STATEMENT

ON THE PERFORMANCE OF THE TOURISM INDUSTRY, 2010

Delivered by

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Premier and Minister of Finance, Tourism & Development

To the Legislative Assembly

~~Thursday 13th~~ Friday 14th January, 2011

This statement which I lay ~~on the~~ on the table of this Honourable House today provides an overview of the performance of the tourism Industry for the year ending 2010.

Madam Speaker, given that we are at the beginning of a New Year, I thought it prudent to share with this Honourable House, some statistics and information on how the tourism industry performed over 2010. I would also like to take this opportunity to highlight some of the critical steps that the Department of Tourism is taking to revitalise this sector and move forward in 2011.

State of the industry at the start of the recession:

You will recall Madam Speaker that the global recession started in December 2008 and by mid 2009 its effects were reverberating across the Cayman Islands.

- In the USA, which is our major tourism market, unemployment was on the rise and consumer confidence was at an all time low.
- As people tightened their belts in response to the economic crisis, vacations were being sacrificed and persons who *were* still travelling, were doing so on the spur of the moment, rather than making their bookings months in advance.
- Once the recession took further hold, competition became fiercer between destinations and deeply discounted rates were being offered to consumers to sweeten the deal.
- Finally, the Caribbean Tourism Organisation predicted that tourism in the Caribbean region would decrease by 30%.

Throughout 2008 air arrivals into the Cayman Islands was showing a steady increase, topping out at 302,000 at the end of the year. By the end of 2009, as the recession hit harder, air arrivals had declined by 10.26% to 271,000 and it was apparent that if left unchecked, 2010 would unquestionably register a further shortfall.

DOT response to global crisis

To combat the effects of the slump, the Department of Tourism began working even more closely with Cayman Airways and private sector stakeholders to offer short term, tactical promotions, designed to increase visitor arrivals. Additionally, rather than cutting back on marketing efforts for example, the Cayman Islands were being aggressively marketed, particularly to families, and our diverse range of accommodations – from Hotels to condos to small vacation rentals – were highlighted to provide cost-effective alternatives to suit every budget.

In short, the Cayman Islands stayed the course and:

- Marketing messages that we knew would resonate with our smart and sophisticated travelers were reiterated.
- Monthly newsletters and weekly e-blasts were sent to DOT's extensive distribution lists, highlighting the current deals and promotions in order to influence bookings.
- Social media sites such as Facebook and Twitter were used to speak directly to consumers and a wide array of promotions – from get warm, to summer splash, to companion flies free deals - were all being proactively pitched to drive visitation.

2010 Strategic Business Objectives

Madam Speaker, with this as the backdrop, the Department of Tourism developed six key objectives, which are as follows:

1. Achieve 300k Air Arrivals in 2010
2. Develop an integrated Digital Marketing Strategy
3. Increase the public's understanding of DOT's Programmes and Initiatives
4. Increase the awareness of the virtues of a Cayman Islands vacation amongst the CI target visitor
5. Receive 60% or higher Value For Money assessment from visitors by end 2011
6. Increase tourism partners who implement environmental initiatives

Of the six objectives, the primary focus for 2010 was to achieve 300k air arrivals – and more specifically, to grow visitation from Europe by 5% and from Canada by 10%.

Increased Airlift - CAL

To achieve these lofty goals, our national airline was strategically deployed to support the tourism sector by reintroducing two new routes out of the United States. In November, Cayman Airways resumed its twice-weekly service to Chicago's O'Hare airport, and in December, it began operating a twice-weekly service from Washington DC to Grand Cayman, which is scheduled to run until the end of 2011.

Both Washington, DC and the Chicago area are proven, key gateways for thousands of visitors to our Islands. In the case of Washington, DC, the new service provided travelers from the north eastern region of the US with an alternative option to the existing service out of New York City's JFK airport, and the Chicago flight opened up the possibilities for visitors from the Midwest.

Increased Airlift – Delta Airlines and WestJet

In addition to the new CAL flights, Delta Airlines and WestJet also began offering services into Grand Cayman. Delta introduced a weekly non-stop service from JFK which is timed to allow for European connections and WestJet introduced three flights a week from Toronto. This additional airlift is tantamount to being a vote of confidence in the Cayman Islands by some of the world's leading airlines and has increased our capacity. It is also of important note that during 2010 it was also announced that in 2011 United would start service from Washington DC once again adding to our air capacity in the first quarter of 2011.

Performance Indicators

As a result of the Department of Tourism's targeted marketing and promotions and the increased airlift, visitor arrivals up to November 2010 confirm that we have been trending positively throughout the year. Statistics indicate that we are up 6% YTD through November for total stay over arrivals and more specifically the USA is showing an increase of 6.2%, Canada 8.8% and Europe and increase of 2.8%. Cruise visitor arrivals are also up 4.4%. Although figures for December have not yet been released, the expectation is that the positive trends will have continued to through to the end of the year. It should also be noted that Private Aircraft arrivals have increased by 5% this December and outside of this positive 5% growth the Cayman Islands also received an additional 18 new aircrafts this December due to an extremely cold winter in Florida etc.

Partnering with Cayman Airways

The Department of Tourism and Cayman Airways continued to work strategically together throughout 2010. While each organization has a unique business purpose with its own set of goals and objectives, the working relationship between the two entities continues to advance and strengthen. DOT currently provides marketing, promotions and PR services for CAL, which is enabling benefits such as significant economies of scale and cost savings to be realised at a National level. Specific services provided for Cayman Airways include:

1. **Media Planning and Buying**: CIDOT strategically purchased TV in key markets with a special consideration placed on CAL markets. CAL was prominently showcased in ads.

2. **Print Advertising:** when applicable CAL is used as the call to action in print advertising in gateway cities.

3. **TV Advertising:** DOT works closely with designated wholesalers to ensure CAL is identified as the call to action on all TV ads in designated cities.

4. **Interactive & Direct marketing:** DOT builds customized web sitelets for CAL to promote special offers to consumers and drive business through to caymanairways.com.

5. **Public relations:** DOT PR Develops and distributes press releases, feature articles and the like and maintains a high level of awareness of CAL in the international media.

6. **Regional Sales Promotions:** DOT promotes CAL routes at consumer events, travel trade shows, blitzes and sales calls along with 'Hot Happenings' and consumer and trade newsletters

Key Marketing Programmes and Initiatives

Over the last decade, the Cayman Islands tourism industry has been impacted by a slew of man-made and natural disasters including the US terrorist attacks in 2001, Hurricane Ivan in 2004, Hurricane Paloma in 2008, the economic recession in 2008/2009 and the volcanic ash cloud over Europe in 2010. In the face of each adversity we have shown our resilience and bounced back, and I am confident that with the appropriate direction, innovation and resources, the Cayman Islands Tourism Industry can and will rebound to unprecedented levels.

To address the challenges presented in 2010, the DOT focused on a three-pronged, results-driven approach designed to:

1. Stimulate the market through targeted marketing and promotions
2. Deliver on excellence by raising service standards
3. Ensure sustainability by encouraging more Caymanians to become involved in the hospitality industry

1. Stimulate the market through targeted marketing and promotions initiatives. Prior to the recession, in a typical 12 month period, two destination promotions would be offered in collaboration with Cayman Airways and private sector stakeholders. In 2010, understanding that value was the new order of the day,

DOT was particularly proactive and offered 6 destination promotions. The goal was to stimulate the market and increase visitor arrivals and from this perspective, all of the programmes successfully delivered on their objectives. Get Warm for example, which ran from Dec 2009 to March 2010 attracted more than 29,000 unique visitors to its website and statistics show that many of these converted into actual visitors to the Cayman Islands.

2. Deliver on excellence by raising service standards.

Recognising that excellent service is intrinsic to perceived value, the DOT has conducted over 180 PRIDE workshops in an effort to train persons working in the hospitality industry – particularly those on the front line - in the consistent delivery of excellent customer service. PRIDE is an acronym of *Personal Responsibility in Delivering Excellence* and to date, more than 2500 'tourism ambassadors' have completed PRIDE workshops. In addition, a pilot programme was developed for schools and rolled out to 11th and 12th grade students.

It is of particular note that the CIDOT in 2010 concentrated PRIDE efforts on the transportation industry as well as the ports of entry.

3. **Ensuring sustainability by encouraging more young Caymanians to become involved in the hospitality industry.**

The third element of the three-pronged approach addresses the issue of human capital development. While it is accepted that airlift and service excellence are critical to the growth of the industry and that these areas must be supported by strategic marketing initiatives and promotions, it is equally important that programmes also exist that pave the way for Caymanians to become involved in tourism. I am therefore particularly pleased to note that 52 Apprentices have graduated with CARIBCERT certification and 22 new apprentices have enrolled in the 2010/11 programme.

One young lady, who completed the apprenticeship programme at the top of her class in 2008, went on to pursue an Associate's degree in Bakery and Pastry making at the Culinary Institute of America and is now employed as an Assistant Pastry Chef at one of our more prestigious restaurants. This is just one of the

programme's success stories, and it is my hope that many others will be sufficiently inspired by such stories to also view tourism and hospitality as a viable career choice.

Sister Islands Product Enhancement Initiatives

Moving on to the Sister Islands, throughout 2010 the DOT collaborated more closely with SITA and increased the level of support to provide targeted assistance with promotions in order to heighten awareness of the product offerings in Cayman Brac and Little Cayman.

Specific achievements include:

- Airport Enhancement Signage which included destination Branding of the Gerrard Smith International Airport was completed in the Immigration and Departure Lounges
- Directional Road Signage indicating points of interest was installed at various locations
- Point of Interest Maps for both Cayman Brac and Little Cayman were produced, highlighting attractions and heritage points. These are available at strategic locations as well as at the airports.
- Inspection and Licensing Awareness Seminars were held for both the Brac and Little Cayman.

Sister Islands E-business support

In this age of technology Madam Speaker, it was also necessary to provide a range of e-business support to the Sisters Islands, such as

- Creating a dedicated promotions page for accommodations specials which directed visitors to a designated website for further information

- E-Blasts, or what we would typically refer to as flyers, were distributed electronically advising potential consumers about day trips offered to Cayman Brac
- Newsletters were produced and also distributed electronically and included a web link straight to Sister Island specific information
- All businesses in the Sister Islands were given the opportunity to distribute their information via the Sister Island businesses database
- Information about the Sister Islands was posted on Twitter and on Facebook. Additionally, separate photo albums about Cayman Brac and Little Cayman were also posted on Facebook
- Finally, the Department of Tourism's 'Travel Planner' was revised to include updated information about the Sister Islands in an easier less repetitive format

Sports Tourism

Madam Speaker, in addition to identifying new and innovative ways to market programmes, events and activities for all three Islands, DOT also recognized the potential of sports tourism as one of the fastest growing sectors in the travel industry. Consequently, financial assistance and other support was provided to 12 notable sporting events during 2010. Among them were:

- The Cayman Squash Open
- The CARIFTA Games
- Flowers Sea Swim
- NORCECA volleyball championship
- Friends Invitational Golf Tournament
- Cayman Islands Marathon
- Garmin-Cervelo Transitions Cycling camp

Throughout 2010, the Department of Tourism worked diligently with local and international sports groups to maximise the use of existing infrastructure and lay the groundwork to fully capitalize on the business of sport. While there was awareness that servicing this sector could yield immense benefits, attention was also paid to ensuring that the events that were supported promoted the Cayman Islands Brand and attracted an audience that fit well within our target market and demographic. So far, expectations in terms of benefits to the destination and the potential growth of this sector have been exceeded and DOT anticipates that this trend will continue for the foreseeable future.

Financial Management in 2010

The DOT has reduced its budget by approximately 7.3 million over the past two budget cycles and with the restructuring of its US offices, approximately CI$1M will be re-diverted to support strategic objectives that deliver the most ROI moving forward.

It is particularly noted that the DOT had to make the difficult decision to cut the Cayman jazz fest event in order to meet budget targets. The budgeted amount that was cut was 1.5 million. At the time, efforts were made to secure private sector assistance to share the burden of the majority of the funding, but this did not come to fruition in 2010.

Summary of 2010 Highlights

By any measure Madam Speaker, 2010 was a challenging year, but as with all challenges, it also brought opportunity and achievements. In addition to the successful implementation of several travel promotions and marketing initiatives which brought visitors to our shores, the DOT can also count the unprecedented global media attention which resulted from the Sinking of the Kittiwake among its successes. CNN, NBC, CBC, the Associated Press, Yahoo and a host of major networks and publications from New York to New Zealand and Los Angeles to

London all covered the event, bringing the Cayman Islands to an audience of several millions around the world. The advertising equivalency value or the amount we would have paid if we bought the space for just one of these mentions on a major us network is almost half a million dollars, so it is safe to say that the PR value derived from the sinking of the Kittiwake is significant and equates to millions of dollars.

Ready to Rebound

As we move into 2011, the growth, sustainability and economic viability of the Tourism industry will remain as top priorities and the Department of Tourism will continue to work assiduously to identify new offers and further develop our existing products and infrastructure.

Competition from destinations outside of our usual competitive set like Latin America and the Gulf States is expected to increase and the playing field is likely to become much tougher than it's ever been. In addition, we can be certain that consumers will be researching more, spending smarter and demanding more value for money which is why the DOT is placing emphasis on improving customer service standards and enhancing the visitor experience.

This month Madam Speaker, the Department of Tourism will be unveiling a new brand campaign in the USA called *'CaymanKind'* which refers, not just to the three islands of Cayman, but to the entire Cayman experience. *CaymanKind* encompasses everything that makes the Cayman Islands unique – from the friendliness of our people and our rich cultural heritage to our cosmopolitan style, stunning natural beauty and warm welcome, which we extend to those who visit our shores.

Coincidentally according to Trendwatching.com, which is the world's most visited source for consumer trends and insights, **Random Acts of Kindness** ranked #1 of the top 10 most crucial consumer trends for 2011, so this helps to illustrate we are on the right track. I mention this because while it is well-known that tourism

is dynamic and easily impacted by external forces, I firmly believe that it also has the ability to play a pivotal role in supporting the revival of our economy. Clearly, the key to our future success relies on our ability to continually adapt and grow our product base, but more importantly, it lies within each of us, in our ability to extend *CaymanKindness* to those who visit our shores. It however does not end there, as I indicated in my New Years Day address my personal theme for this Season – and for the New Year is Hope, Love and Tolerance, so let's recapture what has made our Cayman Islands such a wonderful place to visit in decades past and extend CaymanKindness to not only visitors but to all that live and work within our wonderful Cayman Islands.

Thank you.