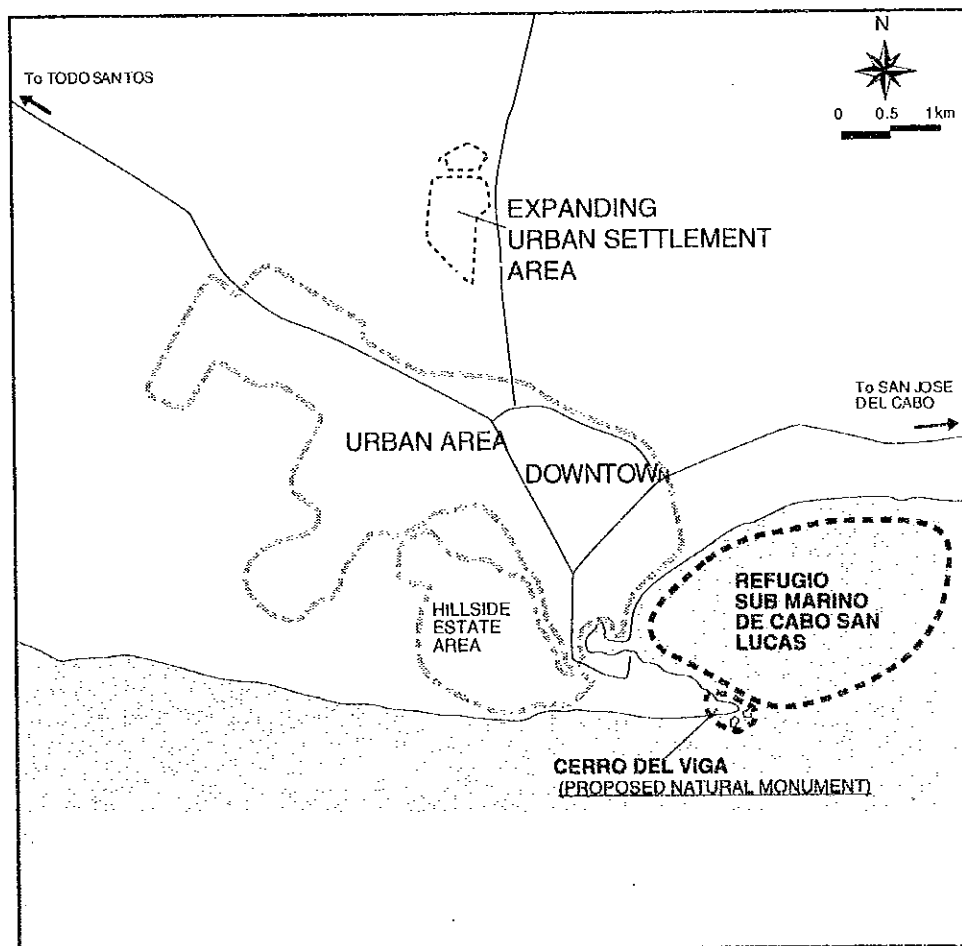
#### (1) Tourism development, urbanization and increase of pollution

##### a. Settlements for increasing population in Cabo San Lucas

Cabo San Lucas is relatively small in size (16,100 population in 1990). However, in the recent years, as tourist arrivals increased, its population growth was substantially high. Recent migrants started to live in fringe areas, which are not served by basic infrastructure. (See Figure 3. 10.) The local government's efforts at providing sewage collection and treatment services for the increasing population had been much behind the required. However, since 1994 the construction of sewage collectors has been proceeded so that at present about 85 % of the population are served by the sewage system.

Fortunately, in Cabo San Lucas, the speed of urban expansion is not so large as Cancun, and the growing settlements are located far inland from beaches. So the negative impacts of unprepared urbanization on tourism resources in Cabo San Lucas are not so much felt at present. However, it is important for the local government to keep up with the increase of urban population and tourist facilities by providing sewage collection and treatment services.

Figure 3. 10 Urban settlement expansion in Cabo San Lucas



Source: JICA study team

**Table 3. 9**      **Distribution of hotel rooms and population in Los Cabos**

	Number of hotel rooms*	Population**
Cabo San Lucas Downtown	220	16,100
Cabo San Lucas Hotel Zone	1,550	-
Los Cabos Corridor	940	-
San Jose del Cabo Downtown	70	14,900
San Jose del Cabo Hotel Zone	830	-

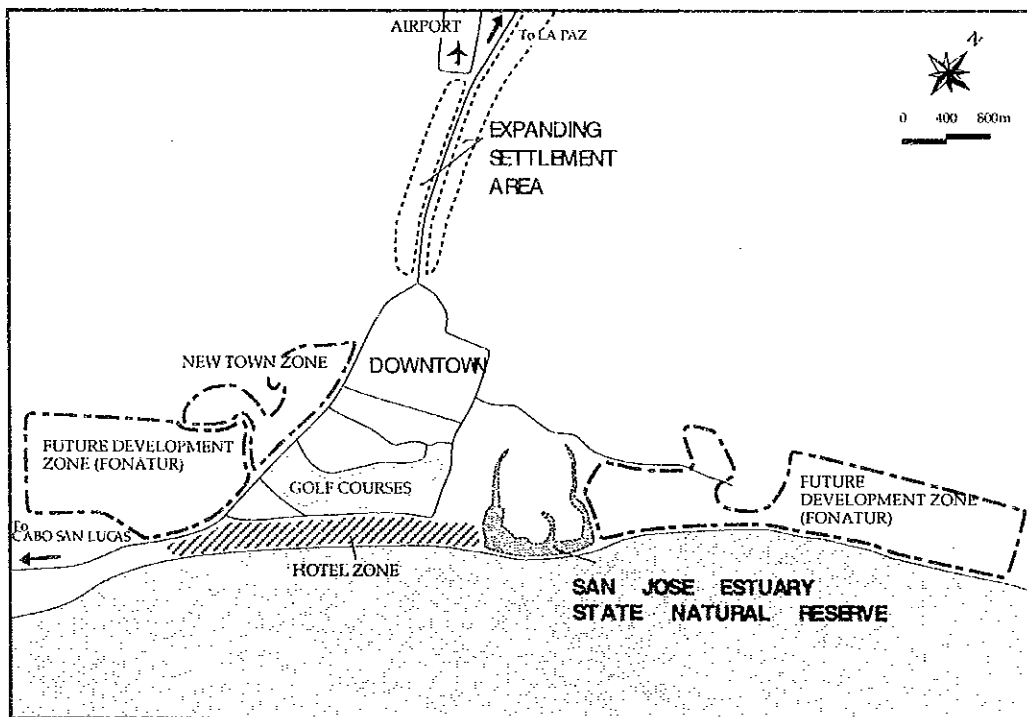
Source: \* FONATUR Los Cabos 1995, \*\* INEGI's Population Census in 1990

**b. Settlements for increasing population in San Jose del Cabo**

A hotel zone, golf courses and other tourism facilities of San Jose del Cabo has been developed by FONATUR. Beside, San Jose del Cabo has a nice old downtown and a small estuary.

In 1990 the population of San Jose del Cabo's population was 14,900. In the last several years San Jose del Cabo's population has been increasing rapidly. Newly coming people have sought their residence in 16 km long areas of the northern fringe along the highway to the airport. (See Figure 3. 11.) In the northern area, INFONAVIT (federal housing authority) has prepared housing areas for migrant workers and their families. In the northern area, Municipality Office has worked for normalization of housing lots purchased from ejido.

**Figure 3. 11**      **Urban expansion of San Jose del Cabo**



Source: JICA study team

Due to such rapid population increase and shortage of government budgets, at present only 30 % of the population of San Jose del Cabo are served by sewage systems.

**Table 3. 10 Sewage treatment situations in Los Cabos**

Area	Sewage System Availability	Problems related Sewage
Cabo San Lucas Downtown	Municipality sewage collection system covers 85% of the population. There are two sewage treatment plants with capacity of 40 liter/s and 30 liter/s.	Growing population in fringe areas of the city needs to be covered by the municipality sewage system. It is considered necessary to expand the treatment capacity up to 180 liters/sec.
Cabo San Lucas Hotel Zone	Hotels have their own sewage treatment systems.	-
Los Cabos Corridor	Hotels have their own sewage treatment systems.	-
San Jose del Cabo Downtown	FONATUR's sewage treatment system (100 liters/sec) covers both the hotel zone and town area, but the sewage system treats only 50 liters/sec of sewer, covering only 30% of the population.	Although the sewage treatment capacity is large enough so far, growing population in the north part of the city needs to be covered by sewage collection system.
San Jose del Cabo Hotel Zone	FONATUR's sewage treatment system covers the hotel zone.	-

Source: JICA study team

The provision and operation of sewage treatment plants has larger possibilities of private sector involvement because treated water is demanded for irrigation by golf courses under the dry climate of Los Cabos. However, the construction of sewage collectors and feeder pipes still should be done by the local government. In order to keep the quality and images of Los Cabos as an international-level tourism destination, it is inevitable to provide sewage collection and treatment services to increasing tourist facilities and urban population.

**(2) Increasing awareness on remaining natural environment: San Jose Estuary in Los Cabos**

San Jose del Cabo has a fresh water estuary just next to the hotel zone. (See Figure 3. 11.) It is not so splendid in terms of richness of nature, but it is very precious because it is in urban setting.

In the early 1990s, an investor proposed a marina development project located to the east, just adjacent to the estuary. Responding to the marina project, local people and environmental groups have been against the development project. INE also rejected the project by reviewing its EIA report in September, 1993.

After responding to the marina project, a local NGO and local governments realize the importance of utilizing the estuary for revitalizing tourism and for enriching urban amenity. They have started planning a revitalization plan of San Jose del Cabo, including the following components:

- Renovation of downtown,
- Improvement of footpaths along the estuary and provision of information boards,
- Construction of citizen park near the estuary,
- Provision of access streets to the sea, and
- Expansion of golf course.

San Jose Estuary is one of the few remaining valuable resource both for local natural environment and for tourist attraction. The above initiative tends to be more toward utilization of the estuary for tourists and citizens, than toward nature conservation. It is necessary to put the first priority to nature conservation of the estuary and the second priority to wise use of the estuary in order to sustain both of the values.

### (3) Ecotourism potential untapped and issues for further development

Almost all tourism destinations have some potential of ecotourism. Ecotourism should include several elements for tourists: 1) exposing themselves to the rich nature, 2) enjoying it, and 3) learning about nature and natural conservation. Even though small and minor elements of natural environment could be utilized for these purposes of ecotourism.

Table 3. 11 shows that in Los Cabos and its surrounding areas there are various types of natural reserve areas, which have rich potential of ecotourism. However, the region's tourist activities oriented to nature are still confined to conventional types of sports fishing and diving. They need to exploit diversified areas of ecotourism available in the region.

In addition, among the issues on ecotourism would be how to encourage both low-impact tourist activities and nature conservation activities. The existing increasing interests in ecotourism have tendency to excessively promote tourist activities rather than natural conservation. In order to pursue the balance between natural conservation and tourism use, it is necessary to increase the activities of environmental management for nature protected areas.

**Table 3. 11 Natural reserve areas in Los Cabos**

Name	Area (ha)	Year of Establishment	Characteristics	Undergoing Projects
Estero de San Jose	50	1993	Freshwater estuary located just near the Hotel Zone and Downtown	NGO, state and municipal governments are working together for a plan of enabling more tourists and citizens accessible to the estuary.
Refugio Submarino de Cabo San Lucas	3,600	1973	Rich flora and fauna in the seabed	Grupo Ecologico de Cabo San Lucas volunteers are watching boat operating, fishing, and recreation activities.
Reserva de Biosheras "Sierra de la Laguna"	112,437 (Buffer zones)	1994	A wide range of altitudes from several meters to 2,000 meters, with a rare mix of desert, tropical, and subalpine species	-
Arrecifes de Cabo Pulmo	7,111	1995	National marine park of rich biological diversity	-
Cerro del Vigia (Proposed)	-	Proposed	Governments feel the necessity to set limits to tourist facilities on the hill areas near Refugio Submarino de Cabo San Lucas. Now proposed as a natural monument.	-

Source: JICA study team

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### 3.5. Tourism development and promotion projects

#### 3.5.1. Action plan

Since the target year of action plan is set at the year 2002, selected projects constituting the action plan are to be implemented in the short term (1996-2000) and in the medium term (2001-2005).

##### (1) Tourism development projects

Action projects are chosen from the following criteria:

- Contribution to develop a new tourism product(s) and an attraction(s),
- Contribution to revitalize tourism centers of Los Cabos and La Paz,
- Contribution to conserve natural and social environment and tourism resources,
- Contribution to formulate tourism network, and to strengthen the integration of the tourism centers of Los Cabos and La Paz.

According to the above criteria, the following projects are chosen as action projects in Los Cabos tourism region:

- 1) Road improvement of the section of San Jose del Cabo-Buena Vista (LTR LLM-3),
- 2) Development of Pichilingue beach resort (LTR LPZ-3),
- 3) Tourism amenity improvement of La Paz (LTR LPZ-1),
- 4) Conservation and tourism amenity improvement of San Jose Estuary and historic center of San Jose del Cabo (LTR SJD-1),
- 5) Integration of the north and south areas of Cabo San Lucas (LTR CSL-1),
- 6) Improvement of inter-city public bus services between Cabo San Lucas and San Jose del Cabo (LTR LCC-1),
- 7) Introduction of public high-speed boats between La Paz and Topolobampo in the Sinaloa state (LTR BDC-1).

##### (2) Tourism promotion projects

All projects listed in Table 3. 8 should be implemented as an action projects.

##### (3) Institutional and organizational programs

Following programs as discussed in the previous section should be implemented as action projects:

- 1) Introduction of development guidelines to, and promotion of nature-oriented development in, Los Cabos - La Paz Resort Belt
- 2) Establishment of an inter-state organization for coordination of sales promotion,
- 3) Periodical visitor surveys at airports,
- 4) Establishment of a financial assistant system for small and medium sized enterprises, and
- 5) Introduction of a training system for ecotourism.

Table 3. 12 in the next page shows the total cost of action projects.

**Table 3.12 Cost of action projects**

Action projects	Unit	Cost (1,000)			
		Total	Central Gov.	State/ City	Private
Road improvement of the section of San Jose del Cabo-Buena Vista (LTR LLM-3)	Peso US\$	102,300 13,640	94,500	7,800	
Development of Pichilingue beach resort (LTR LPZ-3)	Peso US\$	3,250 433		3,250	
Tourism amenity improvement of La Paz (LTR LPZ-1)	Peso US\$	3,500 467		3,500	
Conservation of Estuary and tourism amenity improvement of historic center of San Jose del Cabo (LTR SJD-1)	Peso US\$	54,900 7,320	43,200	11,130	570
Integration of the north and south areas of Cabo San Lucas (LTR CSL-1)	Peso US\$	8,000 1,067		800	7,200
Improvement of inter-city public bus services between Cabo San Lucas and San Jose del Cabo (LTR LCC-1)	Peso US\$	13,100 1,747		13,100	
Introduction of public high-speed boats between La Paz and Topolobampo in the Sinaloa state (LTR BDC-1)	Peso US\$	272,925 36,390	2,925		270,000
Total	Peso US\$	457,975 61,063	140,625 18,750	39,580 5,277	277,770 37,036

Source: JICA study team

**(4) Profile of action plan projects and its IEE form**

The followings show the profile and Initial Environmental Evaluation (IEE) of development projects that are chosen as action projects.





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<b>Name of Project:</b>	<b>Road improvement of the section of San Jose del Cabo-Buena Vista</b>
<b>Project code:</b>	<b>LTR LLM-3 (AP LTR-1)</b>
<b>Location:</b>	Coastal zone along the Cortes sea (the California Bay)
<b>Objectives:</b>	<ul style="list-style-type: none"> <li>- To encourage the development of a new beach resort belt between Los Cabos and Buena Vista through East Cape by improving accessibility</li> <li>- To provide a new touring route along the coast of the Cortes sea (the California Bay)</li> </ul>
<b>Rationale and Scope:</b>	<p>In order to respond to increasing diversified preferences of prospective tourists, it is necessary for the Los Cabos tourism region to develop more low-density, nature-oriented, and exclusive beach resorts. The beauty and peacefulness of the Cortes sea and its beaches are competent with that of the Caribbean Sea.</p> <p>The coastal zone along the Cortes sea has high potential of the new type of beach resort development. In order to induce the development of the beach resort belt, the improvement of the existing road is necessary.</p> <p>At the same time, the improvement of the coastal road provides a new touring route between Los Cabos and La Paz, through which visitors can enjoy both beautiful ocean and desert views.</p> <p>The development of observation decks should also be carried out with the road improvement to improve tourism amenity.</p> <ol style="list-style-type: none"> <li>1) Improvement from El Rincon to San Jose del Cabo (70 km) with widening, asphalt concrete pavement, repairing and new provision of road related facilities, such as culverts, road signs, etc.</li> <li>2) Development of observation decks together with landscaping and parking lots development at Punt Colorada, Punta Arena, Cabo Pulmo, Bahia Frailes, Boca del Tule, Punta Gorda and so on.</li> </ol>
<b>Executing body:</b>	SCT, State government of Baja California Sur
<b>Private sector participation:</b>	Some of commercial activities of the private sector should be allowed in the observation deck areas along the coastal road.
<b>Implementation phase:</b>	To be implemented by 2002
<b>Related projects:</b>	LTR LLM-1 and 3
<b>Project cost:</b>	\$ 102,300,000, (US\$ 13,640,000)
<b>Financial sources:</b>	SCT is financially responsible for the road improvement; on the other hand, observation deck development should involve private companies.
<b>Issues for implementation:</b>	The state government should give a high priority to this road improvement project in requesting efforts by SCT.
<b>Environmental consideration:</b>	An ecological ordinance should be prepared to induce the development of low-density beach resorts while preserving natural beauty of the area. See also the result of Initial Environmental Examination (IEE).

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No LTR LLM-3 Road improvement of the section of san Jose del Cabo-Buena Visata									
Scoping	Site Description								
	Before operation			After operation			Social Environment		
	Reclamation and Spatial Occupancy	Operation of Construction Equipment	Spatial Occupancy	Operation of Vehicles	Operation of Trains/Airplanes/Ships	Operation of Facilities	Accumulation of People and Goods	Inhabitants	Low population density or none
1 Resettlement								Economy/ transport	Agriculture and partly tourisms/not well prepared roads, with small transport volume
2 Economic activity								Land Use	Wasteland, partly agricultural land
3 Traffic and public facilities									
4 Split of communities									
5 Cultural property									
6 Water rights/Rights of common								Natural Environment	Coastal hilly land and partly steep land
7 Public health condition			▲						
8 Waste						▲		Coast and Marine Zone	
9 Hazards(Risk)									
10 Topography and geology	▲								
11 Soil erosion	▲		▲					Flora & Fauna	Coastal vegetation, small mammals
12 Ground water									
13 Hydrological situation	▲		▲						
14 Coastal zone									
15 Fauna and flora	▲		▲	▲					
16 Meteorology								Pollution	Complaints
17 Landscape			▲						None
18 Air pollution									
19 Water pollution	▲								
20 Soil contamination									
21 Noise and Vibration								Measures taken	None
22 Land subsidence									
23 Offensive odor									

Note: ●: The environmental items to which special attention has to be paid. They might cause serious impacts that may affect the project formulation depending on the magnitude of the impacts and the possibility of the measure. ▲: The environment items which may give a significant impact depending on the scale of project and site conditions.  
 No mark: The environmental items which require no important assessment since the anticipated impacts are not significant in general.

<b>Name of Project:</b>	<b>Development of Pichilingue beach resort</b>
<b>Project code:</b>	<b>LTR LPZ-3 (1) (AP LTR-2)</b>
<b>Location:</b>	La Paz municipality, Baja California Sur
<b>Objectives:</b>	<ul style="list-style-type: none"> <li>- To encourage the private sector to develop beach resorts in Pichilingue to the north of La Paz</li> <li>- To revitalize La Paz's tourism</li> </ul>
<b>Rationale and scope:</b>	<p>La Paz once prospered as a free port and a beach destination. However, its tourist arrivals have declined since Los Cabos started to develop beach resort hotels in Cabo San Lucas, San Jose del Cabo and the Los Cabos corridor.</p> <p>In order to attract more international tourists and to satisfy more diversified preferences of tourists, it is necessary to increase the diversity, as well as the capacity of beach resorts. Since La Paz used to be a popular beach resort town, it still has basic potential for beach resort development. Pichilingue is a potential development site for beach resorts in that it has quiet sea water and beautiful sand beaches, and that it has a pier for cruise ships.</p> <p>In the long run, an international-class beach resort belt could be formed between La Paz and Pichilingue including Playa Palmira and La Concha.</p> <p>Some cruise ships arrival at Pichilingue, but the port of Pichilingue does not have any tourism facilities, even restaurants and souvenir shops to entertain cruise ship tourists. In order to increase cruise ship arrivals, and attract more tourists, it is required to encourage the private sector to develop some tourism facilities in the Pichilingue port.</p> <ul style="list-style-type: none"> <li>- Tourism facilities development at the existing port of Pichilingue</li> <li>- Landscape improvement at the existing port of Pichilingue</li> <li>- Tourism accommodation development (more than 1,000 hotel rooms) by the private sector</li> <li>- Investment promotion program to attract private investments in the Pichilingue beach resort area</li> </ul>
<b>Executing body:</b>	State government, La Paz municipal government , the private sector
<b>Private sector participation:</b>	Private sectors' investments are keys to the implementation of the project.
<b>Schedule:</b>	To be implemented by 2002
<b>Related projects:</b>	PTR LPZ-3 (2), LTR BDC-1, LTR MCC-1 and 2
<b>Project cost:</b>	\$ 3,250,000, (US\$ 433,000); not including costs of hotels
<b>Financial sources:</b>	State government, API
<b>Implementation arrangements:</b>	The state government and La Paz municipal government should create good investment environments to attract private investments to the Pichilingue beach resort.
<b>Environmental consideration:</b>	See IEE form

No LTR LPZ-3 (1) Development of Pichilingue beach resort

Scoping	Site Description											
	Before operation					After operation					Social Environment	
	Spatial Occupancy and Reclamation	Spatial Occupancy	Construction of Equipment	Operation of Vehicles	Operation of Trains/Airplanes/Ships	Operation of Facilities	Accumulation of People and Goods	Inhabitants	Land Use	Low density of population or none		
1 Resettlement								Economy/Transport	Waste land	Port industry and small tourism/road transport		
2 Economic activity								Natural Environment				
3 Traffic and public facilities						▲			Topography/Geography		Coastal hilly land and rocky desert	
4 Split of communities								Coast and Marine Zone		sandy and rocky beach		
5 Cultural property									Flora & Fauna			
6 Water rights/Rights of common								Pollution				
7 Public health condition									Complaints	None		
8 Waste								Measures taken		None		
9 Hazards(Risk)						▲						
10 Topography and geology												
11 Soil erosion												
12 Ground water												
13 Hydrological situation												
14 Coastal zone	▲											
15 Fauna and flora												
16 Meteorology												
17 Landscape	▲											
18 Air pollution												
19 Water pollution	●											
20 Soil contamination												
21 Noise and Vibration												
22 Land subsidence												
23 Offensive odor												

Note: ●: The environmental items to which special attention has to be paid. They might cause serious impacts that may affect the project formulation depending on the magnitude of the impacts and the possibility of the measure. ▲: The environment items which may give a significant impact depending on the scale of project and site conditions.  
 No mark: The environmental items which require no important assessment since the anticipated impacts are not significant in general.

<b>Name of Project:</b>	<b>Tourism amenity improvement of La Paz</b>
<b>Project code:</b>	<b>LTR LPZ-1 (AP LTR-3)</b>
<b>Location:</b>	La Paz municipality, Baja California Sur
<b>Objectives:</b>	<ul style="list-style-type: none"> <li>- To revitalize the tourism of La Paz</li> <li>- To develop and promote the tourism of the southern part of Baja California Sur (Los Cabos and its one-day trip areas).</li> </ul>
<b>Rationale and scope:</b>	<p>La Paz once prospered as a free port and a beach destination. However, its tourist arrivals have declined since Los Cabos started to develop beach resort hotels in Cabo San Lucas, San Jose del Cabo and the Los Cabos corridor.</p> <p>In order to attract more international tourists and to satisfy more diversified preferences of tourists, it is necessary to increase tourism attractions in the Los Cabos tourism region. La Paz's tourism could be revitalized as one of the tourism attractions because it has beautiful beaches and quiet sea water and because it is located in the nodal point which connects Los Cabos with northern part of Baja California Sur and Sinaloa's Copper Canyon.</p> <p>First of all, it is necessary to improve tourism amenity in the town of La Paz by improving town tours covering some historical buildings. Among them are Cathedral de Nuestra Señora de La Paz, Biblioteca de Las Californias, Museo de Antropología e Historia, Sagrado Corazon Chapel, San Martin de Porres Chapel, Acuario de Exhibición de Especies Marinas La Paz.</p> <p>These historical buildings could be utilized by the following measures:</p> <ul style="list-style-type: none"> <li>- Formulation of touring routes covering historical buildings, and provision of direction signs</li> <li>- Landscape improvement around the historical buildings, including providing English explanation boards, lighting and street furniture.</li> </ul>
<b>Executing body:</b>	SECTUR, La Paz Municipal government, INAH, the private sector
<b>Private sector participation:</b>	Participation of citizens should be encouraged at the planning stage, because . because they have consciousness , since such beautification of the downtown is realized based on the inhabitants' awareness.
<b>Schedule:</b>	To be implemented by 2002
<b>Related projects:</b>	PTR LPZ-2, 3, 4, 5 and 9
<b>Development cost:</b>	\$ 3,500,000, (US\$ 467,000)
<b>Financial sources:</b>	La Paz Municipal government and INAH
<b>Implementation arrangements:</b>	The municipal government and INAH should coordinate well in project design and implementation, while involving local citizens.
<b>Environmental consideration:</b>	See IEE results.

No LTR LPZ-1 Tourism amenity improvement of La Paz

Scoping	Site Description											
	Before operation					After operation					Social Environment	
	Spatial Occupancy	Operation of Equipment	Construction	Operation of Equipment	Spatial Occupancy	Operation of Vehicles	Operation of Trains /Airplanes/Ships	Operation of Facilities	Accumulation of People and Goods	Inhabitants	Higher density of population	
1 Resettlement										Economy/Transport	Commerce, industry and tourism / congested traffic and limited parking space in the commercial areas	
2 Economic activity										Land Use	Urbanized area	
3 Traffic and public facilities												
4 Split of communities												
5 Cultural property										Natural Environment		
6 Water rights/Rights of common										Topography/Geography	Flat land and coastal area	
7 Public health condition												
8 Waste								●	●	Coast and Marine Zone	Sandy beach	
9 Hazards(Risk)												
10 Topography and geology										Flora & Fauna		
11 Soil erosion												
12 Ground water												
13 Hydrological situation												
14 Coastal zone												
15 Fauna and flora												
16 Meteorology										Pollution		
17 Landscape										Complaints	None	
18 Air pollution												
19 Water pollution												
20 Soil contamination												
21 Noise and Vibration										Measures taken	None	
22 Land subsidence												
23 Offensive odor												

Note: ●: The environmental items to which special attention has to be paid. They might cause serious impacts that may affect the project formulation depending on the magnitude of the impacts and the possibility of the measure. ▲: The environment items which may give a significant impact depending on the scale of project and site conditions.  
 No mark: The environmental items which require no important assessment since the anticipated impacts are not significant in general.

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<b>Name of Project:</b>	<b>Conservation and tourism amenity improvement of San Jose Estuary and the historical center of San Jose del Cabo</b>
<b>Project code:</b>	<b>LTR SJD-1 (AP LTR-4)</b>
<b>Location:</b>	San Jose del Cabo, Los Cabos municipality, Baja California Sur
<b>Objectives:</b>	<ul style="list-style-type: none"> <li>- To conserve the state nature reserve of San Jose estuary</li> <li>- To promote wise use of the nature reserve area for tourism and citizen's recreation.</li> <li>- To revitalize the old town area of San Jose del Cabo by connecting with San Jose lagoon by a green mall</li> </ul>
<b>Rationale and scope:</b>	<p>San Jose del Cabo's tourism development has been based on FONATUR's large-scale land development for tourism facilities. However, the development has not much attracted private investments for hotel development, resulting in slow growth of visitor arrivals.</p> <p>To accelerate the growth of tourist arrivals, it is necessary to diversify tourism products by development more nature-oriented tourism products.</p> <p>A local NGO, local governments, and FONATUR realize the importance of utilizing the estuary not only for revitalizing tourism but also for enriching urban amenity. They have started planning a revitalization plan of San Jose Estuary, including a variety of measures for tourism and urban amenity improvement. Among their project components, the followings are recommendable:</p> <ul style="list-style-type: none"> <li>- Utilization of estuary water for recreation activities, such as cycling on the water,</li> <li>- Renovation of the downtown area,</li> <li>- Improvement of footpaths along the estuary leading to the downtown, and provision of information boards along the footpaths,</li> <li>- Expansion of the existing museum located next to Estuary to 360 sq.m for information, audio visual room and library</li> <li>- Construction of citizen parks near the estuary,</li> <li>- Provision of access streets to the sea.</li> </ul> <p>In addition, it is necessary to pay more attention to conservation activities for the estuary.</p>
<b>Executing body:</b>	Los Cabos municipal government, FONATUR, NGOs
<b>Private sector participation:</b>	Participation of citizens and citizen groups in the project is important at the stages of planning and implementation because the project serves both tourists and citizens.
<b>Schedule :</b>	To be implemented by 2002
<b>Related projects:</b>	
<b>Project cost:</b>	\$ 54,900,000, (US\$ 7,320,000)
<b>Financial sources:</b>	Los Cabos municipality and the fund from Inter-American Development Bank through FONATUR
<b>Implementation arrangements:</b>	A detailed study should be prepared and consensus of citizens should be obtained on the study results and its EIA also need to be assessed by INE.
<b>Environmental consideration:</b>	See IEE results.

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No LTR SJD-1 Nature conservation and tourism amenity improvement of San Jose estuary and old town of San Jose del Cabo

Scoping	Site Description										
	Before operation		After operation				Social Environment		Inhabitants		None
	Reclamation and Spatial Occupancy	Operation of Construction Equipment	Spatial Occupancy	Operation of Vehicles	Operation of Trains	Airplanes/Ships	Operation of Facilities	Accumulation of People and Goods	Land Use	Economy/Transport	
1 Resettlement										None	
2 Economic activity											Estuary is a state reserve of biosphere. Western part of the coastal areas adjacent to the estuary are of hotel zone. Except the hotel zone, the adjacent areas are not occupied.
3 Traffic and public facilities											
4 Spill of communities											
5 Cultural property											
6 Water rights/Rights of common											
7 Public health condition											
8 Waste		▲					▲	●			
9 Hazards(Risk)											
10 Topography and geology											
11 Soil erosion											
12 Ground water											
13 Hydrological situation											
14 Coastal zone		▲									
15 Fauna and flora		●									
16 Meteorology											
17 Landscape		▲									
18 Air pollution											
19 Water pollution											
20 Soil contamination											
21 Noise and Vibration											
22 Land subsidence											
23 Offensive odor											

Note: ●: The environmental items to which special attention has to be paid. They might cause serious impacts that may affect the project formulation depending on the magnitude of the impacts and the possibility of the measure. ▲: The environmental items which may give a significant impact depending on the scale of project and site conditions.  
 No mark: The environmental items which require no important assessment since the anticipated impacts are not significant in general.

<b>Name of Project:</b>	<b>Integration of the north and south areas of Cabo San Lucas</b>
<b>Project code:</b>	<b>LTR CSL-1 (AP LTR-5)</b>
<b>Location:</b>	Los Cabos municipality, Baja California Sur
<b>Objectives:</b>	<ul style="list-style-type: none"> <li>- To improve tourism amenity of Cabo San Lucas</li> <li>- To promote tourism development in the southern area of Cabo San Lucas</li> </ul>
<b>Rationale and scope:</b>	<p>In order to accelerate the tourism development in Los Cabos, it is necessary to concentrate efforts at Los Cabos and its one-day trip areas. One of the required efforts is to improve tourism amenity of Cabo San Lucas.</p> <p>The existing tourism facilities are concentrated to the northern part to the marina of Cabo San Lucas. The marina separates the town area of Cabo San Lucas into the two parts, hindering the development of tourism facilities in the southern sections.</p> <p>The visitors, especially who stay in the south area have to take a long walk around the marina to go to the central tourism area, which have restaurants, shops, discos, hotels.</p> <p>In order to integrate the two areas, it is necessary to improve transport services connecting the north and the south.</p> <p>The project is comprised of the following components:</p> <ol style="list-style-type: none"> <li>1) Ferry services between the north and the south of the marina <ul style="list-style-type: none"> <li>- Construction of piers for ferry boats</li> <li>- Ticket booth, information boards and pay toilets</li> <li>- Purchase of 2 ferry boats</li> </ul> </li> <li>2) Expansion of public bus services to the southern area</li> </ol>
<b>Executive body:</b>	Los Cabos municipality for bus services Private sector for ferry services
<b>Private sector participation:</b>	The municipal government needs to encourage the private sector to develop tourism facilities in the southern area when transport services are improved.
<b>Schedule:</b>	To be implemented by 2002
<b>Related projects:</b>	LTR CSL-2
<b>Project cost:</b>	\$ 8,000,000, (US\$ 1,067,000)
<b>Financial sources:</b>	Municipality and the private sector
<b>Implementation arrangements:</b>	The project should coordinate well with FONATUR, the owner and operator of the marina at the planning and implementation stages.
<b>Environmental consideration:</b>	See IEE form

No LTR CSL-1 integration of the north and south areas of Cabo San Lucas

Scoping	Site Description											
	Before operation					After operation					Social Environment	
	Reclamation and Spatial Occupancy	Operation of Construction Equipment	Spatial Occupancy	Operation of Vehicles	Operation of Trains/Airplanes/Ships	Operation of Facilities	Accumulation of People and Goods	Inhabitants	Land Use	Urban	Urban	
1 Resettlement								Economy/Transport	Tourism / urban road, but relatively poor public transport.			
2 Economic activity				▲								
3 Traffic and public facilities				▲								
4 Spill of communities												
5 Cultural property												
6 Water rights/Rights of common					▲			Natural Environment	Relatively flat / urban setting			
7 Public health condition								Topography/Geography				
8 Waste								Coast and Marine Zone	Artificial marina and sandy beach			
9 Hazards(Risk)								Flora & Fauna	Marine reserve outside marina			
10 Topography and geology												
11 Soil erosion												
12 Ground water												
13 Hydrological situation												
14 Coastal zone												
15 Fauna and flora					▲			Pollution		None		
16 Meteorology								Complaints				
17 Landscape												
18 Air pollution				▲								
19 Water pollution												
20 Soil contamination												
21 Noise and Vibration				▲								
22 Land subsidence												
23 Offensive odor												
											Measures taken	

Note: ● The environmental items to which special attention has to be paid. They might cause serious impacts that may affect the project formulation depending on the magnitude of the impacts and the possibility of the measure. ▲: The environment items which may give a significant impact depending on the scale of project and site conditions.  
 No mark: The environmental items which require no important assessment since the anticipated impacts are not significant in general.

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<b>Name of Project:</b>	<b>Improvement of inter-city public bus services between Cabo San Lucas and San Jose del Cabo</b>
<b>Project code:</b>	<b>LTR LCC-1 (AP LTR-6)</b>
<b>Location:</b>	Los Cabos municipality, Baja California Sur
<b>Objectives:</b>	<ul style="list-style-type: none"> <li>- To more integrate the Cabo San Lucas and San Jose del Cabo; two centers composing the Los Cabos tourism center</li> <li>- To encourage the further development along the corridor</li> </ul>
<b>Rationale and scope:</b>	<p>Tourism attractions of Los Cabos (Cabo San Lucas, San Jose del Cabo, and the corridor between these towns) are mostly based on beaches and sea. Due to the proximity to the United States and to the limited tourism resources, the growth of tourist arrivals to Los Cabos has not been quite rapid. It is required to diversify tourism attractions in the sub-centers of Los Cabos.</p> <p>Since the two towns and the corridor are relatively separated from each other, the integration of these sub-centers by improved transport systems is desired for increasing the convenience to more diversified tourism attractions.</p> <p>The currently bus services between Cabo San Lucas and San Jose del Cabo are infrequently operated, and taxi fares are expensive. This situation tends to limit the availability of and accessibility to tourism attractions to the tourists.</p> <p>With the objective of increasing Los Cabos' internal integration, public inter-city bus services should be improved, like the shuttle bus service system in Cancun.</p> <ul style="list-style-type: none"> <li>- Purchase of buses (10 vehicles)</li> <li>- Improvement of bus terminals in San Jose del Cabo and Cabo San Lucas</li> <li>- Construction of bus stops along the corridor, together with sign boards provision and landscaping (10 stops)</li> </ul>
<b>Executing body:</b>	Los Cabos Municipality, private sector
<b>Private sector participation:</b>	
<b>Schedule:</b>	To be implemented by 2002
<b>Related projects:</b>	LTR LCC-2 and 3
<b>Project cost:</b>	\$ 13,100,000, (US\$ 1,747,000)
<b>Financial sources:</b>	Municipality
<b>Implementation arrangements:</b>	
<b>Environmental consideration:</b>	See IEE form

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No LTR LCC-1 Improvement of inter-city public bus services between Cabo San Lucas and San Jose del Cabo

Scoping	Site Description											
	Before operation					After operation					Social Environment	
	Reclamation and Spatial Occupancy	Operation of Construction Equipment	Spatial Occupancy	Operation of Vehicles	Operation of Trains/Airplanes/Ships	Operation of Facilities	Accumulation of People and Goods	Inhabitants	Land Use	Economy/Transport	Inhabitants	
1 Resettlement											Middle density of population within urban areas, low density of population in the corridor between urban areas	Mostly tourism
2 Economic activity												Tourism/roads are not so well prepared within urban areas / good inter-urban
3 Traffic and public facilities												
4 Split of communities												
5 Cultural property												
6 Water rights/Rights of common												
7 Public health condition												
8 Waste												
9 Hazards(Risk)												
10 Topography and geology												
11 Soil erosion												
12 Ground water												
13 Hydrological situation												
14 Coastal zone												
15 Fauna and flora												
16 Meteorology												
17 Landscape												
18 Air pollution												
19 Water pollution												
20 Soil contamination												
21 Noise and Vibration												
22 Land subsidence												
23 Offensive odor												

Note: ●: The environmental items to which special attention has to be paid. They might cause serious impacts that may affect the project formulation depending on the magnitude of the impacts and the possibility of the measure. ▲: The environment items which may give a significant impact depending on the scale of project and site conditions.  
 No mark: The environmental items which require no important assessment since the anticipated impacts are not significant in general.

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<b>Name of Project:</b>	<b>Introduction of public high-speed boats between La Paz (Baja California Sur) and Topolobampo (Sinaloa)</b>
<b>Project code:</b>	<b>LTR BDC-1 (AP LTR-7)</b>
<b>Location:</b>	La Paz, Baja California Sur and Topolobampo (Los Mochis), Sinaloa
<b>Objectives:</b>	<ul style="list-style-type: none"> <li>- To integrate Los Cabos's beach resorts and Copper Canyon in Sinaloa and Chihuahua to encourage regional touring activities</li> <li>- To attract more international tourists from long-haul markets by diversifying tourism products</li> </ul>
<b>Rationale and scope:</b>	<p>Since neither Los Cabos nor the southern part of Baja California Sur are so rich in tourism resources except sea and beaches. So in the long-run, it is necessary to increase diversity of tourism products by strongly integrating beach resorts of Los Cabos, La Paz, East Cape and so on with regional touring courses, such as to Copper Canyon and Bahia Magdalena's whale watching.</p> <p>In particular, Copper Canyon which is located in the Sinaloa and Chihuahua states, has high potential comparable with Grand Canyon of USA in its character and rich green. The high priority should be given to the integration of Los Cabos/La Paz with Copper Canyon by improving sea transport.</p> <p>The improved sea transport should satisfy high-speed and comfort both for tourism and other purposes. The high-speed boats should operate between the La Paz port and the Topolobampo port.</p> <p>In the short-term, it is necessary for the government to encourage the introduction of high-speed boats to La Paz-Topolobampo by arranging policy-based loans of lower interest rates.</p>
<b>Executing body:</b>	Private sector
<b>Private sector participation:</b>	Private sectors' roles are dully inevitable to formulate the beach resort belt, as well as the development of facilities in the port area.
<b>Schedule:</b>	To be implemented by 2002
<b>Related projects:</b>	PTR LPZ-3 (1) , LTR MCC-1 and 2
<b>Project cost:</b>	\$ 272,925,000, (US\$ 36,390,000); but for the amount for the project
<b>Financial sources:</b>	Policy-based loans of lower interest rates by FONATUR or other government's development banks are needed to support small-medium scale enterprises for tourism development.
<b>Implementation arrangements:</b>	The operation of high-speed boats should be done by the private sector. However, government assistance to encourage the operation of the high-speed boats are necessary.
<b>Environmental consideration:</b>	See IEE form

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No LTR BDC-1 Introduction of public high speed boat between La Paz and Topolobampo (Sinaloa)

Scoping	Site Description											
	Before operation					After operation					Social Environment	
	Spatial Occupancy	Reclamation and Construction	Operation of Equipment	Spatial Occupancy	Operation of Vehicles	Operation of Trains/Airplanes/Ships	Operation of Facilities	Accumulation of People and Goods	Inhabitants	Land Use	None	
1 Resettlement												
2 Economic activity												
3 Traffic and public facilities												
4 Split of communities												
5 Cultural property												
6 Water rights/Rights of common					●							
7 Public health condition					▲							
8 Waste												
9 Hazards(Risk)												
10 Topography and geology												
11 Soil erosion												
12 Ground water												
13 Hydrological situation												
14 Coastal zone												
15 Fauna and flora												
16 Meteorology												
17 Landscape												
18 Air pollution												
19 Water pollution					▲							
20 Soil contamination												
21 Noise and Vibration					▲							
22 Land subsidence												
23 Offensive odor												

Note: ●: The environmental items to which special attention has to be paid. They might cause serious impacts that may affect the project formulation depending on the magnitudes of the impacts and the possibility of the measure. ▲: The environment items which may give a significant impact depending on the scale of project and site conditions.  
 No mark: The environmental items which require no important assessment since the anticipated impacts are not significant in general.

### 3.5.2. Tourism projects to be implemented by 2010

#### (1) Tourism promotion and institutional programs

Table 3. 13 summarizes tourism promotion and institutional programs to be implemented by the target year of 2010 including action projects. Table 3. 14 details the tourism promotion programs.

**Table 3. 13 Summary of tourism promotion projects by type**

Types of Projects	Units	Short term	Medium term	Long term	Total
		1997-2000	2001-2005	2006-2010	1997-2010
Publicity (preparation of materials)	Peso	2,781	8,042	5,487	16,310
	US\$	371	1,072	732	2,175
Advertisement	Peso	67,147	111,912	111,912	290,971
	US\$	8,953	14,922	14,922	38,796
PR activities	Peso	11,990	19,984	19,984	51,958
	US\$	1,599	2,665	2,665	6,928
Approach to trade sector	Peso	17,618	30,411	30,411	78,440
	US\$	2,349	4,055	4,055	10,459
Approach to consumers	Peso	5,722	14,169	14,169	34,060
	US\$	763	1,889	1,889	4,541
Campaign and events	Peso	4,325	4,813	4,813	13,951
	US\$	577	642	642	1,860
Institutional and organizational programs	Peso	2,262	3,769	3,769	9,800
	US\$	302	503	503	1,307
Total	Peso	111,844	193,098	190,543	495,486
	US\$	14,913	25,746	25,406	66,065

Note: Upper line is in 1,000 Pesos, Lower line is 1,000 US\$

Source: JICA study team



**Table 3. 14 List of tourism promotion projects**

Project Name	Implementation bodies	Cost				
		(US\$1,000)	(1,000 Pesos)			
		US\$=7.5 Pesos				
<b>Production of promotional tool</b>						
Image- oriented brochure	Fondo Mixto	187	1,400	233	700	467
Information-oriented brochure	(ditto)	187	1,400	233	700	467
Poster	(ditto)	168	1,260	210	630	420
Map	(ditto)	327	2,450	408	1,225	817
Manual for travel trade	(ditto)	933	7,000	1,167	3,500	2,333
Graphic Media (1)	(ditto)	243	1,820	303	910	607
Graphic Media (2)	(ditto)	131	980	226	377	377
<b>Advertisement</b>						
TV	(ditto)	14,336	107,520	24,812	41,354	41,354
Radio	SECTUR, Fondo Mixto	9,800	73,500	16,962	28,269	28,269
Newspaper (1)	Fondo Mixto	1,050	7,875	1,817	3,029	3,029
Newspaper (2)	(ditto)	5,053	37,900	8,746	14,577	14,577
Magazines (1)	(ditto)	1,568	11,760	2,714	4,523	4,523
Magazines (2)	(ditto)	6,989	52,415	12,096	20,160	20,160
<b>PR activity</b>						
Cooperation to Journalist	State, Fondo Mixto, Hotel, etc.	173	1,300	300	500	500
Familiarization trip	State, Fondo Mixto, Airline, Hotel	5,760	43,200	9,969	16,615	16,615
Press Release	Fondo Mixto	179	1,344	310	517	517
Cooperation to Shooting Crews	State, Fondo Mixto, Hotel, etc.	815	6,115	1,411	2,352	2,352
<b>Approach to trade sector</b>						
Seminar/Presentation	Fondo Mixto	3,628	27,210	6,279	10,465	10,465
Familiarization trip for trade sector	State, Fondo Mixto, Airline, Hotel	5,180	38,848	8,965	14,942	14,942
Travel trade show	Fondo Mixto	645	4,841	1,117	1,862	1,862
Joint Campaign	(ditto)	520	3,900	650	1,625	1,625
Travel Trade Mart (Organizing)	(ditto)	485	3,640	607	1,517	1,517
<b>Approach to Consumers</b>						
Travel Week	(ditto)	4,274	32,058	5,343	13,358	13,358
Approach to special interest group	(ditto)	93	700	162	269	269
Promotion of International exchange	(ditto)	173	1,300	217	542	542
<b>Campaign and Events</b>						
Visit Year	State & Municipal, etc.	1,600	12,000	4,000	4,000	4,000
Photo contest	(ditto)	260	1,950	325	813	813
<b>Institutional programs</b>						
Visitor Arrival Survey	Fondo Mixto	1,307	9,800	2,262	3,769	3,769
<b>Total</b>		<b>66,065</b>	<b>495,486</b>	<b>111,844</b>	<b>193,098</b>	<b>190,543</b>

Source: JICA study team

(2) **Tourism development projects**

Proposed projects including action projects at the Level-1 (beach center), and Level-2 (one-day trip area) are summarized by type and category in Table 3. 15. Rest of the projects are listed from Table 3. 16 to Table 3. 22.

**Table 3. 15 Summary of development projects by type and phase**

Types of Projects	Units	Short term	Medium term	Long term	Total
		1997-2000	2001-2005	2006-2010	1997-2010
<b>Category-A</b>					
Tourism attraction	Peso	57,964	100,637	21,575	180,176
	US\$	7,729	13,418	2,877	24,023
Environmental & Social	Peso	3,200	0	0	3,200
	US\$	427	0	0	427
Tourism facilities	Peso	78,250	104,000	32,000	214,250
	US\$	10,433	13,867	4,267	28,567
Hotel accommodation	Peso	1,450,060	1,826,180	2,663,740	5,939,980
	US\$	193,341	243,491	355,165	791,997
Land development	Peso	0	110,000	110,000	220,000
	US\$	0	14,667	14,667	29,333
Transport (TRP-1)	Peso	117,400	286,100	139,700	543,200
	US\$	15,653	38,147	18,627	72,427
Utility services (UTL-1)	Peso	0	0	0	0
	US\$	0	0	0	0
Total of Category-A	Peso	1,706,874	2,426,917	2,967,015	7,100,806
	US\$	227,583	323,589	395,602	946,774
<b>Category-B</b>					
Transport (TRP-2)	Peso	669,200	121,852	82,200	873,252
	US\$	89,227	16,247	10,960	116,434
Utility services (UTL-2)	Peso	292,260	93,000	0	385,260
	US\$	38,968	12,400	0	51,368
Total of Category-B	Peso	961,460	214,852	82,200	1,258,512
	US\$	128,195	28,647	10,960	167,802
Total of Category-A and B	Peso	2,668,334	2,641,769	3,049,215	8,359,318
	US\$	355,778	352,236	406,562	1,114,576

Note: Upper line is in 1,000 Pesos, Lower line is 1,000 US\$

Source: JICA study team

**Table 3.16 List of tourism development projects for Los Cabos tourism region (1/7)**

Region	Project Code	Project Category	Project Name & Components	Dev. Body Public Private	Operation body Public Private	US\$ (1,000) Total	Development Cost Mexican Peso (1,000)			Action Plan	
							1996-2000	2001-2005	2006-2010		
<b>Los Cabos Tourism Region (LTR)</b>											
<b>Cabo San Lucas tourism center (CSL)</b>											
LTR	CSL - 1	(1) TRP	Integration of the north and south areas of Cabo San Lucas	Mun.		1,067	8,000	7,200	800	0	APLTR-5
LTR	CSL - 1	(1) TRP	1) Ferry services between north and south of Cabo San Lucas marina - Ticket booth, sign information and pay toilets - Purchase of 2 ferry boats			960	7,200	7,200	0	0	
LTR	CSL - 2	(2) TRP	2) Expansion of bus transport service to the southern area Whale Museum development in Cabo San Lucas Marina area	Mun.		1,707	800	0	800	0	
LTR	CSL - 2	(2) ATR	1) Study and design for whale museum in FONATUR land in Cabo San Lucas	State		93	700	700	0	0	
LTR	CSL - 2	(2) ATR	2) Whale Museum - Main exhibition hall, library and audio visual rooms: 1,000 sq.m - Restaurant/cate including outside space (100 seats in total) - Parking area (50 cars) and gardening - Improvement of public beaches of El Medano bay	State		1,614	12,104	12,104	0	0	
LTR	CSL - 3	(3) ATR	1) Development by public; - Beach sport facilities (beach valley), etc - Parking and landscaping	Mun.		685	5,137	5,137	5,137	0	
LTR	CSL - 3	(3) ATR	2) Development by private: Pay toilet, changing and shower facilities development			551	4,132	4,132	4,132	0	
LTR	CSL - 4	(4) ATR	1) Preparation of beautification master plan and design			134	1,005	1,005	1,005	0	
LTR	CSL - 4	(4) ATR	2) Beautification of tourism area : shaded pedestrian network, sign and symbol improvement			2,571	19,280	0	19,280	0	
LTR	CSL - 4	(4) TRP	3) Development of street pay parking system	Mun.		91	680	0	680	0	
LTR	CSL - 5	HTL	Hotel accommodation development in Cabo San Lucas (Additional 2,070 rms)	Mun.		667	5,000	0	5,000	0	
Sub-total of Category-A											
Sub-total of Category-B											
<b>Total of Cabo San Lucas tourism center</b>											
LTR	LCC - 1	(1) TRP	Improvement of inter-city public bus services between Cabo San Lucas and San Jose del Caballe			1,747	13,100	7,900	5,200	0	APLTR-6
LTR	LCC - 1	(1) TRP	- Purchase of new buses (26 numbers) - Bus terminals improvement in sun Jose del Cabo, and Cabo San Lucas - Bus stops along the corridor, sign boards, landscaping (10 stops) Tourism facility complexes along the Los Cabos corridor			187,371	1,405,280	322,640	471,990	610,650	
Sub-total of Category-A											
Sub-total of Category-B											
<b>Total of Los Cabos corridor (LCC)</b>											
LTR	LCC - 2	(2) ATR	1) Restaurants, cafe, souvenir shops, information center			187,587	1,436,901	342,644	483,607	610,650	
LTR	LCC - 2	(2) ATR	2) Observation decks and parking area			1,813	13,600	0	13,600	0	
LTR	LCC - 3	HTL	Hotel accommodation development in Los Cabos corridor (Additional 3,189 rms.)			193,400	1,450,501	342,644	497,207	610,650	
Sub-total of Category-A											
Sub-total of Category-B											
<b>Total of Los Cabos corridor</b>											

**Table 3. 17 List of tourism development projects for Los Cabos tourism region (2/7)**

Region	Project Code	Type	Category	Project Name & Components	Dev. Body		Operation body		Development Cost (Mexican Peso (1,000))			Action Plan		
					Public	Private	Public	Private	US\$ (1,000)	Total	1996-2000		2001-2005	2006-2010
LTR	SJD - 1	(1) EWV	A	Nature conservation and tourism amenity improvement of San Jose Lagoon and old town of San Jose del Cabo	INE				7,320	54,900	23,200	31,700	0	APL TR-4
LTR	SJD - 1 (1)	EWV	A	1) Preparing conservation and development plan of San Jose Estero	INE				93	700	700	0	0	
LTR	SJD - 1 (2)	EWV	A	2) Conservation of wildlife in the Estero area and improvement of water quality	INE				333	2,500	2,500	0	0	
LTR	SJD - 1 (3)	ATR	A	3) Development of San Jose Estero by the master plan of FONATUR	FONATUR				5,333	40,000	20,000	20,000	0	
				- Andador Rikarero del Estero: development of observation and rest space with nature information boards						15,000	15,000			
				- Andador Peatonal Frente al Malecon San Jose: Install removable wooden decks between Hotel President area to southern Estero area						5,000	5,000			
				- Revitalization of water cascade: cleaning of water surface, provision of outdoor furniture						20,000	20,000			
LTR	SJD - 1 (4)	ATR	A	4) Development of horseback riding station at the entrance area of Estero: Horseback riding routes within Estero and coastal area					76	570	570			
LTR	SJD - 1 (5)	ATR	A	5) Improvement of access and expansion of parking area for the Estero area	FONATUR				33	250	250			
LTR	SJD - 1 (6)	ATR	A	6) Expansion of the existing museum in the Estero area	Mun				1,451	10,880	10,880			
LTR	SJD - 2	TFC	A	Convention Center development in San Jose del Cabo (in FONATUR land)	State				14,400	108,000	0	94,000	14,000	
				Land area: approx. 12 ha., total floor area: 9,300 sq.m.						62,310	62,310			
				- main hall 3,150 sq.m; Max. 2,700 seats (theater type) or 1600 seats (Banquet)						31,000	31,000			
				- Meeting rooms: 500 sq.m.; 8 rooms, each 15 - 230 seats, etc						680	680			
				- Parking, outdoor exhibition with landscaping.						14,000	14,000			
LTR	SJD - 3	HTL	A	Hotel accommodation development in San Jose del Cabo (Additional 7,434 rooms)					191,565	986,720	235,600	334,740	416,150	
LTR	SJD - 4	TRP	A	Development of pier in San Jose del Cabo by the master plan of FONATUR					40,000	300,000	0	262,000	38,000	
				- Construction of breakwater	FONATUR					52,000	52,000			
				- Pier 200ML x 20MM, with terminal building	FONATUR					210,000	210,000			
				- Commercial complex with plaza/park expansion	FONATUR					38,000	38,000			
LTR	SJD - 5	LDV	A	Development of south-west part of FONATUR area by the master plan of FONATUR					29,333	220,000	0	110,000	110,000	
LTR	SJD - 5 (1)	LDV	A	1) Land development (Coastal and golf course area)					26,667	200,000	0	100,000	100,000	
LTR	SJD - 5 (2)	LDV	A	2) Phase II development					2,667	20,000	0	10,000	10,000	
LTR	SJD - 6	TFC	A	Golf course development by the master plan of FONATUR					2,400	18,000	0	0	18,000	
LTR	SJD - 6 (1)	TFC	A	1) Expansion of land development for first class golf course phase II					1,067	8,000	0	0	8,000	
				- Preparation of development master plan										
LTR	SJD - 6 (2)	TFC	A	2) 27 - 36 holes golf course development phase III					1,333	10,000	0	0	10,000	
				- Construction of 18 holes golf course in FONATUR land (Sur-Oeste)										
				- Preparation of development master plan										
				- Construction of 27 - 36 holes golf course in FONATUR land (todo el poligono 2)										
LTR	SJD - 7	UTL	B	Land development along the outer link of golf course					1,924	14,430	14,430	0	0	
LTR	SJD - 7 (1)	UTL	B	1) Phase I: Sewage collection network in San Jose del Cabo area: expansion 4.7 km, 822 cub. m. 100 L/sec.	Mun.				756	5,670	5,670	0	0	
LTR	SJD - 7 (2)	UTL	B	2) Phase II: Sewage collection network development in San Bernabe, Las Veredas	Mun.				1,168	8,760	8,760	0	0	

**Table 3.18 List of tourism development projects for Los Cabos tourism region (3/7)**

Reg ion	Project Code	Ty pe	Category	Project Name & Components	Dev. Body Public	Private	Operation body Public	Private	US\$ (1,000) Total	Development Cost Mexican Peso (1,000)				Action Plan
										Total	1996-2000	2001-2005	2006-2010	
LTR	SJD - 8	TRP	B	Airport improvement in San Jose del Cabo according to the master plan of ASA - Expansion of runway from 2,200 m. to 2,700 m. - Construction of runway access road - Expansion of existing terminal building - Expansion of satellite terminal building. - Others	ASA		ASA		34,533	259,000	149,200	67,600	42,300	
Sub-total of Category-A														
Sub-total of Category-B														
<b>Total of San Jose del Cabo tourism center</b>														
LTR	LLC - 1	ATR	A	Desert museum complex development in Santiago being integrated with existing zoo	Mun.				1,454	10,980	10,980	0	0	
LTR	LLC - 2	ATR	A	Open air museum at Ex-mining villages	Mun.				4,152	31,140	10,380	20,760	0	
LTR	LLC - 2 (1)	ATR	A	1) Open air museum development in San Antonio	Mun.				1,384	10,380	10,380	0	0	
				- Study and design of existing Ex-mining sites for museums; - Rehabilitation and landscaping of sites, workshop, souvenir shop, pay toilet and information office in each site										
LTR	LLC - 2 (2)	ATR	A	2) Open air museum development in El Triunfo	Mun.				1,384	10,380	0	10,380	0	
				- Study and design of existing Ex-mining sites for museums; - Rehabilitation and landscaping of sites, workshop, souvenir shop, pay toilet and information office in each site										
LTR	LLC - 2 (3)	ATR	A	3) Open air museum development in El Rosalito	Mun.				1,384	10,380	0	10,380	0	
				- Study and design of existing Ex-mining sites for museums; - Rehabilitation and landscaping of sites, workshop, souvenir shop, pay toilet and information office in each site										
LTR	LLC - 3	ATR	A	Tourism development in the Sierra San Lorenzo area	State				187	1,400	0	1,400	0	
LTR	LLC - 3 (1)	ATR	A	1) Improvement of trekking route with direction signs			State		67	500	0	500	0	
LTR	LLC - 3 (2)	ATR	A	2) Rest spot at hot spring site					53	400	0	400	0	
LTR	LLC - 3 (3)	ATR	A	3) Camping area					67	500	0	500	0	
LTR	LLC - 4	ATR	A	Beautification of tourist spot (snake skin) in San Pedro de la Soledad	Mun.				264	1,980	0	1,980	0	
LTR	LLC - 5	ATR	B	Development of existing fruits farms for Agro-tourism in San Bartolo	Mun.				264	1,980	0	1,980	0	
LTR	LLC - 6	TRP	B	Improvement of Federal Highway No.1 Section of Los Cabos-La Paz	SCT				69,333	520,000	520,000	0	0	
				- Up-grading from type C to Autopista type (4 lanes w/ 22 m width), between La Paz and Entrance to Los Cabos airport (176 km); according to the action plan of SCT										
Sub-total of Category-A														
Sub-total of Category-B														
<b>Total of Los Cabos - La Paz corridor, central route</b>														
LTR	LLM - 1	ATR	A	Development of tourism attraction in desert area	State				907	6,800	3,800	2,600	400	
				- Desert trekking route						800	800	0	0	
				- Camping areas						1,000	0	0	0	
				- Auto camping areas						5,000	3,000	2,000	400	

**Table 3. 19 List of tourism development projects for Los Cabos tourism region (4/7)**

Reg. ion	Project Code	Ty pe	Cate gory	Project Name & Components	Dev. Body Public Private	Operation body Public Private	USS (1,000) Total	Development Cost Mexican Peso (1,000)			Action Plan	
								1996-2000	2001-2005	2006-2010		
LTR	LLM - 2	HTL	A	Hotel accommodation development in Los Cabos-La Paz corridor - Self compound tourist villas development (626 rms) - Luxurious tented accommodation development Road improvement of the section of San Jose del Cabo - Buena Vista			51,565	365,740	169,740	85,050	131,950	
LTR	LLM - 3							21,000	10,000	5,000	6,000	
LTR	LLM - 3 (1)	TRP	A	1) From San Jose del Cabo to El Rincón (70 km) - Road improvement; asphalt concrete pavement, road facilities of signs, guard rails, culverts with development of observation decks at Punta Colorado, Punta Arena, Cabo Pulmo, Bahía Frías, Boca del Tule, Punta García, etc. - Observation decks development 2) From La Rivera to Buena Vista (12 km) - Road improvement; asphalt concrete pavement, road facilities of signs, guard rails, culverts	State		13,640	102,300	102,300	18,100	0	0
LTR	LLM - 3 (2)	TRP	A		State		2,413	7,800	7,800	18,100	0	
LTR	LLM - 4	TRP	A	- Observation decks development	State		3,900	22,500	0	0	22,500	
LTR	LLM - 5	TRP	A	- Improvement of road from Los Barriles to Boca de Alamo (25 km) - Improvement of road from Boca de Alamo to San Pedro Mexco (18 km)	State		10,560	79,200	0	0	79,200	
Sub-total of Category-A							82,085	615,640	275,840	105,750	234,050	
Total of Los Cabos - La Paz corridor, Mar de Cortes route							82,085	615,640	275,840	105,750	234,050	
LTR	LLP - 1	ATR	A	Beach improvement of Playa San Pedrito - Parking, pedestrian walk and pay toilet - Boat pier in lagoon area, including water front landscaping, - Beautification of historical area in Todos Santos	State		1,410	10,975	0	3,400	7,175	
LTR	LLP - 2	ATR	A	- Installation of tourist information sign at each historical buildings - Landscape improvement in downtown area	Mun.		287	2,000	0	2,000	0	
LTR	LLP - 3	ATR	A	- Artist village development in Todos Santos - Formation of artists' village; pedestrian routes, landscaping including outdoor furniture - Revitalization of a historical building(s) for exhibition of the art	Mun.		993	7,000	0	3,500	3,500	
LTR	LLP - 4	HTL	A	Hotel accommodation in Todos Santos (125 rms.)			6,853	57,400	19,480	12,470	19,450	
Sub-total of Category-A							9,463	70,975	19,480	21,370	30,125	
Total of Los Cabos - La Paz corridor, Pacific route							9,463	70,975	19,480	21,370	30,125	
LTR	LPZ - 1	ATR	A	Tourism amenity improvement of La Paz - Formulation of tourism routes of historical buildings and areas with provision of direction signs - Landscape improvement around the historical buildings, including explanation boards, lighting and furniture	Mun.		467	3,500	0	3,500	0	
LTR	LPZ - 2	ATR	A	Improvement of existing beach areas of La Paz - Landscaping, pay toilet, changing and shower room development in Playa Palmira, El Coranuel, El Calmanco, La Concha de Balandra, El Tesoro	Mun.		2,800	21,000	0	10,500	10,500	
LTR	LPZ - 3	TFC	A	Development of Pichilingue beach resort - Port terminal and information center improvement, 200sq.m			105,608	814,560	221,990	228,310	363,760	
LTR	LPZ - 3 (1)	TFC	A				483	3,250	3,250	0	0	
LTR	LPZ - 3 (2)	HTL	A				108,175	811,310	218,740	228,810	363,760	
LTR	LPZ - 4	TFC	A	Existing marina improvement at La Paz Bay for 200 boats and marine plaza			10,000	75,000	75,000	0	0	
LTR	LPZ - 5	TFC	A	Golf course development near the park infantil area			1,393	10,000	0	10,000	0	

**Table 3. 20 List of tourism development projects for Los Cabos tourism region (5/7)**

Region	Project Code	Type	Category	Project Name & Components	Dev. Body	Operation body		US\$ (1,000) Total	Development Cost			Action Plan
						Public	Private		Mexican Pesos (1,000)	2001-2005	2006-2010	
LTR	LPZ - 6	UTL	B	Water supply development in La Paz according to the master plan of SAPAL - 4 new well development, rehabilitation of 13 well and tank, supply network development - renew taps, water leaking monitor, and repair - purchase of a monitoring device, rehabilitation of workshop and equipment - New 6 well development in Cuernca del Carrizal - Supply network extension 70km, 500/seg	Mun.	Mun.		15,417	115,530 18,390	27,630 18,390	88,000	0
LTR	LPZ - 7	UTL	B	Sewage treatment system dev. in La Paz according to the master plan of SAPAL - Repair of collection piping network, development of desalination plant - Collection network expansion to new urban zone - Desalination plant development - Expansion of collection piping, network-2 - Improvement and beautification of existing solid waste dumping site in La Paz	Mun.	Mun.		33,093	248,200 55,200 53,000 135,000 5,000	243,200 55,200 53,000 135,000 5,000	88,000 5,000	0
LTR	LPZ - 8	UTL	B	Improvement and beautification of existing solid waste dumping site in La Paz	Mun.	Mun.		933	7,000	7,000	0	0
LTR	LPZ - 9	TRP	B	La Paz airport improvement according to the master plan of ASA - Study and design of airport capacity and facilities - Expansion of terminal building and satellite platform	ASA ASA	ASA BOT		10,754	80,652 652 80,000	0 652 40,000	40,652 652 40,000	40,000 40,000
				Sub-total of Category-A				123,208	924,060	296,990	252,310	374,260
				Sub-total of Category-B				50,199	451,482	277,800	133,652	40,000
				Total of La Paz tourism center				183,406	1,375,542	574,820	386,462	414,260
				Sub-total of Category-A				945,774	7,100,806	1,706,874	2,426,917	2,967,015
				Sub-total of Category-B				167,802	1,258,512	961,460	214,852	82,200
				Total of development priority areas in Baja California Sur State				1,114,576	8,359,318	2,668,334	2,641,769	3,049,215
				Sub-total of Category-A				12,797	95,975	19,275	76,700	0
				Sub-total of Category-B				47	350	350	0	0
				Total of development priority areas in Baja California Sur State				173	1,300	1,300	0	0
LTR	Baja ecotourism circuit (BEC)			Bahia Magdalena whale watching base town development	Mun	Mun						
LTR	BEC - 1 (1)	UTL	B	1) Beautification of San Carlos with solid waste collection system development	Mun	Mun						
LTR	BEC - 1 (2)	ATR	A	2) Development of information center, a pay toilet, parking area	State	State						
LTR	BEC - 1 (3)	ATR	A	3) Shelter pier for 7 boats mooring in Puerto San Carlos	State	State						
LTR	BEC - 1 (4)	HTL	A	4) Hotel accommodation 100 rms development at San Carlos, Punta Belcher and Puerto Cortes (Additional 100 rms.)				8,000	60,000	15,000	45,000	0
LTR	BEC - 1 (5)	TRP	A	5) Improvement of landing strip - landing strip (1,300 m. x 30 m) - waiting room (50sq.m)				4,227	31,700	0	31,700	0
LTR	BEC - 2			access road from Federal road (5 km) in Banderitas								
LTR	BEC - 2 (1)	ATR	A	1) Development of information center and pay toilet, parking	State	State		12,200	91,500	0	66,800	24,700
LTR	BEC - 2 (2)	HTL	A	2) Hotel accommodation 20 rms development in Lagoon San Ignacio				347	2,600	0	2,600	0
LTR	BEC - 2 (3)	TRP	A	3) Road improvement from San Ignacio to Laguna San Ignacio (58 km)	Mun.	Mun.		6,960	52,200	0	52,200	0
LTR	BEC - 2 (4)	TRP	A	4) Improvement of landing strip in San Ignacio - landing strip (1,300 m. x 30 m) - waiting room (50sq.m)	SCT	SCT		3,293	24,700	0	24,700	0

**Table 3. 21 List of tourism development projects for Los Cabos tourism region (6/7)**

Region	Project Code	Project Category	Project Name & Components	Dev. Body		Operation body		US\$ (1,000) Total	Development Cost Mexican Peso (1,000)			Action Plan
				Public	Private	Public	Private		Total	1995-2000	2001-2005	
LTR	BEC - 3	ATR	Lagna Ojo de Liebre whale watching site development	State		State		11,213	84,100	0	0	84,100
LTR	BEC - 3 (1)	ATR	1) Development of information center, a pay toilet, parking					347	2,600	0	0	2,600
LTR	BEC - 3 (2)	HTL	2) Eco-lodge, 20 rms development in Guerrero Negro Ignacio					1,600	12,000	0	0	12,000
LTR	BEC - 3 (3)	TRP	3) Road improvement between Guerrero Negro - El Datil - whale watching site (32 km)	Mun.		Mun.		5,973	44,800	0	0	44,800
LTR	BEC - 3 (4)	TRP	4) Improvement of landing strip in San Ignacio - landing strip (1,300 m. x 30 m)	SCT		SCT		3,283	24,700	0	0	24,700
LTR	BEC - 4	ATR	San Teresito tourism development	State		State		13,085	98,140	0	98,140	0
LTR	BEC - 4 (1)	ATR	1) Information center at Guadalupe	State		State		347	2,600	0	2,600	0
LTR	BEC - 4 (2)	ATR	2) Improvement of tourism facilities in canyon area including camping site with toilet and hiking trails with rope/chain at steep slope areas to caves (8 caves)	Mun.		Mun.		907	6,800	0	6,800	0
LTR	BEC - 4 (3)	TRP	3) Improvement of existing road from Highway No.1 to Guadalupe (approx. 34 km)	State		State		11,832	86,740	0	86,740	0
LTR	BEC - 5	TRP	Up-grading of Federal Highway No.1 from type C to Autopista type according to the Action Plan of SCT	SCT		SCT		483,333	3,700,000	3,700,000	0	0
			R.Sanchez Taboada - Guerrero Negro (692 km)						1,700,000	1,700,000		
			Guerrero Negro - La Paz (770 km)						2,000,000	2,000,000		
			Sub-total of Category-A					49,249	369,365	18,925	241,640	108,800
			Sub-total of Category-B					483,380	3,700,350	3,700,350	0	0
			<b>Total of Baja ecotourism circuit</b>					542,629	4,069,715	3,719,275	241,640	108,800
LTR	LTO - 1	HTL	Hotel accommodation development in Loreto area (Additional 623 rms)	State		State		57,601	432,010	68,330	165,040	198,640
LTR	LTO - 2	TFC	Development of base ports of Mar de Cortes ecotourism - information, fuel station, tourist boat mooring, ship repairing workshop, terminal building, and car parking facilities at Loreto, Santa Rosalia, Guaymas					2,947	22,105	0	9,000	13,105
LTR	OTR - 3	HTL	Hotel accommodation development in other areas in the State (Additional 152 rms)					9,763	73,270	9,540	36,230	27,500
			Sub-total of Category-A					70,318	527,385	77,870	210,270	239,245
			<b>Total of Loreto tourism center</b>					70,318	527,385	77,870	210,270	239,245
			Sub-total of Category-A					119,567	696,750	96,795	451,910	348,045
			Sub-total of Category-B					493,390	3,700,350	3,700,350	0	0
			<b>Total of out of the development priority area in Baja California Sur State</b>					612,947	4,597,100	3,797,145	451,910	348,045
LTR	BDC - 1	TRP	Introduction of public high-speed boats between La Paz and Topolobampo					36,390	272,925	0	272,925	0
LTR	BDC - 2	TRP	Hydrofoil boat landing pier with 50M X10m floating piers at La Paz and Topolobampo					2,925	2,925	0	2,925	0
LTR	BDC - 2 (1)	TRP	Purchase of hydrofoil boats (2 boats)					270,000	270,000	0	270,000	0
LTR	BDC - 2 (2)	TRP	Railway improvement for Branca del Cobre					11,733	88,000	0	88,000	0
LTR	BDC - 2 (3)	TRP	Study and design of train transport program					1,393	10,000	0	10,000	0
LTR	BDC - 3	TRP	Purchase tourism carriage/train with viewing deck and dining car, diesel locomotive x 2, 6 passenger car x 2-12 cars (2 trains)					10,400	78,000	0	78,000	0
LTR	BDC - 3	TRP	Improvement of airport of Creal					120,000	900,000	0	900,000	0
			Sub-total of Category-A					168,123	1,260,925	0	1,260,925	0
			<b>Total of Branca del Cobre - La Paz Corridor</b>					168,123	1,260,925	0	1,260,925	0



**Table 3.22 List of tourism development projects for Los Cabos tourism region (7/7)**

Region	Project Code	Type	Category	Project Name & Components	Dev. Body Public Private	Operation body Public Private	US\$ (1,000) Total	Development Cost Mexican Peso (1,000)		Action Plan	
								1996-2000	2001-2005		2006-2010
LTR	Mar de Cortes eco-cruise circuit development (MCC)										
LTR	MCC - 1	ATR	A	Development of base ports of Mar de Cortes eco-cruise - Information, fuel station, tourist boat mooring, ship repairing workshop, terminal building, and car parking facilities at Santa Rosalia and Guaymas	State		4,800	36,000	0	16,000	20,000
LTR	MCC - 2	ATR	A	Stop over port development for Mar de Cortes ecological cruise - Landing piers at Isla Coronados, Isla Carmen, Isla Donzante etc. (5 spots)	State		129	969	0	969	0
				Sub-total of Category-A			4,929	36,969	0	16,969	20,000
				Total of Mar de Cortes eco-cruise circuit			4,929	36,969	0	16,969	20,000
				Other states			173,053	1,297,894	0	1,277,894	20,000
				Sub-total of Category-A			173,053	1,297,894	0	1,277,894	20,000
				Total of other states							
				Grand Total of Los Cabos Tourism Region			1,239,393	9,268,450	1,803,569	4,156,721	3,335,060
				Grand Total of Category-A			651,182	4,958,862	4,661,810	214,852	82,200
				Grand Total of Category-B			1,900,575	14,254,312	6,465,479	4,371,573	3,417,260
				Grand Total of Los Cabos Tourism Region							

Notes:

1. Cos=\$1,000 estimated by JICA study team (1997 price)
2. Abbreviations of Project Code:  
 (1) Tourism region: BCS= Baja California Sur State  
 (2) Tourism Center/Products:  
 (3) Type of projects:  
 ATR=Tourism attraction development/improvement, ENS=Environmental conservation and social development, TFC= Tourism facilities development, HTL= Hotel accommodation development, LDV=Land Development, TRP=Transport development/improvement, UTL=Utility service system development.  
 (4) Category of projects:  
 A=Projects directly related to tourism, B=Projects indirectly related to tourism but developed under the strategies of national and/or state development.  
 3. APLTR = Project selected as Action Plan for Los Cabos Tourism Region

### 3.6. Economic and financial analyses

#### 3.6.1. Analysis of past performance of Los Cabos

The study team calculated the economic internal rate of return (EIRR) in Los Cabos to be 2.8% during the 1980-1994 period based primarily on the FONATUR data under the assumption that the residual value of past investment was counted to be a benefit in 1995. This shows the past tourism investment was not so effective in Los Cabos. The cost side analysis shows infrastructure investment cost, private sector investment, and housing investment, and operation costs constitute approximately 3.8%, 14.6%, 2.9%, and 78.7%, respectively. The benefit side analysis shows the regional economic effects constitute 68.7% of the benefit while that of employment creation constitutes 17.9% and multiplier effect constitute remaining 13.4%.

One of the major problems in Los Cabos destination is a low economic impact of tourism attributed to the lack of supporting industries for tourism caused by mainly location and natural conditions and, as a consequence, the dependence of the tourism sector on imported products. Another reason for the low investment effect may be the dispersed development in Cabo San Lucas and San Jose del Cabo.

#### 3.6.2. General assumptions for the economic and financial analyses

##### a. Area for the analysis

The analysis is applied for the priority development area (Level-2 area) as set in the development scenario for the Los Cabos tourism region.

##### b. Target year

The evaluation covers the years from 1996 to 2010, which are divided into the following 3 phases.

- Short term: 1996-2000
- Medium term: 2001-2005
- Long term: 2006-2010

##### c. Development costs

The development costs applied for the analysis are summarized in Table 3. 23 by type of project and phase.

**Table 3. 23 Development costs by type of project and phase**

		Short term	Medium term	Long term	Total
Transportation-A	TRP-A	82,200	213,600	104,775	400,575
Transportation-B	TRP-B	167,300	30,463	20,550	218,313
Urban utilities	UTL-B	73,065	23,250	0	96,315
Environmental	ENV	1,600	0	0	1,600
Land development	LDV	0	55,000	55,000	110,000
Sub total		324,165	322,313	180,325	826,803
Land acquisition cost		32,417	32,231	18,033	82,680
Hotel	HTL	1,436,829	1,804,518	2,653,784	5,895,132
Tourism attraction	ATR	65,764	101,937	21,575	189,276
Other transportation	TFC	78,250	104,000	32,000	214,250
Sub total		1,580,843	2,010,455	2,707,359	6,298,658
Land acquisition cost		56,388	72,426	94,376	223,190
Total		1,993,812	2,437,425	3,000,093	7,431,331

Note: unit of amount: 1,000 pesos

Source: JICA study team

##### d. Hotel arrivals

The target of hotel arrivals applied for the analysis are summarized in Table 3. 24.

**Table 3. 24 Hotel arrivals for major tourism centers**

Tourism centers	Domestic				International			
	1995	2000	2005	2010	1995	2000	2005	2010
La Paz	148	196	251	340	50	66	88	121
Los Cabos	58	91	131	194	390	589	877	1,302
East Cape	18	31	59	102	16	40	77	131
Todos Santos	5	6	11	17	5	7	11	17
Target	229	324	452	653	461	702	1,053	1,571

Note: unit of arrivals: 1,000 persons

Source: JICA study team

### e. Visitor expenditure

#### Per-capita expenditure

Per-capita expenditure, which is defined as the total expenditure of a person during his/her stay at a tourism destination, are assumed based on hotel guest expenditure in 1994. Unit expenditure of both foreign tourists and domestic tourists will increase due to level up of facilities, though inflation is not considered in this analysis. The ratio of Los Cabos in 2006-2010 to the unit expenditure of Cancun is 76% in both foreign and domestic.

**Table 3. 25 Tourist expenditure of the primary tourism center**

	1994		1996-2000		2001-2005		2006-2010	
	Local	Intern'l	Local	Intern'l	Local	Intern'l	Local	Intern'l
Los Cabos	1,610	2,510	1,800	5,220	2,270	6,575	2,740	7,930
Loreto	440	800						
Lapaz	770	1240						

Note: unit of expenditure: pesos

Source: JICA study team

#### Expenditure ratio by category

Self sufficient rates are estimated by expenditure category, which are used by Banco de Mexico and FONATUR as follows.

**Table 3. 26 Expenditure ratio by category**

	1994								1996-2010			
	Local				International				Total			
	L	F	S	O	L	F	S	O	L	F	S	O
Los Cabos	41	34	8	18	34	37	8	22	37	35	8	20
Loreto	29	36	16	19	22	37	16	24				
Lapaz	33	33	8	27	25	34	8	33				

Note: Unit of ratio: %

L: lodging, F: food and drink, S: shopping, O: others

Source: SECTUR data, compiled by JICA study team

### f. Others

The followings are also assumptions taken for the analysis.

- Prices and exchange rates are set and used as of 1996 (1 US dollar = 7.5 pesos)
- No inflation is considered to evaluate both economic and financial analysis.

### 3.6.3. Economic analysis

The objective of the analysis is to evaluate economic viability of the tourism development in the development priority area (Level-2) of the Los Cabos tourism region.

#### (1) Methodology of economic analysis

##### a. Economic benefit

###### Direct benefit

Direct benefit of tourism development is regional economic effects which is calculated as a certain part of increment in number of tourists with projects proposed. The formula is as follows.

direct benefit = (number of tourists with projects - number of tourists without projects) x (unit expenditure) x (self sufficient rate)

The number of tourists with projects is calculated by linear-adjusting way based on the target hotel arrival in 2000, 2005 and 2010. The number of tourists without projects is assumed to increase until 1999 due to the effects of past investment as follows.

- 1996 = 80% of that with projects
- 1997 = 70% of that with projects
- 1998 = 60% of that with projects
- 1999 = 50% of that with projects
- After 2000 = same figure of 1999

###### Self sufficiency rates

Self-sufficient rates which are defined as the rate of final supply within the same state to the visitor expenditure are estimated by visitor expenditure category based on an interview survey by JICA study team. Although the ratio of food and drink, and shopping are assumed to increase due to promotion of local industries, the increase points are half of other regions because of the difficulty of local industry development caused by location and natural conditions.

**Table 3. 27 Self sufficient rate**

	1994	1996-2000	2001-2005	2006-2010
Lodging	50.0	50.0	50.0	50.0
Food and drink	15.0	20.0	22.5	25.0
Loreto Shopping	15.0	20.0	22.5	25.0
Lapaz Others	80.0	80.0	80.0	80.0

Note: unit: %

Source: JICA study team

###### Indirect benefit

Indirect benefit generally consists of employment creation, multiplier effects and other indirect benefits. But it is very difficult to estimate other indirect benefits, therefore the benefits of employment creation and multiplier effects are calculated.

###### Indirect employment of hotel workers:

According to the information from SECTUR and the Service Census in 1993, the number of workers in tourism related industries are 2.5 times of hotel workers. The benefit of indirect employment is estimated concerning to the cumulative hotel rooms increased.

- Number of hotel workers per room: 1.3
- Average income of related industries: \$ 10,000/year

Hotel employment in the future is studied in the Vol. 2: National-level Strategy. According to the study, the average of hotel workers per room during the period from 1996 to 2010 is estimated at 1.35. In the economic analysis, a smaller value (1.3) is assumed in order to prevent overestimation of economic benefit.

Increase of employment in the construction industry:

Increase of construction workers is assumed in proportion to construction investment.

- Number of construction workers: 9.4 per million \$ of investment
- Average income of construction industry: \$ 14,000/year

Multiplier effects of tourist consumption

Multiplier effects According to the input-output table in 1985, the intermediate input of hotel and restaurant is 14%. To estimate multiplier effects, it is assumed that 50% of the intermediate income is circulated locally.

Multiplier effects of construction work

According to the input-output table in 1980, the intermediate input of construction industry is 53%. To estimate multiplier effects, it is assumed that 30% of intermediate income is circulated locally.

Other indirect benefits

Increase of foreign currency and government revenue, improvement of economic structure, promotion of business activities and social impacts for regional development are also indirect effects of tourism development. However, these are national-level effects and also difficult to estimate. Therefore, these benefits are excluded in this analysis.

**b. Costs**

Future costs are composed of those of construction, promotion and operation.

Construction costs and cost sharing

Construction costs are estimated for each project as shown in Table 3. 23. Indirect investment such as planning and studies is counted by 5% of infrastructure investments.

Some investments contribute not only to tourism industry but also to other local industries and social welfare. Therefore, contribution factors of investments to the tourism are assumed by considering the nature of relations of each investment with tourism as follows.

- Tourism facilities: 100%
- Transportation for mainly tourism: 75%
- Transportation for regional development: 25%
- Land development: 75%
- Urban utilities: 25%
- Environmental protection and improvement: 50%

Residual value of past investments is not counted in this analysis, though that of future investment is counted in 2011 because almost all projects will be used after this evaluation period. The residual periods are set as follows.

- Infrastructure 30 years

- Indirect investment 15 years
- Tourism facilities 15 years

No land acquisition cost is considered to evaluate economic analysis.

#### Promotion costs

Promotion costs are also estimated for each promotion activity.

#### Operation costs

Operation costs are assumed as 30% of cumulative costs of developing infrastructure, such as road, airport, sewerage, water and electric supply, and 58% of tourists consumption at related facilities, such as hotel, museum, marina and golf course.

#### Conversion factors to economic prices

The following conversion factors to economic prices are adopted based on the report of "Socio-Economic Evaluation of Ex-post Cancun" by FONATUR.

- Construction of infrastructure: 0.726
- Construction of facility: 0.699
- Operation and maintenance: 0.692

The conversion factor to economic prices of promotion is assumed to be as the same as that of operation and maintenance.

### (2) Economic analysis of Los Cabos tourism region

An economic internal rate of return (EIRR) indicates the viability of projects from the viewpoint of the national economy and is used as an criteria for loan by international financing agencies such as World Bank. A project with more than 10% of EIRR is acceptable in general. The EIRR of Los Cabos is estimated at 11.1 %. The following table shows results of the sensitivity analysis based on the EIRR of 11.1 %.

**Table 3. 28 Economic internal rate of return (EIRR)**

Cases of sensitivity analysis	EIRR (%)
Base Case	11.1
Increase of Total Benefit (+20%)	30.7
Decrease of Total Benefit (-20%)	-1.4
Increase of Total Cost (+20%)	-10.7
Decrease of Total Cost (-20%)	35.5

Source: JICA study team

In case of benefit increase or cost reduction, economic viability is improved significantly. The main cause of benefit increase is increase of tourists inflow and their expenditure. However, there is a certain relationship between tourists increase and cost by item. In general, investment for infrastructure and facilities are required to receive tourists increase, and effective tourism promotion attracts more tourists. But there is not any substantial data for quantitative analysis for the effects of the tourism promotion.

Therefore, sensitivity analysis by combination of cost increase and benefit increase is conducted to clarify cost capacity for benefit increasing. If 5% increase of cost generates 10% increase of benefit, the future EIRR will be 15.9 % and economic viability will be improved. In order to ensure economic viability with 20% of benefit increase, total cost is allowed 10% increase. As such, further efforts to attract more tourists is required for sound growth of the tourism industry.

**Table 3. 29 Sensitivity analysis of EIRR by cost and benefit increase**

Cases	Cost: +5%	Cost: +10%	Cost: +20%
Benefit: +20%	25.2 %	20.2 %	11.1 %
Benefit: +10%	15.9 %	11.1 %	
Benefit: +5%	11.1 %		

Source: JICA study team

### 3.6.4. Financial analysis

#### (1) Objectives of the analysis

A primary analysis from the financial view points is executed in order to promote private investments for tourist facilities and public investments for construction of infrastructure. The financial analysis is conducted for the following objectives:

##### a. Propriety of public investment for infrastructure

The propriety of public investment is to be evaluated by the revenue and expenditure ratio (R/E) with the assumption of an 8.5% discount rate, which is supposed to be an opportunity cost of capital in general. A project is feasible from the financial viewpoint when R/E ratio is larger than 1.0.

##### b. Profitability of private investment

An financial internal rate of return (FIRR) indicates the viability of projects from the financial profitability. A project can be expected to be executed by private sector when FIRR is larger than the sum of an interest rate and desired profitability, which are supposed to be 20% in Mexico excluding price escalation.

The FIRR is estimated with a simple model with only two sub-sectors, namely the hotel industry and the other tourism industry.

#### (2) Major assumptions of financial analysis

Major assumptions used for financial analysis are as follows.

##### a. Hotel arrivals and unit expenditure of tourists

The number of hotel arrivals and unit expenditure of tourists are assumed as the same as those in economic analysis, though the conversion rate to economic costs and the self sufficient rate are not used.

##### b. Infrastructure costs

The cost of the public sector are composed of operation and maintenance, and depreciation costs.

All infrastructure are assumed to be constructed and operated by public sector, though there are many types of management execution.

##### c. Consumer tax

The revenue for public sector is taxes. In this analysis, two kinds of taxes, value added tax (IVA) and business income tax (ISR), are taken into account. Concerning hotel tax, it is said that the tax would be used for promotion activities, therefore the tax is not counted as the revenue.

##### d. Revenue for private sector

The revenue for private sector is calculated as follows.

Revenue = (increment of number of hotel arrival) x (unit consumption) x (1-consumer tax rate)

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**e. Cost of private sector**

The costs of private sector are composed of operation and maintenance, depreciation, promotion costs and interest and business income tax.

The operation and maintenance cost is estimated as 63% of tourists expenditure due to the low level of self sufficient rate in Baja California Sur.

The depreciation cost is assumed to be one fifteen of investment of tourism facilities including hotels, though the depreciation cost of infrastructure is assumed to be one thirtieth of these investments.

Concerning promotion costs one third of promotion cost proposed is counted to be the costs of private sector. But if the hotel tax exceeds the whole promotion cost, the burden by private sector is assumed to be zero.

Business income tax is calculated by multiplied the profit after reducing interest payment. The rate of business income tax is assumed to be 34%. If there is cumulative loss no business income tax is charged.

**f. Land acquisition cost**

The land acquisition costs are added to the investment costs proposed in the lists of implementation Land acquisition costs against each investment cost are assumed as follows.

- High rank hotel 4.2 %
- Middle rank hotel 2.9 %
- Low rank hotel 1.1 %
- Other facilities 5.0 %
- Infrastructure 10.0 %

Concerning land acquisition costs the residual value in 2011 is all of the invested amount from 1996 to 2010 because the depreciation cost of land is not considered generally.

Half of investment costs by private sector including land acquisition costs is assumed to be loaned by banks in the first year of each phase. The loan conditions are as follows.

- Repayment year: 10 years with 3 years grace period
- Interest: 16 % per year
- Land acquisition is also assumed to be done in the first year of each phase.

In order to calculate financial rate of return (FIRR), the investment costs including land acquisition cost, maintenance and operation cost and promotion costs burdened by private sector are considered for expenditure.

**(3) Results of financial analysis**

**a. Revenue and expenditure ratio (R/E)**

The revenue and expenditure ratio (R/E) of public sector for the Los Cabos tourism region is 2.62 in case of discount rate is 8.5%, which is sufficient.

**b. Financial internal rate of return**

The financial internal rate of return (FIRR) of private sector is 19.9%. A sensitivity analysis was made as shown in Table 3. 30 based on the base case of 19.9 %.



**Table 3. 30 Financial internal rate of return (FIRR)**

Cases of sensitivity analysis	FIRR (%)
Base Case	19.9
Increase of Revenue (+20%)	34.8
Decrease of Revenue (-20%)	-1.4
Increase of Expenditure (+20%)	2.8
Decrease of Expenditure (-20%)	38.0

Source: JICA study team

If the business income tax is counted for expenditure, FIRR becomes 17.2%.

In order to check whether the proposed investment plan is optimum or not, the sensitivity analysis of investment for hotels and/or other facilities are done as follows.

**Table 3. 31 Sensitivity analysis of FIRR by privat investment of hotels or other facilities**

Private	-10 %	0 %	+10 %	Hotel
-10 %	21.9 %	20.3 %	19.0 %	
0 %	21.4 %	19.9 %	18.6 %	
+10 %	20.9 %	19.4 %	18.1 %	
Other facilities				

Source: JICA study team

In the Los Cabos tourism region, investment plan with less hotels and more other facilities is more suitable from the financial view point under the assumption that the demand elasticity is 0.5.