

Statement by Honourable Charles E. Clifford, JP
Minister of Tourism, Environment, Investment and Commerce
in the Legislative Assembly on
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National Update on Berthing Negotiations

Madam Speaker, locally no industry invites such broad-based public interest as our tourism industry and within this industry, no sector is more topical than cruise tourism. The Government takes seriously its responsibility to keep the community informed on key issues impacting or potentially impacting the performance of this vital sector.

Over a year ago, I announced that the Government was in negotiations with parties to develop cruise berthing locally. I outlined the sound reasons for upgrading our facilities which included maintaining our competitiveness, providing a safer and more hospitable visitor reception facility and building for the future to facilitate the increasing size of ships serving the market.

The negotiations yielded a number of positive results including:

- reaching agreement to satisfy local requirements for a thorough environmental impact assessment,
- agreeing to maintain berthing facilities within the immediate GT harbour area,
- increasing the space allotted for managing cruise passengers and thereby improving the visitor experience and
- agreeing to build the facility sufficiently strong to withstand major storms.

However, the negotiations faltered on the important issue of maintaining an adequate revenue stream for this country. Much has been said about the toll of the cruise sector given the sheer volume of persons who call on our shores but when effectively managed, the sector makes a major and positive contribution. Proceeds from this sector are applied to funding the mitigation of environmental impacts, sustaining our existing port operations and for contributing to general revenue needed to fund everything from tourism promotions to social needs such as education and health care and of course providing employment and entrepreneurial opportunities for thousands in the tourism sector. The interests of these islands must be preserved in any negotiations. There will always be tradeoffs with any business transaction; give and take is necessary. However, agreements must also be mutually beneficial. No agreement which erodes the economic interests of the country would be acceptable to this government.

Since the joint venture negotiations have recently broken down, the Government has been approached and is in active negotiations with at least two highly viable stakeholder investors. As a result of this second round of negotiations, a more strategic approach is being pursued which will facilitate the establishment of separate facilities for berthing and cargo handling.

Madam Speaker, the current configuration of the port is severely limited. At present, our cargo facilities are essentially constrained on both side by cruise operations at the Royal Watler Cruise Terminal and the North Terminal. The Port's capacity to grow to meet increasing demand for cargo and aggregate will be exhausted within a few years if we do not act. I have felt for some time that these issues must be considered in tandem. Madam Speaker, we are almost certain to make fundamental errors if we do not approach this opportunity holistically. Otherwise, in the interim, the movement of increasing cargo volumes would continue to be limited to night operations, nighttime trucking would continue to hinder the ability for the downtown area to come alive with commerce at night, and beautification options will be hampered due to having to continue to facilitate heavy trucking over what would otherwise be a mainly pedestrian thoroughfare.

The proposed investors bring very strong credentials and offers to the negotiating table. One interested party already owns substantial landholdings near the George Town port which could be developed for cargo operations and which would also allow for easier and quicker access to the cargo distribution centre without the need to utilize the road network in the central downtown area. Both potential investors have stated their commitment to work towards the long-term interest of the cruise sector in the Cayman Islands and acknowledge that this interest is best served by separating our cruise and cargo facilities.

The names of the parties will not be revealed until we have finalized a memorandum of understanding. The government aims to conclude this as soon as possible, noting that much ground work had been covered in the earlier round of discussions.

It would be remiss of me in discussing the bright outlook for the establishment of berthing facilities and the optimization of cargo capacities...not to address concerns about the performance of the cruise sector in 2007. Preliminary numbers from the Port Authority suggest that the cruise totals for 2007 total over 1.7 million passengers. While this is a decrease of some 200 thousand passengers from the prior year when we peaked at 1.9 million passengers, this sum is still a respectable, if not enviable, total. Our projections for next year calls for modest growth but this is dependant upon any number of issues, most of which fall outside of the Cayman Islands' strict control.

This leads me to another issue. The fact is, Madam Speaker, that I simply cannot be everywhere and sometimes these Islands' interests are, quite frankly, not best served by being in the midst of a pack. When criticism was leveled at me for not attending the 2007 FCCA Conference which travel logistics simply ruled out, stakeholders should know I did not neglect to address Cayman's cruise interests at that time. In the week immediately prior to the conference, I met here in the Cayman Islands with cruise executives for a critical discussion on forecasts for the Cayman Islands and the cruise sector. We discussed the implications of a softening US economy, the weakening of the dollar particularly in comparison to European and Asian currencies and some shifting in supply from the region as far away destinations are competing with the Caribbean as they are becoming increasingly accessible via cruise. Throughout this discussion which also touched on the possible opening of Cuba to US travelers, we arrived at the conclusion

that the future of cruising was evolving but that the Caribbean and specifically the Cayman Islands remained a valuable partner and highly sought after itinerary. The cruise lines have confirmed my view that the Cayman Islands would continue to be a port of call for any future itineraries calling on Cuban ports given our geographic proximity and the attractiveness of our tourism product. This is anticipated to be years subsequent to any liberalization of US policies toward Cuba, as we have been advised that substantial port infrastructural improvements would be needed to accommodate the sector.

Madam Speaker, it should also be known that we have also not avoided tackling difficult issues. When some administrations have paid lip service to managing cruise schedules, I have instructed the Port Authority and Ministry to consider the matter and to propose a solution. Their recommendation was that a maximum of 6 ships or 15,000 passengers, whichever is greater, be allowed to dock in Grand Cayman at any given time. This policy has been in place for one year now. And before critics rush to the flawed judgment that this has resulted in the loss of 200,000 passengers, let me immediately address this point. At no time in the summer months when the sharp decline in business was noted was this policy triggered as the schedules for this period are much lighter and indeed allow for significant growth if the demand exists. Rather, this policy impacts a few peak days when visitation levels are high in both cruise and stay over markets and the carrying capacity of our existing port facilities are overloaded.

In 2006, there were some 16 days when this occurred and indeed these volumes sometimes went in excess of 20,000 people calling on our shores in a single day, always during the winter season but particularly during the Christmas holidays. These volumes resulted in severe traffic congestion, notable frustration among cruise passengers who were being overrun by one another, and calls from local businesses which do not cater to the cruise sector that their residential-based businesses were suffering as customers could not access their stores. Even cruise captains have made disparaging remarks about this situation when we had opportunities to speak with them. This had gone on for years but I am happy to report that while we had high volumes of cruise visitors this Christmas...a better balance was struck to allow for the equivalent of one third of our standing population to call on our shores per day rather than allowing the daily population to rise by some 50 percent as had occurred more frequently in years past. So, in 2006 we had a total of 16 days where numbers exceeded our existing policy, in 2007 there were 12 such days and in 2008 there is showing only 3 such days and yet modest overall growth is still forecasted for the cruise visitation numbers. A more harmonious relationship exists and cruise passengers are melding into our own population more effectively. The benefit of this is a happier visitor and happy visitors spend more, return again and make positive referrals to their friends. I should add, this is not a static situation. As our port capabilities are enhanced we will constantly assess our carrying capacities. There is still much more work to be done to manage and enhance cruise tourism, but the team is committed to doing so. I want to thank the Port Authority and the Ministry staff for working jointly to monitor and enforce this policy.

In terms of the berthing negotiations, Madam Speaker, sometimes partners will disagree and...sometimes they must disagree. I believe that the breakdown in the initial

negotiations for berthing was such a time. I wish to assure key stakeholders, be they transport and tour operators, restaurants, merchants, attractions, and most importantly the people of this country, that at all times your interests are paramount and being defended. The improved management of cruise tourism continues to be a major policy objective and having led the call for berthing, Madam Speaker, I am pursuing that objective together with responsible partners in the private sector. I want to underscore the message, Madam Speaker, that in these discussions and negotiations for the establishment of berthing facilities I am determined to ensure that the interests of the government, people and stakeholders of this country are not compromised. Also, I wish to underscore that this government has taken the strategic decision to separate cargo and cruise operations as it is not feasible for them to continue to exist at the same location in the medium to long term. Thank you, Madam Speaker.