

President's Remarks at BHTA Third Quarterly Meeting 2013

Ladies and gentlemen, welcome and thank you for joining us this morning; it is hard to believe that 9 months of the year are already behind us and what a year it has been.

Since we met in June the BHTA has been working on a number of fronts to support our members and to deal with the many critical issues affecting the industry. It is no secret that despite various efforts on a number of fronts that tourism arrivals have been down for more than 12 consecutive months – with statistics at September 27th showing arrivals 6.3% down overall on 2012 with declines in all major markets – UK 2.9%, Canada 7.3%, USA 9.6% and Trinidad 17.2%. This is of particular concern as we are showing declines against a year that was already down thus our actual result if we compare to the same period in 2011 is even more significant – a decline of 11.56%.

This trend is of significant concern as we are constantly made aware of the importance of the role of the sector in pulling the economy out of the recession and returning it to a position of growth and it is against this backdrop that the BHTA has over the past three months been placing its efforts in discussions with government on behalf of its members.

To change the course of our industry we must have a national focus that we can all subscribe to and believe in, excellence, innovation and **implementation** must be our watch words and we must show confidence and competence in order to drive competitiveness. Engendering confidence in our economic, social, political and other policies must be a priority and it is extremely concerning therefore, that having been informed of the 10 Point Plan for Tourism on July 19th which contained a number of measures aimed at providing relief in the short term to the sector and subsequently of the measures in the 2013 Budgetary proposals of August 13th, that as at today's date our membership, which is reflective of the full cross section of the industry, is not in a position to obtain benefit from the vast majority of the measures proposed.

We cannot continue to operate in an environment where offers of support are extended but not backed up by a well thought out plan for efficient and comprehensive execution,

as the strength and value of a promise is only good if delivered on – constant failure to deliver, implement or follow through in a timely manner diminishes confidence and extinguishes support.

The BHTA's primary responsibility to its membership is advocacy and since our AGM in June the BHTA has been tireless in its efforts to ensure that the needs of our industry are well represented. Between our last meeting in June and today the BHTA has attended the Full National Social Partnership Meeting which was chaired by the Prime Minister, presented Tourism's concerns and recommendations at the National Consultation through the BPSA's joint submission, met individually with the Ministers of Tourism and International Transport and Finance & Economic Affairs for a pre-budget meeting at which our proposals for consideration in the 2013 Budgetary Proposals were presented and attended the special Social Partnership Meeting chaired by Dr. The Honorable Esther Byer Suckhoo Minister of Labour and Human Resource Development which was held prior to the budget presentation.

In addition to these meetings and presentations and ongoing correspondence with various agencies, I have sought to ensure that I attend all BTA Board Meetings and where on the few occasions I have been unable to personally attend Sue has represented to ensure that we have an ear and a voice.

Our message at each occasion and in all forums has been consistent and prefaced by the comment that under no circumstances will tourism, operating in its current state be able to pull Barbados out of the economic morass in which it finds itself unless there are meaningful reforms in the way that we treat with tourism at both the public and private sector levels.

The key areas which we have consistently highlighted as needing special and urgent attention were the following -:

- Product development
- Marketing and visibility
- Investment and competitiveness

- Legislation
- Reduction of input costs with particular emphasis on utilities, bound rates and labour and on
- Tourism as a National Interest

PRODUCT DEVELOPMENT:

In the area of Product Development we highlighted that ours' is a dynamic industry which requires a legislative and regulatory environment that is nimble and responsive enough to keep up with the pace of change to keep us relevant and competitive internationally. We also highlighted that it was imperative that we incentivize the addition of new rooms and the improvement of existing room stock to internationally acceptable levels. Some of the measures recommended for consideration were as follows-:

- An assessment of the physical plant of hotels and attractions to determine precise refurbishment and financing needs
- A major investment drive to attract overseas investors in new hotel plant and where possible the revitalization of the many currently closed hotel properties.
- Appropriate arrangements to allow easy access to financing under very concessionary terms and a moratorium on repayment of principal for refurbishment of plant
- The possibility of a bond issue to finance hotel refurbishment
- The identification of new sites/themes for attractions and support with the relevant financial assistance, incentives and legislation
- The urgent adoption of internationally recognized standards for the registration and categorization (e.g. AAA diamond standards) of accommodation and the creation and implementation of internationally recognized standards for attractions as it relates to guides, safety and general operating procedures.

The government sought to address this matter in the budget by indicating that the \$50 million Hotel Refurbishment Fund which will now be available through the Industrial Credit Fund (ICF) was ready to receive applications from registered tourism accommodation establishments on favourable loan terms, with an offer of a special duty and tax waiver programme for businesses accessing the loan over the next 18 months. We appreciate this consideration and acknowledge that this is a start, we would recommend that applications to the fund be regularly reviewed to determine if the fund is being accessed and if not why not and secondly whether there is need, when considering the total number of hotels in need of refurbishment, to amend the quantum of the fund in order to have the impact needed to effect a turn around.

MARKETING AND VISIBILITY:

In the area of Marketing and Visibility we stressed the importance and the need to ensure the adequate and timely release of funds for marketing to the BTA - we must be visible in order for people to choose us and our offers to be most effective must be compelling, timely and where possible market relevant.

The Government addressed this request in the budget by proposing over the next eighteen months to spend an additional US \$50 million dollars in marketing and promotional activities of the BTA starting with the traditional source markets and working into some of the newer growth areas. It was noted that US \$13 million of the \$50 million dollars would go immediately to settle all liabilities with the balance earmarked for a new aggressive marketing and airlift support programme. It was further noted that the funds would be sourced from a proposed US\$100 million fiscal Policy Based Loan to be negotiated with the IADB later this year.

In our follow up to the budget on August 23rd in which we sought clarification on a number of issues, we noted that while the additional funds were obviously very gratifying, if we were to exploit the benefits of this money there must be a defined

marketing plan for the next 18 months that both the BTA and the BHTA can work together in partnership with, so as to ensure the maximum return of this investment.

Awareness of the product in source markets must be consistent and not in pockets, the marketing plan should include a strong focus on social media, an informative, regularly updated and compelling website, along with strong and consistent marketing of the national booking engine Book Barbados Now. This plan must be made a priority of the BTA.

Effective marketing requires that we must study our competition, benchmark against the best and keep abreast of market trends, demands and the expectations of the contemporary traveler, recognizing that our ability to dynamically adapt to these changes gives us the best possible opportunity for success.

For our marketing of Barbados as a destination to be most effective we must have a framework where from one day to the next all players are clear on the operating parameters and in which there is frank, open and honest communication between all parties – the reality is the reality and we should not be afraid to face it; on the contrary if we create a false reality we will likely come up with a false or impaired solution!

Operators must be confidently able to market Barbados because they know early what we intend to offer as market incentives and our plan needs to be complete and actionable designed to take advantage of the key booking windows in our various source markets.

We have to have a framework that allows us to plan and respond to market situations in a coordinated but swift manner and to this end all initiatives must have a strong strategic focus. What are we going to do? Where are we deploying what efforts? What result do we hope to achieve? What resources do we need to utilize? Are these

available to us locally and if not how do we employ a sense of urgency in obtaining them?

The final critical question is what result have we achieved? The response to this question must be obtained through a thorough, timely and critical analysis of the results – not in an effort to provide the answers that we want, that are the most “politically” popular or that resonate best with the media – but rather ones that allows us to honestly and accurately assess our efforts and inform us on any changes necessary to ensure continued success and improvement.

To this end we would wish to see a full and detailed analysis of the 1st phase of the Barbados Island Inclusive program to determine its impact and degree of success; unfortunately the second phase of this program has been launched without this analysis having been done. If however BII is being considered as a key initiative aimed at encouraging incremental business for summer and fall 2014 – which we should be launching at WTM in November – it is critical that this analysis be completed and any necessary adjustments made in the shortest possible time. It is also critical that a detailed marketing plan and the requisite funding for the relevant activities in each market be provided, agreed and signed off prior to the launch.

There needs to be structured frequent focus on the market data collected, measurement of strategies and planning for future initiatives. For this approach to be effective it needs to be stream lined and not ad hoc. To this end we welcome the announcement by the Minister of Finance & Economic Affairs in the 2013 Budgetary Proposals that his intention is to meet with the sector on a quarterly basis to assess the effectiveness of measures being recommended or implemented. Our recommendation is that these meetings should be with BOTH the Ministers of Tourism and International Transport AND the Minister of Finance & Economic Affairs and should also include the BTA and recommend that the first of these meetings take place as soon as possible to clarify many of the issues on which we are still awaiting feedback.

Members must be confident that the private and public sector are moving in unison and not in opposition to one another – clear, effective, timely and wherever possible joint

communication is essential to this process. It may be necessary to revert to some old strategies that worked and to get rid of the ones that do not, but we should always seek to create fresh and innovative approaches to how we market the destination and deliver the guest experience.

We would particularly recommend that wherever representation is being made to strengthen or save airlift or to encourage new players that we move with the strongest most representative collection of the sector – Ministry, BTA and BHTA, we all have strengths that can be brought to bear and this type of approach ensures our best chance of success.

INVESTMENT AND COMPETITIVENESS:

In the area of investment and competitiveness we noted that the quality of the investment climate is critical to any private sector led expansion of the economy and recommended that Government consider undertaking the following measures in order to attract both local and foreign investors.

- Implement a Business Facilitation Unit for projects that will facilitate a fast track of regulatory approvals for projects, particularly those that drive foreign exchange.
- Increase effectiveness in the delivery of government services and the utilization of more modern techniques in the legal, financial and international business sectors – ultimately implement a 24 hour economy
- Ensure the prompt repayment of VAT Refunds and other arrears from the Government of Barbados.

LEGISLATION:

With respect to legislation, in all representation the BHTA continued its call for the update and review of the Tourism Development Act and the ratification of the additional

list of items were submitted for consideration. In addition to the TDA, the BHTA has continued its lobby for the enactment and or enforcement of ALL relevant existing legislation that affects the industry and requested priority be given to the

- Ratification of taxi fares which is still awaiting approval now in excess of 5 years
- Enforcement of legislation as it pertains to itinerant vending and beach harassment
- Clearing of vacant lands particularly in tourism belts e.g. St. Lawrence Gap.
- Increased police presence in key tourism areas and the strict and consistent enforcement of legislation pertaining to loitering, solicitation.

We are pleased to inform that review of the Tourism Development Act has begun and that BHTA has a working task force charged with the responsibility of collecting input from the various aspects of the membership as it relates to their recommendations for inclusions and changes and we are working with the Ministry of Tourism & International Transport to ensure that this process continues to move ahead. Additionally, the list of 112 new items that were submitted for inclusion to Schedule Two of the TDA which allows for the duty free importation of items was finally ratified and Gazetted at the end of August and we are grateful for this development.

As we have continually highlighted the review of the list of approved items must be an ongoing one if we are to adequately keep pace with our completion and insure the best most progressive product and experience for our guests.

The BHTA notes the special mention made of the Hastings to St. Lawrence Gap area in the 10 point plan and the Ministry of Tourism's intent to partner with the Ministry of Culture, community groups and other Tourism and Hospitality related entities and cultural practitioners to rebrand the Hastings to St Lawrence Gap Strip as a weekend 24 hour indigenous arts and craft and cultural performers market. As the winter season approaches we are asking that close attention be paid to this area to stem the steady increase in petty crime, the sale of drugs and the harassment of visitors in these areas.

The BHTA has been working with the new St. Lawrence Gap Association to bring awareness to the challenges in this area and stands ready to work with the Ministry of Tourism & International Transport in any way that we can to ensure that we can comfortably and confidently promote this area as the entertainment hub of Barbados. It bears noting that over 10% of the entire hotel room stock of the island is contained in the St. Lawrence Gap area!

REDUCTION OF INPUT COSTS:

On the subject of Reduction of Input Costs we have consistently highlighted the fact that input costs in Barbados are considerably higher than competing destination particularly in reference to utilities most notably electricity, bound rates on food items and labour costs and we have also reiterated the significant negative impact that this has on the profitability of the industry. Specific consideration was requested in the areas -:

Relief on electricity - In this regard we supported the BPSA's call to reduce the cost of energy to business by adjusting the pricing mechanism of BNOC or by any other means that would provide ongoing relief. It should be noted that in many hotels electricity is the second highest operational expense after labour.

The result of our lobbying efforts in this regard resulted in points 2, 3 and 4 of the Ten Point Plan which offered 5% rebates on electricity and water bills for all tourism and hospitality entities for the next 12 months and ongoing relief at this level for those businesses that implemented an energy efficiency plan, invested in renewable energy or implemented a water management program plan over the course of the year or that already had a plan in place.

Additionally it was advised that the existing 50 per cent land tax rebate for investment in Renewable Energy would be extended to Tourism and Hospitality entities that implement credible energy efficiency programs.

While we gratefully appreciate these measures, we urge the Ministry of Tourism & International Transport and related entities to urgently provide clarity on a number of questions raised by the Association in our letter of August 6th to the Minister of Tourism

and International Transport in order for our members to start utilizing and benefiting from these initiatives.

On the subject of Labour we supported the BPSA's call for a national focus on productivity and need to urgently look at all aspects of our employment practices and norms such as casual days, abuse of sick leave and chronic absenteeism to conform to international standards.

At this juncture I would wish to thank the BWU for their cooperation and understanding of the current investment climate and continued willingness to work with us in a mutually respectful and beneficial way to address key issues.

BHTA's representation on the subject of input costs requested an immediate review of bound rates on all food items in an effort to reduce the cost of the dining experience to guests making it more attractive and reduce the cost to full service hotels.

We highlighted the BHTA's continuing support and development of local chefs through the annual training of the Barbados culinary team and encouragement of the use of local products wherever possible on menus.

The government of Barbados has responded in the Budget with an indication of its intent to address the issue of the adjustment in bound rates by reducing the bound duty rate on heavy cream to 40% and we look forward to the promised review of **all items** within the next 6 months.

In a further effort to assist with the reduction of overhead costs in the sector and put it on a more competitive footing with our competitors the Government responded to our request for the return of VAT on accommodation to 7.5% and for the reduction of VAT on Direct Tourism Services. The announcement in the budget indicated that "effective October 1, 2013, the new VAT rate on accommodation in the hotel sector will be 7.5 percent. Additionally from that same date Direct Tourism Services will be brought in line with their accommodation counterparts at 7.5 percent down from the current rate of 17.5 percent". We are extremely grateful for government's consideration in this regard.

In an effort to ensure that we had a clear understanding of the initiative and could properly advise our membership we wrote the Minister of Finance on August 23rd seeking clarification on which businesses qualified for the relief. After follow up by the BHTA for a response a letter was received on September 25th indicating the categories that would be included in the reduction of the VAT to the concessionary rate of 7.5%. Having noted that the letter omitted a number of the DTS categories e.g. restaurants, car rentals, DMC's etc., the BHTA sent two letters to the Ministry of Tourism and International Transport raising our concerns regarding this issue and a meeting was set with the Minister of Tourism and International Transport for Wednesday 25th September to discuss the matter. On Tuesday 24th September 2013 the BHTA was informed that the Minister of Tourism and International Transport would have to cancel the meeting due to other pressing engagements. A date for another meeting was immediately requested.

On Friday September 27th the Association was informed by a phone call from the Customs and Excise department VAT division informing that the letter issued on 25th September 2013 was to be recalled and that further information would be provided to the Association on Monday 30th September 2013. The Association was subsequently informed on 30th September 2013 by the Ministry of Finance and Economic Affairs that only that the reduction in rate for **accommodation** would take effect from 1st October 2013. It went on to note that the Ministers agreed that there needed to be further discussion between themselves and the BHTA regarding extending the VAT reductions to other DTS services given the wide range of services which are included in this category.

The BHTA is committed to ensuring that we keep this matter a high priority and we will continue to advocate on behalf of our members until this matter is resolved and we obtain full clarification on all outstanding questions related to the budget and the Ten Point Plan. We appreciate the significant disruption that this late notice has caused to many of our members due to the very late notification to the Association on this development.

MEGA FAM 2013:

The BHTA was an active partner in Mega Fam 2013 which saw some 200 plus travel agents from all key markets visit Barbados on a Familiarization and Educational trip which exposed them to the full range of our members hotel products, attractions, restaurants and activities. Through a brilliantly executed workshop hosted by the BTA these agents had the opportunity to learn in a fun and interactive way all about Barbados, its key selling point and to meet one on one with our membership. Over all Mega Fam 2013 was an excellent effort and we commend the BTA's organizing team.

CONNECT BARBADOS:

Over the past week BHTA participated in and partnered with the BTA to host Connect Barbados with the theme "Reconnect and Revitalize". Some 85 of our key tour operators from all major markets were on island and met with a wide range of our hotel and ancillary partners in two days of business to business meetings, conducted numerous site inspections and met and interacted with all players from the industry in a variety of networking functions around the event. Again the planning and execution of this event was very well carried out and an excellent example of the benefits of partnership and collaboration.

NEW BOARD

I would like to thank the new Board for the enthusiasm and commitment that they have shown over the past months since our AGM in June. I have seen a new sense of enthusiasm and I appreciate your input, advice, support and service.

This association is only as strong as its collective voice and when times are tough it takes the effort of many to make a difference. As I have said many times before, this is

YOUR industry, own it, commit your time and effort to it, speak up and speak out for it, the BHTA is here to serve and support you but you need to make your voices heard and lend support where you can.

In closing I would like to thank the government for placing such emphasis on the tourism sector whilst presenting the 2013 financial statement and budgetary proposals to the House of Assembly on August 13th, 2013 and through its Ten Point Plan for Tourism which was presented on July 19th. The recognition by Government on the importance of revitalizing Tourism and by extension strengthening the foreign exchange earnings for Barbados was very encouraging to all our members and persons employed both directly and indirectly in the sector. We are however, gravely aware of the tremendous responsibility placed squarely on the sector and stress again that based on the present state of the industry, and in order to stem the current downward trend in arrivals and revenue, it is imperative that these measures move forward expeditiously and that all related regulations, modalities and definitions be confirmed in the shortest possible time.

Concurrently it is also our responsibility to help ourselves, to ensure that our product is as good as it can be, that our staff is receiving ongoing training, that we maximise the use of social media and the internet to tell our story, that we follow up with leads, maximise revenues, develop young talent in the industry through involvement with STEP, mentorship programs and facilitating internships and make the effort to learn, know and absorb what is changing in our industry every day. It is not a one sided coin, it is two sided and where there are opportunities and ideas take the challenge and make them happen – lots of little steps can lead us to new paths and can add up to the change we ALL have to make.

Thank you to Ocean Hotels and particularly to Mr. Peter DeFreitas for graciously allowing me the time and leeway to continue to serve you and thanks to you all for your continued support and encouragement.

May God bless our industry and our island Barbados.