

BLUE TOURISM

Global Market Assessment + Local Economic Assessment + Industry Expert Analysis

EXECUTIVE SUMMARY

Although Tourism is not Bermuda's largest sector, it plays a major role in the economy, particularly as it accounts for a significant portion (between 10%-20%) of employment. Like many destinations, Bermuda's tourism industry has been severely impacted by COVID-19 due to travel restrictions around the world. This Phase 1 report for the blue tourism chapter of Bermuda's Blue Economy Draft Strategy will lay out issues facing tourism in Bermuda and provide recommendations to grow tourism in an economically and environmentally sustainable way over a 10-year horizon.

This Phase 1 report provides a global market assessment of the tourism industry. This provides the context in which Bermuda – and the tourism industry around the world – finds itself. The outlook for tourism as a whole in 2020 is particularly grim, with a projected 70% decline in international arrivals. While projections for 2021 look more positive, it is clear that the industry as a whole will take years to recover. Given Bermuda's reliance on cruise tourism, it is important to note that the cruise sector was among the worst hit and will likely remain depressed for the next few years.

Tourism has a major impact on the environment through increased greenhouse gas emissions and damage to the ocean and nearshore environment. Prior to COVID-19 there was a growing interest in ecotourism (tourism practices that claim to limit negative impacts and/or support positive impacts on the environment), but it remains to be seen what effect the pandemic will have on this trend. Understanding and tracking this dynamic is important, as governments around the world, including Bermuda, will need to balance policies that are intended to protect the environment with those that encourage economic development as these are often seen as opposed to each other.

Prior to COVID-19, Bermuda's tourism sector was growing steadily and accounted for approximately 5.3% of the GDP. However, Bermuda faces some unique challenges: highly seasonal tourism arrivals (causing capacity constraints in the summer and overcapacity in non-summer months); reliance on a few source markets (mostly the U.S. and Canada); a shortage of Bermudians willing to work in tourism; an inefficient transport infrastructure; and the dominance of cruise passengers versus air passengers (cruise passengers' spend per day is around 10-15% of the spend of air passengers). Some of these issues may not be relevant for the next two to three years, but they are inherently structural issues that will reappear when the tourism sector reaches its 'normal' capacity post-COVID-19. Despite these issues and the effect of COVID-19, some 'bright spots' appeared in the tourism sector in 2020, including: the passing of new legislation to encourage more Superyachts to visit Bermuda; the continuation of fishing tournaments and other sporting events; and the opening of the new airport. In order to enhance the Blue Economy as it relates to tourism, this report combines a global market analysis and a local economic assessment to put Bermuda tourism realities and opportunities within the global context. This, along with stakeholder interviews, has resulted in the development of three major recommendations, highlighted below for further discussion and analysis:

1. **Promote 'Blue and Green' tourism** with the creation of a certification program. The intent of this recommendation is to encourage activities that have positive effects for both the blue economy and environment. This recommendation examines which activities should be considered and how this investment could occur.
2. **Update cruise head tax** to reflect capacity constraints and destination control. This recommendation considers changing cruise taxes to balance traffic in terms of when calls occur, what types of ships call on Bermuda, and where they berth
3. **Heighten visitor awareness of the environmental impact of tourism activities.** This involves building on successful education and awareness programs implemented elsewhere with positive effects.

