



STATEMENT 14 October 2015

PwC Report Concludes Economic Benefits of Piers Exceed Environmental Costs

The MOT has received approval from Cabinet to release the Environmental Economic Appraisal prepared by PricewaterhouseCoopers (PwC) on the proposed cruise berthing facility. The report concludes that the estimated economic benefits to be derived from the piers exceed the environmental costs associated with the damage to the reef.

PwC were tasked by Government to provide an addendum to the Outline Business Case (OBC) updated with the findings of the Environmental Impact Assessment (EIA). Their assessment was based solely on the information collated by Baird, together with the economic and financial information analysed during the original OBC development. Additionally, since the EIA had identified damage to the coral reefs, the impact was also factored in to the cost-benefit analysis of the overall project.

Since preparing the addendum, the CIG received the 2014/2015 Business Research & Economic Advisors Report (BREA) which is typically prepared on behalf of the FCCA to analyse the economic impact of cruise tourism in Caribbean destinations. Given that the BREA report is based on factual, analytical data rather than assumptions, PwC was asked to include an evaluation of the latest BREA findings within their economic assessment.

The BREA report is both timely and significant because it provides data as recent as 2014 regarding cruise passenger volumes and their spending patterns in Grand Cayman. Conversely, the original OBC drafted in October 2013 and its Addendum drafted by PwC in July 2015 both used data from 2012 in their calculations, as that was the most current information available at the time. These latest statistics have enabled assumptions to be replaced with facts, allowing decisions to be taken based on accurate, credible data.

The BREA report noted that historical data on passenger arrivals showed that growth in Grand Cayman has lagged significantly behind those destinations with berthing piers. Analysis of the data showed that during the 2014/15 cruise year, 1.45 million passengers visited Grand Cayman spending an average of 4 hours ashore and generating total expenditures of US\$160.9 million. This implies an average passenger spend of US\$115.60 per passenger which is 23% higher than was assumed in the OBC, which used US\$93.70, as was reported for 2012.

Given the magnitude of the berthing facility project and the potential environmental impact, Government has reviewed 10 comprehensive reports which provide scientific data and analysis on every conceivable aspect of the proposed port development. Since embarking on this journey, the Ministry of Tourism has maintained that any proposed development would be informed by the Outline Business Case [OBC] and the Environmental Impact Assessment [EIA]. The Ministry remains committed to that stance and will continue pursuing a careful and methodical approach as the project moves forward.

With the EIA confirming there will be no negative impact to Seven Mile Beach, Governments overarching objective is to arrive at an outcome that will deliver the maximum economic benefit to the people of the Cayman Islands with the least environmental impact to George Town Harbour. I am of the view that supporters and opposers to the project are in agreement on this point, as I am sure neither side wishes to see the environment impacted unnecessarily.

To safeguard any investment made by the Country into the port project, the OBC recommends securing passenger guarantees from the cruise lines. The Ministry of Tourism is having discussions with the cruise lines and I am confident that terms will be agreed that are acceptable to both sides.

Additionally, given the fact that the cruise lines have vast and varied experience in pier construction, Government intends to present all of the proposed berthing options and pier designs for their consideration. We will also be seeking their input and expertise in identifying the options that are more environmentally friendly and aligned with their needs.

It is widely understood that the tourism industry contributes approximately 24% of the Cayman Islands Gross Domestic Product (GDP) and contributions from both cruise and stayover visitation are vital to the Cayman Islands economy. Approximately 85% of visitors to the Cayman Islands arrive predominantly by cruise ship sustaining an industry that creates employment, generates revenue through sales and taxes and provides employment for many small operators such as taxi drivers, tour operators, attractions, retail establishments, among others.

From a regional perspective, all of the 22 cruise ports in the Caribbean and Central America have berthing facilities except the Cayman Islands. Feedback from the cruise lines affirms the inconvenient truth that the Cayman Islands will continue to lose market share unless a berthing facility is constructed to facilitate the fast, easy and safe movement of passengers to and from their ships.

Cruise lines are building larger ships with carrying capacities ranging between 4,000 and 6,000 passengers and some of the largest cruise ships to sail the seas are slated to make their maiden voyages in the near future.

For example, the Norwegian Escape with a carrying capacity of 4200 passengers is set to launch in October 2015. Royal Caribbean's Ovation of the Seas carrying 4,180 passengers is also set to launch in April 2016. Carnival Cruise line will also be launching the largest ship in its fleet, the Carnival Vista in early spring 2016. Carnival has also ordered 8 new cruise ships for delivery over the period 2019 to 2022.

Without berthing facilities the Cayman Islands will not be in the consideration set when itineraries for these ships are being crafted and we will continue to be bypassed as is currently the case with the Oasis ships. As a consequence, our cruise industry will become severely impacted if Carnival Cruise Line and others reduce their calls in port because we cannot service the new ships in their fleet they are transitioning to.

The question for the Cayman Islands therefore becomes distilled to do we want to remain in the cruise tourism business? If we do, we must understand that doing so means we must provide berthing.

The OBC has estimated cost of constructing the piers to be CI\$156 million which includes a CI\$33 million contingency. The Ministry of Tourism is engaging in discussions with cruise lines to arrive at a funding model that will deliver the best possible outcome for the Country while ensuring that the berthing facility is owned by the People of the Cayman Islands in 20 years.

If the Ministry is successful in securing a partnership with the cruise lines, we can realistically expect passenger volumes to be maintained or increased so that their investment can be recouped.

The installation of the proposed cruise piers will finally and effectively bring the Cayman Islands on par with the expected norms of modern cruising and will allow us to provide a safer, standardized and more enjoyable experience to the passengers who visit our shores.

The cruise industry is vital to our society and economy and Government remains committed to providing the necessary protections to ensure its continued growth and success.

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