BUILDING A STRONGER TOURISM INDUSTRY IN WEAK ECONOMIC TIMES

The Premier of Bermuda outlines how new legislation will continue to sustain Bermuda’s reputation as a thriving tourist destination in the global economic recession.

Premier Dr Ewart F. Brown, JP, MP, in Hamilton

Mr Brown was first appointed Minister of Transport following the general election of November 1998. After the general election in July 2003, he was returned to government as the Minister of Transport and was also appointed as the Deputy Premier of Bermuda. In 2006, he was sworn in as the Progressive Labour Party’s third Premier.

It has been a tough year for the economy across the globe. The financial crisis has affected all countries big and small and it seems that no government has escaped the harmful effects. In Bermuda, the retailers, hotel operators and insurance companies have certainly felt the pinch.

The economy in Bermuda is buoyed by two main pillars – international business and tourism. The international business sector represents 40 per cent of the country’s GDP and employs about 4,500 people.

Bringing in the tourists

The tourism industry in Bermuda employs even more people – about 4,800 – albeit at a lesser rate of pay than international business. It is the second biggest sector in our economy, an area for which I have Ministerial responsibility.

Over the past few years the government has worked non-stop to expanding the tourism industry, the thinking being that having two strong economic pillars are better than one. It is also a smart contingency plan for the country as we recognize that it only takes one law change in the United States to dramatically transform the Bermuda economy as we know it today.

Forward-thinking in our bicameral legislative system has been critical in the effort to ignite resurgence in Bermuda’s tourism.

The Hotel Concessions Act implemented in 2000 paved the way for new hotel developers to invest in Bermuda and receive concessions on customs duty, taxes, etc. The same offer of concessions was afforded to current hoteliers who made commitments to reinvest in their products.

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The Hotel Concession Act has met its objective over the past eight years to:
(1) benefit the tourism industry and the economy generally,
(2) create employment and entrepreneurial opportunities for Bermudians, and
(3) encourage local investment.

After nearly three decades of
lured to Bermuda. The historic town rich in Bermuda's culture was like a poster child forgotten in the hospitality industry. A once thriving resort hotel sat derelict there for years, rotting on a hill.

With the Hotel Concessions Act and a strong plan to implode the building (the country's first ever implosion), we went out in search of a visionary hotel developer to turn the hotel around and found Mr Carl Bazarian.

With new legislation in place (the Park Hyatt (St George's) Resort Act 2008) the government vowed to turn the area around and renew the tourism industry in St George's. However, as the Hotel Concessions Act and our overall commitment to tourism gained a steady momentum, the global credit crunch brought our plans to a standstill. The financial reality was potentially devastating to our visionary plans for the tourism industry, but fortunately, the negative effects have been minimal when compared to some of our global competitors.

For example, the Park Hyatt Resort for St. George's remains on track. A management agreement between the developer and the hotel operator was signed in December 2008 – at the height of the credit crunch – and the financiers have been found. Talks are progressing as well for a second city hotel in Hamilton and a third new property on Bermuda's south shore.

The one notable setback though was a planned resort at the site of the former Wyndham in Southampton. This project was stalled given that it was financed by investment bank Lehman Brothers which did not recover from the financial crisis. However, except for the Southampton Beach Resort project, work to expand Bermuda's hotel offerings continues to be quite successful despite the environment.

Opposite page: A beachfront restaurant; Above: A reveller taking part in the Bermuda Day celebrations.

All aboard
Simultaneously, we have also worked to improve our platform for the cruise side of the tourism industry. Until recently, Bermuda relied almost exclusively on small cruise ships, as vessels longer than 720 feet and larger than 55,000 gross registered tons could not dock in St. George's or Hamilton. This has become an urgent problem in the past few years because smaller ships are being phased out of the industry and larger ships are the new norm. Additionally the cruise lines with remaining fleets of smaller ships have shifted to other geographic areas – particularly Asia and Europe.

In order to remain competitive the government instituted a plan to stay relevant in the cruise traveler business.

It agreed to the construction of a second cruise ship pier in Dockyard – the only place in Bermuda where the ships larger than 720 feet can berth without detriment to the environment. There is already one pier there, but it was clear that two were needed to cope with the increasing demand from the cruise lines. The construction project is near completion and will welcome its first full season of ships in spring 2009. This development will bring a significant financial impact for Bermuda's economy – particularly for tourism related business owners.

Meanwhile, the government has not forgotten about the ports of Hamilton and St. George's where small business owners also rely on the arrival of cruise visitors, and has instituted a plan to waive cabin tax for any ship that berths at the ports in Hamilton or St. George's. This is a blow to government coffers, but a boost for local business owners who say the cruise visitor on the doorsteps of their businesses is crucial for their survival.

Our strategy is gaining traction. Last summer we announced Holland America was bringing its Veendam to Bermuda for ten visits a year at Hamilton and St. George's. The ship is a perfect fit at 720 feet. The ten-visit announcement was a great development for our tourism strategy. So naturally, we were elated at the end of 2008 when Holland America announced the Veendam would more than double its commitment to Hamilton and St. George's, by now visiting 24 times in 2009 – a positive result of the government's policymaking.

Our strategy for the future of tourism stretches beyond the hotel and cruise ship trades.

Other possibilities
A recent feasibility study approached the idea of introducing the gaming industry to Bermuda, a move which the government wants to determine whether or not will be a positive development for the future of the country's tourism industry and its economy. Its social impact will also be closely examined.

We have responded to the developers who are investing heavily in Bermuda by building new hotels as well as the existing hoteliers that are attempting to refresh and renew their hotel product. There is broad support for some form of gaming in Bermuda from the hoteliers’ perspective, but that is not enough to bring it into effect.

The government and the Bermuda Hotel Association are jointly paying for the feasibility study currently being conducted. There will be further discussion about how we should proceed, or if we should proceed at all when the results are collected from the study.

If the current economic climate has taught us anything it has taught us this: the current way we proceed, or if we should proceed at all when the results are collected from the study.

If the current economic climate has taught us anything it has taught us this: the current way we do business is not sustainable. Governments all over the world will have to evoke regulatory and legislative adjustments in order to keep up with the flood of changes that are inevitably on the way. Those countries that prove to be the most nimble at meeting change stand the greatest likelihood of success in the future.