

President's Remarks at BHTA Fourth Quarterly Meeting 2013

It does not seem possible that as I stand here this morning we close yet another year of economic challenges and turmoil. A year bedeviled by both man-made and terrible natural disasters, a year that has seen many changes within the global tourism arena, a year that has highlighted that the need for strong leadership and implementation of policies is imperative for the survival of our industry and by extension Barbados!

Economically overall it has been a roller coast ride throughout the year in our major market segments. The US suffered less than expected from the two-week Federal government shutdown in October and the GDP expanded in that third quarter by 2.8%, the fastest rate this year and the recovery appears to be continuing. Households with at least US\$75,000 annual incomes are less concerned about jobs and loss of benefits and continue to spend on high ticket items including travel.

In Canada consumer spending has picked up and is expected to return as the main engine of growth for the economy although Canada's housing market still remains weak. The Canadian Central Bank is extending its monetary stimulus programme and is holding interest rates down.

In the Euro zone only Germany recorded a meagre gain, offset by sharp declines in France and Italy and a continuing softness in Spain and Portugal.

In Latin America, Brazil, the region's largest economy, after years of plenty has slipped badly. However the fundamentals for full recovery are still in place and the prediction is for a GDP growth of 2.7%. In our key source market the UK, the third quarter showed the fastest growth in more than

three years and forecasts for the fourth quarter and 2014 are more favourable.

In the US market we have seen the Apple travel Group acquisition of Travel Impressions and online specialists' cheapvacations.com. Apple's stable of companies now include Apple Vacations, Travel Impressions, AM Resorts, Amstar Destination Management, cheapcaribbean.com and a Members only Vacation club. All of these companies enjoy charter aircraft operations from 24 cities to 13 destinations mostly in Mexico and the Caribbean whose seats are available to their latest acquisitions including Travel Impressions which may change how business is conducted.

In the airline world, the long awaited merger of American airlines and US Airways has finally been completed. The fact is that there will be one less US airline operating to the Caribbean where there are several parallel routes now served by both carriers. Will the number of seats be diminished and if so how quickly and by how much? I think Barbados has already seen the answer to these questions as AA withdraws its New York service to Barbados effective January 15th 2014.

Travelers flying from Britain will be forced to pay even more APD after the government confirmed that the tax would rise for the sixth time in as many years. George Osborne, the Chancellor, ignored pleas from the travel industry to freeze or cut the tax. The rise, effective 1st April 2014, will result in a family of four travelling to the Caribbean having to pay 340 pounds sterling up from 322 GB pounds in 2013. Just to emphasise, when the APD was first introduced in 2007 six years ago, the cost for a family of four

travelling economy class was 80 GB Pounds the cost today is 340 GB Pounds.

Aviation tax in Britain is already the highest in the world. In a recent study by the World economic Forum, the UK ranked 138th out of 139 countries according to the competitiveness of its air ticket taxes & airport charges. Similar taxes in several other countries have been abolished after it became clear that they were harming the economy. Most recently, in October, the Irish government scrapped its aviation tax.

Marketing

Long-stay arrivals for November 1-28, 2013 showed a decline of 1,000 visitors or -2.5% over 2012. Cumulatively, for the year to date, we have seen a decline of -5.8% or a decrease of 27,778 visitors. When compared with 2011, it represents a decline of almost 60,000 visitors. This decline is being manifested in the tax collections of Government, a drop in our Tourism Fund revenues and impacts employment.

The USA market, followed by Trinidad & Tobago, Other Caribbean and Latin America, the UK and Canada have all registered deep declines.

We await the full effect of the loss of the AA carrier from JFK on USA arrivals. The BTA has been talking to several airlines to get a replacement for this service and we hope that their efforts will bear fruit. However, for the time being, it is noted that a number of hotels have reported bookings in excess of 80% for Christmas and the New Year and, in some cases, beyond. This is certainly encouraging and I would hope that this pattern is

reflective of the majority of properties. It is critically important to note however that the timing of the destinations marketing initiatives is critical to suring up the end of the winter period and securing a solid base of bookings for the summer.

The launch of Sandals in Barbados generated significant exposure for Barbados in both the trade and consumer press and it is hoped that the marketing might of the brand will also generate exposure for Barbados through various other advertising media in our key source markets.

Almond Beach Resort, to be located at the former Almond Beach Village, will reopen on January 16, 2014 with 135 rooms on the Southern half of the property. The property will be managed by Sun Group Hotels under the chairmanship of Barbadian hotelier Bernie Weatherhead. A \$3 million dollar renovation to pools, public areas, restaurants and rooms is currently underway to ensure that the resort is reopened to market at a four-star standard, family-friendly, all inclusive. Both of these properties should attract business from the USA and UK markets especially.

The Thomas Cook charter has commenced with a double drop through St. Lucia on Sundays and will commence a Thursday double-drop service through Antigua from December 19. There is enormous potential for these two weekly flights - not only out of Manchester, but out of Liverpool, Scotland and Ireland. In addition, Manchester is becoming an important hub for European traffic and FlyBe from Paris to Manchester could be an attractive option for French passengers instead of Air France through Martinique and then a LIAT or charter into Barbados. The BTA is planning

a massive promotion in the area comprising bus and taxi wraps, social media and Capital One radio.

There is need to have cheaper airfares intra-Caribbean especially between Trinidad and Barbados. Trinidadians will not travel on LIAT for their leisure breaks and the rates currently in effect on Caribbean Airlines are a deterrent cost-wise. Trinidadians can probably fly to Miami for the same fare. Through the Marketing Committee, we are looking at offering an incentive to LIAT passengers from specific islands at strategic periods during 2014 to generate traffic into Barbados.

The Barbados Tourism Authority UK office is currently running an initiative via the barbadosrewards.co.uk website which will see agents being rewarded on a per booking basis and earning Reward Points. This information has been communicated to the hotel segment of our membership. We encourage all hotels to participate in an effort to build a healthy and engaged relationship with agents, increase the ability to communicate with them directly and recognize the key performers.

Cruise

Statistics available up to August show an additional 36,463 cruise arrivals or a 10.6% increase over a similar period in 2012. The Barbados Port Authority projects an increase in cruise calls and passenger arrivals, moving 6.5% from 616,317 passenger arrivals in 2012 to 656,083 in 2013 with a further growth of 5% based on current bookings for 2014. Local cruise tourism officials are working assiduously to push bookings over the 700,000 person mark for 2014.

The increase in cruise ship calls is also projected to move by 4.5% in 2013 to 372 and to 395 in 2014, a further increase of 6.2%. The Barbados Port Authority is seeking to attain the 2010 number of 400 calls next year. A number of European operators have made inaugural calls during this 2013/14 season including MSC's Musica and NCL's Breakaway. A number of ships will return in 2014 after a break e.g. the Jewel of the Seas, the Royal Princess and the Costa Mediterranea.

The Friday night overnight ships have been a boost with many guests and crew enjoying the country on the overnight call.

Additional smaller luxury lines continue to offer pre & post stays which has helped our 4* and 5* properties with extra nights before and after a cruise.

The Thomson Cruises sail & stay program restarts in mid-December where 11 properties will be offered and TUI Cruises homeport program has also added the 'Cruise only' option this year with many guests flying into Barbados and staying for a few nights before and after their cruise.

And finally, the long-term contract with Carnival Corporation continues to guarantee a base of 400,000 arrivals annually.

The proposed Sugar Point Cruise facility is expected to break ground by January 2014 and the Barbados Port Authority and the BWU have agreed to the conversion of Shed 3 into a dedicated cruise terminal to support the home port business over the next 3 years.

Cruise is an integral part of the tourism industry and many of our members earn their bread and butter from this segment. It delivers about US\$100 million dollars annually to the economy of Barbados.

Bookbarbadosnow.com

2013 has not been a particularly good year for the booking engine for 2 reasons – a lack of marketing funds and a lack of aggression by members to post their best rates to the site. I must publicly thank the Acting President of the BTA for honouring a commitment made as far back as January 2012 to assist with funding to market the site. We have received an injection of funds only this week to assist in marketing BBN through avenues like Trip Advisor and Google Ad words. A lot of exciting initiatives are planned in the first quarter of 2014 and the full Regatta team will be here sometime during that period to meet with members to roll out those activities some of which include -:

- The release of a brand new attractions booking platform which will be mobile friendly with mobile capability also for the hotel booking platform.
- A dynamic packaging engine, meant to bundle hotels with tours and attractions
- The ability to sell air + hotel packages

The calendar of events for 2014 is being developed and we encourage members to be more pro-active in their use of the site.

We welcome this spirit of co-operation with the BTA on the BBN initiative and we will be looking to include non-BHTA members on the site, albeit at

a slightly higher commission rate. Also, we hope that the BTA will formally endorse BBN as the official booking site for Barbados.

Barbados Island Inclusive 2014

We have still not had a full review of BII 2013. The current position is that the program will be replicated in 2014 but with a number of amendments. The BTA is keen to launch BII 2014 at CHTA Marketplace in January. The EVP and the Marketing Consultant had a fruitful meeting with the Acting President of the BTA and there are a number of recommendations that have been proposed and will be tabled for consideration by the BTA board.

World Travel Market

There has been a lot of discussion as to whether Barbados should withdraw completely from WTM and host its own event prior to WTM in market (UK). A number of options are under active consideration and we hope to be able to provide information to our membership in early 2014 to allow them time to plan.

As our members are aware the BHTA for the first time this year contributed to the cost of space rental and construction of the booth at WTM which was a significant cost. I am pleased that our contribution allowed us to provide input at all levels of the design and operation and I must say that this year's WTM appeared more professional in look and execution.

BHTA also contributed to Sea-trade Europe and made financial contributions to facilitate attendance of our membership at AIBTM and IMEX.

These are all important fora for our members and we need your support in contributions to the Tourism Fund in order to participate. These events generate business for each of our members and therefore your support of the fund is critical. We continue to have an excellent working partnership with the TDC who have been willing to work with us on a wide range of initiatives and we value this relationship.

We would like to congratulate the BTA and the Ministry of Tourism and International Transport on the launch of the Barbados Official Travel Guide that took place yesterday. This app will be available for Android and iPhone. Should any of our members wish to be featured on the app, either contact GA Communications or download the app and send a request to be added. This App can be utilized not only for your company but also for the promotion of individual special events.

After a number of concerns raised by our membership with regard to Island Routes Caribbean Adventures a member of Sandals group, we have had discussion with the management of the company and a meeting for our membership is being planned in early January with to discuss their business model and operation and to answer any queries or concerns that our members may have.

Looking ahead

Key industry events for 2014 on which we are working in conjunction with the BTA include

Marketplace in Jamaica

ITB in Berlin

Mega Fam in Barbados

Connect Barbados

Barbados Together the National Tourism Host Programme

It is imperative for the success of all marketing efforts that as we move forward product and service levels and hosting standards within all of the tourism entities improve. One of the projects that is on stream to be launched on 9th May 2014 is “Barbados Together” the National Tourism Host Programme. The development phase for this project has been completed and there are to be two components for the programme one being Barbados Together, which represents the public face, and the other Hosting Bajan Style, which represents the private face.

The “Barbados Together” component has various modules covering topics such as heritage, attractions, service quality etc. To ensure improvement of the nation’s hosting it will be mandatory for all defined tourism service delivery groups to participate in “Barbados together”. Six areas of focus have been selected by the Ministry of Tourism and International Transport these being Airport, Seaport, Beaches, Public transportation, Immigration, and one of the brand elements for Barbados – Cleanliness. This programme will require a budget of Bds\$8M over a three year period.

Advocacy

As I am sure you are aware the Association has been focusing on a number of advocacy issues that are challenging the business of tourism in Barbados - of principal concern over the past months being the announcement in October of concessions granted to Sandals Resorts International for their operations in Barbados. The Association held a press briefing to present the BHTA's position with respects to the concessions that the government announced for Sandals and the effect that these concessions would have on the sector as a whole.

We emphasised the importance of ensuring that whatever was given to SRI in the way of concessions must be given to the long standing hoteliers in Barbados. A level playing field for all is the only way that the industry will be able to succeed moving forward and continues to be our expressed requirement. The full press presentation is available on the BHTA website for the membership's information.

Subsequent to this press briefing a special Membership forum was held to discuss the same concessions issue and to update the members on the actions taken by the BHTA to that date. From this meeting a number of actions were identified for the BHTA to accomplish by 15th December 2013. These included;

- Meeting with Sir Roy Trotman of the BWU, Mr. John Williams, Chairman of the BPSA, and the Minister of Finance and Economic Affairs the Hon Chris Sinckler and the Minister of Tourism and International Transport the Hon Richard Sealy.

- Carrying out a study on the cost of bound rates on food and beverage imports for the industry
- Development and implementation of a PR campaign
- Conducting a meeting with the industry employees.

All of these actions have been accomplished except for the meeting with the industry employees. The Association has encouraged managers to conduct such meetings within their own properties highlighting their individual challenges as well as discuss and answer questions related to the concessions issue.

Meeting with BWU

The President, President Elect and the EVP met with Sir Roy and the executive of the council of hotel workers.

The intent of the meeting was to present and clarify the BHTA's position regarding the concessions being offered to Sandals Resort International and highlight the challenges that could occur if there was not a level playing field moving forward.

Sir Roy thanked us for arranging the meeting and for informing him and his delegates about our position, concerns and current actions.

He stated that he would review the information that we had presented with the council of hotel workers and that he would voice their concerns to the Minister of Tourism and International Transport, the Minister of Finance and Economic Affairs and also to the Prime Minister.

He asked that whatever actions we chose to take to ensure the level playing field, that the actions should not jeopardise the industry especially

at this time. He also asked to be included and kept informed of any further meetings regarding the concession issue and to be updated as necessary. In general terms he was supportive of moving together with the issues and we would like to thank him for his support.

Meeting with BPSA

The President, President Elect and EVP met with John Williams, Chairman of the BPSA and the Executive Director Anne Reid.

The concession issue regarding SRI was discussed at length and Mr. Williams stated that he would in general terms be able to support our call for an even playing field for the hotel sector. He noted that with reference to Food and Beverage & Agro processing he felt that it was important that the BHTA continue to lead the dialogue with the two representative Associations – BMA and BAS and we will endeavour to meet directly with these two Associations in the near future.

Meeting with the Minister of Finance & Economic Affairs

The President, President Elect and the EVP met with Minister Sinckler, Minister Richard Sealy and Stuart Layne CEO of BTII. The key purpose of the meeting was to seek clarification on the contents of the MOU with Sandals Resorts International, to make clear the BHTA's position regarding the requirement for equal treatment on the subject of the concessions granted for its membership and to highlight the need for urgent consideration and action on these issues.

After much discussion it was agreed that the best vehicle to address the issues raised was through the Tourism Development Act and that the completion of the revision of this document should be given urgent priority.

There have been follow up meetings with Mr. Layne and the Executive of the Association as well as with a representative group of hoteliers and I can report that we are making steady progress on the key issues. I am of the firm belief that we have a unique opportunity to positively change the direction of our industry in ways that up to now we have been unable to do but doing so will take the combined will, commitment and understanding of all players, a strict adherence to timelines, a dedication to implementation, fair play, transparency and open dialog with the key stakeholders.

During the meeting with the Ministers we also touched on outstanding issues with regard to the 10 Point Plan and Budgetary measures that were announced for Tourism. The Minister clarified that Car rentals and DMC's are included in the lower rate of VAT and that the effective date for the reduction of VAT was 1st December 2013. As you are all aware there has been much back and forth related to the issues of the reduced VAT rate for DTS members and we will continue to aggressively follow up until we have full and complete clarification for the membership.

Regarding the 10 point plan issues that are outstanding the Minister stated that he would be actively dealing with these over the coming weeks and we will continue to follow up and to push for implementation. It should be remembered that the 10 Point Plan was tabled as a short term initiative to assist the industry and was announced in July.

The Minister confirmed to the Association that the solid waste tax has been amended and would be effective for the 2013/14 land tax bills.

Other budgetary statement issues that were outstanding were also raised and again the Minister of Finance and Economic Affairs stated that he would be announcing the regulations for in the coming weeks.

The BHTA has written to the Minister of Finance and Economic Affairs and copied the Minister of Tourism and International Transport requesting the Minister of Finance and Economic Affairs to confirm the salient points of discussion that occurred during the meeting.

Study Re Food and Beverage Imports

The BHTA approached Terry Hanton of PCS to discuss the possibility of preparing a brief paper on the cost of food and beverage import duties for the industry. Mr. Hanton agreed to co-ordinate the paper and the findings were presented to the Association in 4 days and have been sent to Mr. Layne as requested by the Minister of Finance and Economic Affairs. We are truly grateful for Mr. Hanton's quick assistance in this matter.

Public Relations

The Association held a press briefing after the membership meeting highlighting the concerns of the members and again discussing the concessions given to SRI. A number of articles covering this briefing were printed in the print media and there was coverage on the various radio stations.

Mr. Gordon Seale represented the BHTA as one of the panelists at a forum with the Barbados Economic Society and he emphatically presented the

case about the concessions and the need for a level playing field for the industry.

The BPSA had arranged to present the Private sectors position on the economy during the Brass Tacks program on Sunday 8th December 2013. The panel to present this position included John Williams BPSA Chairman, Lalu Vaswani, and President of the BCCI, David Simpson President of ICAB and Sue Springer our EVP.

The program was aired last Sunday and during the discussions the concession issue was raised and the requirement for a level planning field for the industry again articulated. The major point made by all of the panelists was the need for urgent implementation of promised initiatives in all sectors and the need for action.

In addition to these meetings and initiatives a group of hoteliers met with Mr. Butch Stewart at a dinner meeting to discuss his plans and goals for the two hotels in Barbados and to obtain his support for the industry regarding the concessions. He made it very clear that he did not want to work in an atmosphere of conflict and that he felt strongly that if the industry in Barbados was to survive that the concessions should be spread across all of the hotels and that were this achieved that the tourism industry within three years would be in a far stronger place than it is now.

In all of the discussion on the subject of the concession granted to Sandals and being requested for the sector, it should be remembered that much of what has been granted has been advocated for by this Association for years on the basis that Tourism is an export industry.

While this is often a difficult concept to understand, a sound appreciation of this concept by government, the private sector and the wider community is key providing the impetus and support needed to change our thinking and take the industry to the next level. In an article that I read recently it noted that “What especially makes tourism a valuable export product is that, if cared for properly, it is a sustainable and renewable resource. Unlike primary resources, such as petroleum or minerals, tourism is not finite.” Tourism is not only big business but it should be seen and protected as perhaps one of the world's premier export products. By description "An export industry is one that sells a significant share of its goods or services outside of the country, thus bringing new money into the local economy.” Tourism meets these criteria.

Tourism's sustainability does not mean, however, that a tourism product must not be protected. Tourism, like any commodity, it can be overused, exploited poorly or allowed to decline and without proper support, it often becomes an unsustainable product.

I believe that whether we are the Association, government or a tourism practitioner there is still much that we have to do in the areas of tourism education and awareness at all levels of our society to ensure that we change the way that we talk and think about this industry, change our thinking as a society on best way to obtain value from it and develop and implement policy in ways that ensure the sustainability of tourism for the survivability of our economy and country.

Moving forward with the concession issue the Association will continue to dialogue with the Government and ensure that the membership is updated

on a continuous basis. The public relations initiative will continue and I would like to thank Kathy-Ann Gilkes of Al hart for her continued advice and support.

It is customary by many to prescribe to a set of New Years' resolution or a wish list as a New Year heralds in a feeling of renewed energy, hope, and determination. This coming year is one that will be a very defining year for the tourism industry and will require everyone's energy and fortitude. If I had to make 3 wishes for 2014 they would be

- That a level playing field for the industry be attained and operational in the shortest possible time.
- That we see a commitment to implementation of promised initiatives and a renewed focus on facilitation and
- That we find a way to work together in a spirit of trust and cooperation and realize the tremendous benefits that would obtain from open, frank and positive interaction between all players. There is truly nothing that we cannot achieve together.

In closing I wish to leave you with a quote from Nelson Mandela that I hope brings you strength and that I wish you to remember as we move forward during these challenging times, and it is

"It always seems impossible until it's done."

Thank you to my entire support structure – family, friends, colleagues and employer. Thank you all for coming today and for your continued support and commitment to our industry. I would like to take this opportunity to wish you, your staff and your families God's richest blessings for Christmas and the New Year and I look forward to continuing to serve you in 2014.

