



## MINISTERIAL STATEMENT

By:

The Honorable Premier E. David Burt, JP, MP

### TOURISM 2022- A CRITICAL YEAR FOR RECOVERY

4<sup>th</sup> February 2022

**Mr. Speaker**, we are 6 weeks shy of the 2<sup>nd</sup> anniversary of the declaration of the global pandemic. In those two years the world's economy has been buffeted by the strongest headwinds in a generation. The global tourism industry has been decimated.

**Mr. Speaker**, the HotelTech Report last published on 26<sup>th</sup> January 2022 records:

*“Global revenue for travel and tourism is estimated to decrease by 34.7% to an estimated \$447.4 billion when 2020’s original forecast was \$712 billion” and estimates that “tourism spending is not likely to return to pre-crisis levels until 2024.”*

Here at home **Mr. Speaker**, our tourism has been similarly impacted. While we await confirmed 4<sup>th</sup> Quarter 2021 numbers, the 3<sup>rd</sup> Quarter makes for grim reading. 2021 was a much-improved year over 2020 but **Mr. Speaker**, when compared with 2019, we see:

- 52.4% decrease in total air capacity
- 60.1% decrease in leisure air arrivals; and
- 59.2% decrease in total air visitor expenditure

**Mr. Speaker**, there is a mammoth task ahead to reverse the trend which was accelerated by the pandemic and to rebuild an industry which represents the most diverse, direct economic impact for the people of Bermuda. **Mr. Speaker**, it is no exaggeration to term 2022 a critical year for recovery. That recovery must be led by bold action, shifts in how we approach our marketing and decisive action to renew the visitor experience.

**Mr. Speaker**, Honourable Members will be aware of the reductions in air service to Bermuda and the rationale publicly stated by our valued airline partners. Their message is clear and we must heed it. We must address the seasonality of our tourism and renew a targeted strategy of air service development.

**Mr. Speaker**, two essential elements are required to give us the fighting chance to address the airlift issues. In this regard I would refer Honourable Members to the recent comments of the President of Skyport who, reflecting on the announcement of seasonal reductions in air service to Bermuda by Jet Blue said:

*“In addition to streamlining border entry requirements, getting the Fairmont Southampton hotel property back online as soon as possible, are absolutely critical to Bermuda recapturing the optimum number of air passengers and ultimately safeguarding our air service options.”*

**Mr. Speaker**, those comments warrant particular attention as data magnifies the impact on air service and air service development occasioned by the lack of hotel inventory represented by the hotel’s ongoing closure. Honourable Members will be aware of the Government’s continuing liability for meeting shortfalls in passenger throughput at the airport and in this regard it is important to note that for the years 2016-2019, Fairmont Southampton guests represented 12% of Skyport’s total passenger traffic.

**Mr. Speaker**, my colleagues, the Ministers of Health and Transport will address the former in Statements to be made to this House which set out the proposed changes to public health regulations this week and the Government’s border policy proposals for the coming months. I am pleased to address the latter and provide this Honourable House with an update on the considerable work done to date to secure the redevelopment of the Fairmont Southampton.

**Mr. Speaker**, it is a matter of public record that myself and the Minister of Finance have been consumed with achieving a formula that advances this redevelopment. As a Government we are keenly aware of what such a project represents to the economy in the short and long term and how it presents a singular opportunity to make a strong statement about Bermuda’s tourism fortunes.

**Mr. Speaker**, in a summary of the direct impact of this hotel’s ongoing closure prepared in collaboration with the Bermuda Tourism Authority, the Ministry of Transport and the Bermuda Airport Authority, Honourable Members are invited to note that:

- The hotel’s employment was a high of 845 people, 77% of whom were Bermudian
- The hotel housed 28.5% of hotel guests arriving into Bermuda.

To that end, **Mr. Speaker**, I am pleased to advise this Honourable House that the Cabinet has approved the preparation of a special Act of the Legislature to ensure that the Government's support for this project is cemented in statute. This, **Mr. Speaker**, will provide certainty to the various investors who stand to inject over \$200m into this redevelopment. **Mr. Speaker**, it is my expectation that the Act to be considered by this Honourable House will include enhanced support in terms similar to those set out in the Tourism Investment Act 2017 and will address any necessary grants of permission required to achieve the economic viability of the project.

**Mr. Speaker**, the financing structure remains a matter for discussion as between the parties but I can confirm that we expect to receive a substantive response to the Government's most recent position today.

**Mr. Speaker**, as the Order Paper indicates, I will also introduce into the Legislature today a Designated Site Order for the property which is the first step in the process to secure a casino license. I can also advise Honourable Members that my colleague the Minister of Labour has now initiated discussions with the developers to meet the labour needs of such a development. Let there be no doubt: Bermudians will be first preferred and first hired for all aspects of the project. My hope is that all those who can do the various jobs that will come make themselves available for this purpose.

**Mr. Speaker**, concurrent with the administrative work being done to secure the Fairmont Southampton, there is physical work underway at the site of the Bermudiana Beach.

Honourable Members will recall that this phase of work at the site commenced with a loan of \$10m secured by a Government Guarantee. Once the loan was approved in June 2021, Bermudiana Development Company Limited (BDCL) began the process of implementing the construction plan in conjunction with the Codevelopers and Contractor BCM. There were several issues which arose during this period which ultimately resulted in BDCL parting ways with the services of the Codevelopers who consisted of MacLellan & Associates, CBE Holdings (OBMI – Colin Campbell) and Bermuda Realty (Coldwell Banker) in September 2021.

**Mr. Speaker**, BDCL hired the services of Brunel Ltd for Project Management and engineering services and RAD Architecture Inc. in Miami to provide architectural services for the project. Brunel is a Bermuda based engineering, project management, and architectural company which has worked on several hotel projects in Bermuda including The Loren Hotel, Newstead Hotel, Rosewood Tucker's Point and Cambridge Beaches. RAD is an architectural firm that specializes in hotels.

These two firms were brought on to help resolve the issues that arose during the implementation of the construction plan. These issues primarily related to:

- the positioning of the infinity pool on the cliff's edge
- the cost of converting building F for the reception, restaurant and bar, and
- the access to the beach.

An alternate plan which resolves the above issues has been devised and agreed and will enhance the development of amenities including an infinity pool, restaurant, spa, gym and members club.

**Mr. Speaker**, I am also pleased to advise that Brunel and RAD are working on the final building and site plans with a scheduled meeting with Hilton Hotels to be held today to discuss the changes to the site and a confirmed opening date. With the agreement of Hilton, the full set of the revisions will be submitted to Planning for approval before the end of February.

**Mr. Speaker**, BCM, Brunel and various contractors have assessed the infrastructure onsite and the plans to upgrade them to meet to the needs of the property once the conversion is completed. These assessments have been completed, designs have been agreed, and items have been ordered or are in the process of being sourced.

Despite all the changes and assessments, construction has been ongoing. Currently on site there are 25 workers made up of 21 Bermudians, 2 spouses of Bermudians and 2 non-Bermudians. These numbers will increase substantially once other buildings begin conversion by the next month.

**Given the revised construction schedule and ongoing supply chain issues, construction will proceed in a full phased approach with the opening of the entire Hotel likely in March 2023.**

**Mr. Speaker**, to ensure that the all-important aspect of sales is covered BDCL are in the process of advertising for a fulltime Real Estate Sales Director and a Part Time Real Estate Administrator. The advertisement for these positions closed on January 31<sup>st</sup> with the intention of having these positions filled and operating by March 1<sup>st</sup>.

Additionally, **Mr. Speaker**, the marketing team is working on a new plan to be rolled out at the end of the first quarter of this year. They are currently revising all website pages, brochures, images, videos, and social media channels to reflect the redesign of the units and property. Once completed and with the new sales team and opening hotel date in place, a marketing push and campaign will start.

**Mr. Speaker**, away from the bricks and mortar of hotels and their importance to our tourism renewal, I am also pleased to advise this Honourable House that earlier this week, with the Chairman of the Bermuda Tourism Authority, the Honourable Member for Constituency 14 and the CEO of the BTA, I received a presentation on the work done to date by Bermuda's branding agency partner Proverb. This Boston-based agency is led by Bermudian Daren Bascome and it was insightful to hear the benefit of his success in Boston translated into what can be done for Bermuda.

**Mr. Speaker**, the team still has a few weeks of refinement to do to the plan but I can signal even now that this will not be any ordinary slogan / tag line or marketing pitch. They drilled down to the very essence of what has been failing us and have fearlessly prescribed what will lead to our repositioning and ultimate success. **Mr. Speaker**, I have made it clear to the Chairman and the CEO that the Government's support of the plan is contingent on the development and deployment of a marketing strategy and slate of on-Island experiences that match what we intend to say we are. No more "Let yourself go" and you can't; no more "feel the love" and you won't and no invitation to "pop by" when there's nowhere to go. We either have to be who we say we are, pursue who we say we want and have the courage to meet visitor expectations or we will be squeezed out of this industry.

**Mr. Speaker**, much of the change I am determined to see will be aided by three appointments I was pleased to make to the Board of the Tourism Authority during the Christmas recess. Shiona Turini, Carol Blaser and Bushara Bushara will bring a mixture of experience, influence and commitment to their service and I am grateful to each of them for accepting the challenge.

**Mr. Speaker**, Honourable Members will have taken note of an OpEd this week compliments of an Opposition Member "*who sits in another place*". The premise was that the Government of Bermuda should bid for the coming America's Cup. **Mr. Speaker**, I will say two things to address this contention:

1. Rinse and repeat is not a tourism strategy.
2. Sailing alone is not the path to tourism renewal...it is a **part** of what we can do well but it will not position us as different from the historic and staid reputation that is preventing us from matching our competitors' success.

**Mr. Speaker**, this will be a challenging year on all fronts. Bermuda, like the rest of the world, is anxious to emerge from the solitude and isolation bred by the pandemic. The changes that will soon be announced by the Honourable Minister of Health and the Honourable Minister of Transport will make Bermuda competitive in the tourism marketplace. The reality of Covid-fatigue will manifest itself as Covid-anger if we do not do all that we can to restart this major economic engine for this economy.

Tourism's importance to that mission of economic recovery is at the centre of our efforts and I am confident that with the changes announced today we will meet the challenge of this critical year for recovery.

Thank you, **Mr. Speaker.**