

PRESIDENT'S MESSAGE***Challenges Continue...Industry Leadership Essential to Our Future***

While most of our tourism indicators inched up in 2010, the year has been a mixed bag of revenue gains, higher operating costs, and global uncertainty. Indicators in general moved closer to our 2008 pre-recession benchmark. Projections for next year show continued marginal growth as we slowly pull out of one of the most difficult economic periods in decades.

While our challenges are formidable and will continue, foundational measures have been put in place in 2010 which, with strong private sector leadership and continued cooperation between the public and private sectors, should steer us out of the doldrums quicker than many of our competitors.

Major airport infrastructure improvements are well underway in Nassau and Abaco. Telecommunications are being liberalized, hopefully bringing about improved services at lower costs in the coming years. Room rate integrity has largely been maintained throughout the recession, better positioning many hoteliers as they climb out of the recession and the deep fiscal hole many have fallen into during the recession, and begin to see a return to profitability. Many hoteliers have learned in these lean years how to do more with less.

Efforts over the past several years towards increased airlift and reduced air travel costs, combined with the Companion Fly Free promotional campaigns, have been key to the marginal but steady improvements in 2010. Group business, which all but disappeared in 2009, slowly returned, and advanced bookings for 2011 are promising, albeit still below pre-recession levels.

Easier and more affordable airlift to the Family Islands, critical to their development, showed signs of improvement as the Ministry of Tourism and private sector's work in several islands generated additional lift, better positioning those islands for growth in 2011.

Our members continued to be straddled with high energy costs and with BHA's help are taking a more earnest look at how to be more efficient. At the policy level, BHA has recommended a series of changes which stimulate greater efficiencies.

In the midst of struggling to re-grow our business and capture market share, this year industry was faced with the sober realities of the Bahamas Government's fiscal dilemma. With few options to raise essential revenue, the hotel room tax jumped from six to ten percent and the departure tax increased by five dollars effective July 1, 2010. Businesses also saw increases in electricity costs and new taxes imposed to support unemployment insurance and a national drug prescription program.

Industry successfully argued for some measure of relief to the room tax increase for prepaid business and to address other matters of concern to the industry. Some of that has been addressed and is described further in our annual report to members.

Without question, these continue to be difficult times for both the public and private sectors. We are faced with the multiple challenges of generating business while minimizing our operating costs, improving service and improving our product.

At no other time has it been essential for industry to rally together and for all hands to be on deck. A strong and viable Hotel Association backed by the support and engagement of its members is critical to our future success. I know very well the incredible work which we, BHA, does on behalf of our industry. It has been my

honour over the past two years to again serve as your President. Despite the many challenges we face in industry, BHA continues to protect your interests and enhance our industry in many ways.

Looking ahead, it will be essential that new leadership emerges over the coming years to take the mantle which many of us have held. Our future is dependent on more of us stepping up to the plate and being willing to serve – on behalf of the industry, but in all honesty, on behalf of their own future.

I want to thank all who have supported our efforts during my tenure, and our BHA staff for their support and dedication. I invite your continued support of the new leadership team and urge you to join them in helping the Bahamas Hotel Association to continue to make a difference.

Robert D.L. 'Sandy' Sands, President

BHA 2010 Highlights..... *a Commitment to Company, Customers and Country*

Advocacy:

Advancing Policies, Programs and Initiatives Important to Our Industry's Growth and Sustainability

Recommendations Advanced to Support Cost Containment and Stimulate Tourism Growth

Immediately following the announcement in May of the budget increases in room tax and departure tax, a discussion paper was prepared by BHA and shared with the Minister of Tourism who arranged a meeting with the Prime Minister to consider industry's recommendations for addressing our ongoing concerns of high cost, business erosion, and stimulus options. While the Government indicated it is faced with considerable financial challenges, the following measures were considered:

Room Tax Relief for Prepaid Bookings - The Ministry of Tourism agreed to cover some of the costs associated with prepaid bookings through online booking sources and wholesalers. Efforts to extend this to include those prepaid directly to hotels and contracted and tentative groups were not successful.

Gaming Changes - There was agreement to proceed with approval for most of the recommendations made by BHA to improve the gaming law, regulations and policies, streamlining approvals for new games and employee permit and making casinos more competitive.

Stimulating Hotel Investments and Upgrades - Consideration is being given to reducing or eliminating the investment threshold criteria for hotels to receive Encouragement Act Renewal Exemptions from the current requirement to invest at a level exceeding 25 percent of the market value of the property. BHA argued that the present threshold is unattainable for many hotels and eliminating or reducing it would stimulate product upgrades and economic activity. Supporting information was presented to Government showing the types of investments which have been put on hold and those likely to be activated should the threshold be addressed.

Seeking Hold on Increase in Business Licence Tax – In passing the Business Licence Act 2010, the Government declared its intention to improve processing efficiency, produce a simpler tax structure, and at the same time to be revenue neutral. In reviewing the details of the recently passed Act, BHA discovered that the business licence tax will increase substantially for most hotels.

Under the existing legislation, most hotels are classified as 'low profit' with 'high turnover'. Thus, their current tax obligation is .5 percent of turnover. Generally speaking, most hotels would be classed as having high turnover grossing over \$500,000 per annum. The revised Act will place most of these hotels in the .75 percent of turnover tax category, thus increasing their tax obligation by 50 percent. This means added cost of several thousand dollars per annum for many small hotels, and into six figures for larger ones.

Arguing that the current economic unfriendly climate has placed added financial burdens on our industry which have required that operators make very hard decisions, and pointing to added costs thrust upon the industry, specifically higher electricity rates and the imposition of a National Insurance Drug Prescription tax and Unemployment Benefit tax; BHA has asked that the Act be amended to ensure the changes are 'revenue neutral' on hotels. Detailed concerns and request for amendment were presented to Government.

Electronic Filing Put in Place – As part of a concerted effort by Government to streamline its operations, the Ministry of Finance finalized plans this year to allow for the electronic filing of room tax reports. Workshops were held for hotels this fall, as operators welcomed the new filing procedures.

Tax on Complimentary Rooms – During recent meetings which the Ministry of Finance held with Hoteliers throughout The Bahamas to introduce the new system for electronic filing of Form X, regarding room taxes, hoteliers were informed that they would be required to pay tax on the market value of complimentary rooms. This is a matter which BHA had worked to resolve in recent years and it was our understanding that it was resolved.

Concern was expressed to Government and the matter was expected to be formally corrected. It is expected that in instances where a room is being provided on a complimentary basis for charitable, public relations, promotional purposes (non gaming – but related to comps for things like fam trips, journalists....), the 10 percent room tax is waived. Hotels should maintain appropriate records showing justification for any waiver in the event a request is made by the Ministry of Finance to provide substantiation.

Government Resolves Customs/Immigration Overtime Deterrent – Early this year the Government eliminated the pass-on practice of assessing airlines for the cost of paying overtime charges for weekend, early-morning, and evening staffing in support of those flights. The practice was a deterrent to attracting flight activity during those periods and in fact had resulted in a number of lost flights, further affecting the industry. BHA argued against this practice for a number of years, something which had not existed elsewhere and added to the cost of airlift servicing The Bahamas.

Energy Cost-Related:

Advancing Policies, Programs and Initiatives Important to Our Industry's Growth and Sustainability

Government Presented with Cost-Savings Recommendations on Energy Policy Framework

A series of recommendations were presented to the Government for consideration in the National Energy Policy Framework. While commending the Government for moving in a direction aimed at reducing energy costs and encouraging greater efficiencies, BHA recommended that key recommendations be fast-tracked, specifically regarding policies which stimulate greater use of energy efficient products by eliminating the customs duty and speeding up the payback period.

To further encourage the development of wind, solar, tidal, and biofuel production facilities, a recommendation was advanced that these ventures should be given similar investment incentives as provided in the Hotels Encouragement Act. The recommendations also pointed to the need for greater focus by Government and the private sector to reduce water leakages and consumption, further reducing energy costs. These recommendations were adopted by the National Energy Policy Committee, which includes BHA representation, and included in a paper being considered by Cabinet.

Detailed Energy Audits of Over 20 Hotels Show Areas for Significant Savings

Results from a series of energy audits conducted on over 20 hotels in The Bahamas reveal savings potential of 25-30 percent of energy costs by putting in place practical short and long-term improvements and improving operations efficiencies according to global energy efficiency experts who conducted the audits. BHA assisted with the audits as part of two projects supported by the Inter-American Development Bank.

Individual assessments were shared with participating hotels and a series of recommendations and savings tips were shared with BHA members. BHA, along with the Ministry of Tourism, are exploring further energy-savings initiatives which can be advanced into the tourism sector with the support of the Inter-American Development Bank.

Bahamas Hosts Regional Energy Conference

BHA was a partner organization for the 2010 Caribbean Renewable Energy Forum (CREF) which was held in October at Atlantis. The conference covered a wide range of topics, from the financing of renewables, to the best in global technologies in energy efficiency and renewable energies and their applicability in the Caribbean.

A half day was dedicated to energy efficiency specifically as it relates to governments and to the region's tourism sector. BHA and Kerzner representatives participated in panel discussions on usage and savings opportunities, as well as policies which can support lower costs and sustainable use by the region's resorts, hotels and tourism-related businesses.

Appeals Made to BEC and Grand Bahama Power

With the announcement by BEC of rate increases, BHA met BEC officials to better understand the increases and offer recommendations to lessen the impact on the tourism industry. BHA is seeking increasing peak demand meter readings to more accurately reflect usage. At BHA's recommendation several years ago, BEC moved to twice annually readings from once a year, While this has helped, the President argued moving toward a monthly or quarterly reset for peak demand, which is in line with industry practice in most developed areas of the world.

BHA also expressed concern about the high fuel surcharges which it recommended could be reduced by better management of fuel purchases. A recommendation was also presented to raise the allowable floor for standby generation capacity from 250kwh 500kwh. For the Family Islands this could be raised from 25kwh to 250kwh.

Citing concerns by members about BEC's lag in responding to problems in resolving disputes, BEC indicated they would put in place an account manager system whereby a management-level individuals would be assigned to assist businesses with quickly resolving problems.

Grand Bahama members met with the Grand Bahama Power Company to express concerns about a series of extended outages and their impact on business. GBPC pledged to improve external communications regarding outages, plans when known, and anticipated down time so that businesses could prepare accordingly. Peak demand charge readings there are currently done annually and efforts will be made to increase that to be in line with Nassau and industry norm.

Impact of Abaco Power Cuts Assessed and Shared with BEC and Government

This summer's outages in Abaco took a heavy toll on tourism interests there and forced hoteliers to incur considerable expenses to repair and replace equipment, replace spoiled food, purchase fuel and back-up generators. Abaco hotels reported over \$1.6 million in losses attributed directly to the outages. The bulk of the losses occurred from cancellations and lost room and marina bookings.

Hoteliers requested BHA's assistance in calculating those damages which can be measured and in conveying to BEC the results with the hope that legitimate claims for reimbursement would be processed in a timely manner.

The results were shared with BEC. BHA also called on BEC for improved communications to hoteliers and the public to enable them to better plan for outages and reduce some of the associated costs. BHA offered to assist with BEC with their communication efforts to the industry..

Workforce Development:

Investing in Our Future

Throughout the year BHA worked with industry human resources professionals, the Ministry of Tourism and Aviation, the Ministry of Education, many of the nation's private schools, the College of The Bahamas as well as several post-secondary institutions to address immediate and long-term workforce needs.

BHA takes a 'continuum approach' to workforce development, encompassing public and private sector engagement which considers the needs of the entire education and training stratum including:

- Primary, Secondary and Tertiary Education
- Pre-Employment and Workplace Readiness Strategies
- Skills Training, Credentialing, Licensing and Certification
- Leadership Development
- Scholarships, Internships, Apprenticeships and Academies
- Public Awareness

Key Areas of Activity in 2010....

Record Number of Scholarships Granted

Thirteen Bahamian students were presented with scholarship awards in 2010 totalling \$80,500 thanks to the generous financial support and fundraising activities of the Bahamas Hotel Association, the Bahamas Hotel Employers Association and the Caribbean Hotel Association Education Foundation and their members. The awards were presented to the students during a meeting of the Bahamas Hotel Association. Through BHA's efforts, during the past five years 69 scholarships have been awarded to young Bahamians valued in excess of \$230,000 .

Over Seventy Educators Get Schooled in Industry

BHA continued to foster educator's awareness of industry opportunities and employer expectations, and create and modify educator's lessons to make them more relevant to the industry. Nearly 40 hotels and tourism-related businesses participated by providing placement experiences during the weeklong program this summer. Since its inception six years ago, over 600 educators have participated in summer educator Internship program.

High School Hospitality Students Participating in New Industry Credentialing Program

Drawing upon the high performance standards which are part of the CaribCert Program, BHA has launched a tourism certification program for high school students. BHA, in conjunction with the Caribbean Hotel and Tourism Association and Tourism Training Canada, introduced CaribCert for High School students. After a course of study, students will be equipped to challenge the certification exam and receive a certificate verifying their comprehension and demonstration of core competencies required for success in the industry.

Schools piloting the program are: Aquinas College, St. Anne's and Anatole Rodgers. Fifty-six students have signed up and over the coming months will be working to master job competencies in six core areas: Professionalism, Effective Communication, Providing Hospitality, Maintaining Safety and Security, Promotion of Tourism, and Promotion of Recycling and Conservation.

A Trio of Career Awareness Activities

BHA continued its support for the Ministry of Education's Career Awareness Month activities in October, organizing a workshop for nearly 80 of the nation's career guidance counsellors focussing on career readiness, employer expectations, and opportunities in industry. In collaboration with Johnson and Wales University and the Ministry of Education, BHA also supported the third annual Careers Workshop for over 300 high school students from the public and private schools. Over 1000 students have participated in the program since its inception, which has contributed to a doubling of the Bahamian student enrolment at Johnson and Wales and numerous scholarships. BHA also conducted with the College of The Bahamas and the Ministry of Education the third annual 'boot camp' for high school seniors. Over 400 students attended the two day camp aimed at providing them job readiness training.

Junior Hotelier's Learn About Industry

BHA's Junior Hotelier program entered its third year and continues to provide students with information about the industry, laying a foundation to spark interest and an awareness of what they need to do to be successful in it. Originally created for primary school students, over 350 students have participated to date. The 12 week program is being conducted in five schools.

Tourism Apprentices Exposed to Industry

The Ministry of Tourism & Aviation, Bahamas Hotel Association and industry partners teamed up to conduct a six month Tourism Apprenticeship program during the first half of the year. Over 110 of the most highly motivated individuals in the country were identified through a rigorous selection process to participate in the program, gaining valuable skills and better preparing them to take advantage of employment opportunities as they arise. Despite the poor hiring climate, over ___ of the participants were able to secure employment. The Ministry has established links on its www.tourismtoday.com website for employers to review the profiles of those participants who are still seeking employment.

Sustainable Development:

Preserving....Protecting....Enhancing

STEMM Project Wraps Up....Resource Centre for Small Hotels and Marina Association Key Outcomes

BHA finalized work on the Sustainable Tourism Entrepreneurial Management and Marketing project this year, a four year support and development project for small businesses supported by the Inter-American Development Bank, BHA, the Promotion Boards and the Ministry of Tourism. The project provided extensive technical assistance to over 100 small hotels, supporting the development of business plans, operational efficiencies, and better positioning over 40 properties to market themselves with new and revised websites. An online booking mechanism was also being finalized and numerous tools and information resources were developed during the project. The organizational framework was also developed for a support network to be put in place following the project, details which will be worked out over the coming months. This framework will support ongoing technical assistance and online booking capacity for small hotels and related tourism businesses once it is formalized. The project also supported the formation and initial work of the Marina Operators of The Bahamas.

MOB Holds First AGM....Boat Security Workshop

The recently established Marina Operators of The Bahamas continues to grow. Over 50 representatives from the industry participated in the organization's first Annual General Meeting held in Nassau this June. Attendees were provided with an overview of the key accomplishments of the organisation during its first year and plans for the coming year. In its first year, the MOB has grown from six members to over twenty-five. The organizations sees itself as a major player in helping to guide the industry's development and growth and working with Government on a range of areas to support the sector, including marketing, security, industry standards, and long-term planning.

Bahamas.com Boating/Sailing Gets Major Makeover

Working closely with the Ministry of Tourism and Aviation, a task force of industry and Ministry representatives identified a number of areas for enhancement on in the boating and sailing sections of Bahamas.com. These enhancements were put in place and can be viewed by linking to www.bahamas.com/boating-sailing.

Cooperative Efforts Helping to Reduce Boat Thefts

An increase in boat thefts last year and early this year prompted a series of initiatives by the MOB, the Ministry of Tourism and the Royal Bahamas Police Force to address the matter. These included: a stepped up commitment from the Police to provide presence and focus on the thefts; establishing lines of communication between the Police, the MOB and marinas; putting in place a process thru the MOB to notify immediately operators throughout The Bahamas of any theft to improve apprehension; and promoting various safety and security technologies by the MOB to the sector.

The MOB has also reviewed the laws governing boat thefts and has recommended to Government amendments to provide for stiffer fines and penalties, particularly for repeat offenders. All of these measures contributed to the Police making nine arrests for boat thefts between January and August and seeing the number of thefts cut in half year on year

CCTV Initiative Moves Forward

After years of discussion, research and advocacy to put a centralized Closed Circuit Television monitoring system in place to support safety initially in high traffic tourist areas and ultimately throughout urban areas in

New Providence, the Royal Bahamas Police Force (RBPF) has been given the nod to move forward by the Minister of National Security. Throughout the year the RBPF has guided a task force which BHA and hotel representatives have participated on to identify the command centre, designing it, determine camera locations, draft a management plan, and write detailed specifications for soliciting bids to put the system in place. A technical expert in municipal CCTV from the UK has been identified and will guide the process over the coming months with the aim to award a contract by early next year for installation of the system. The private sector will assist the Police in providing financial support for the cameras and support equipment. BHA has pushed for CCTV, citing its deterrence value, the peace of mind it provides to the public, and its use in facilitating the apprehension and conviction of criminals.

BHA Keeps Eye on Storms....

Anticipating an active season, BHA and the Ministry of Tourism maintained a state of readiness to coordinate industry preparedness and response, should storms threaten. The Ministry chairs a national tourism coordination task force, which BHA supports, as part of the National Emergency Management Agency's overall disaster readiness and response activities. Readiness meetings were held with all stakeholders on the task force.

Twenty-Two Students Participate in Second Annual Environmental Youth Camp

BHA continued its support for the Bahamas National Trust environmental youth camp for teens in Andros, a program which BHA helped to establish two years ago. Members responded to BHA's call for support, making participation possible for 22 teens throughout The Bahamas. *Significant commitments were received from Comfort Suites, Blue Water Resort, Kerzner International, the Lyford Cay Club, Lindroth Development Company and Bahamas Ferries.* The camp aims to broaden awareness and appreciation for protecting our industry's greatest resource – our environment – and making the connection between the environment and tourism.

Annual Golf Tournament for Education Huge Success

Despite the recession, members, tourism stakeholders and friends of BHA turned out in near-record numbers, making this year's Golf Tournament at Cable Beach and follow up awards luncheon at Poop Deck Sandyport one of the most successful in the 13 year history. Funds raised from the tournament go to supporting scholarships and BHA's education-related activities.

Recognizing Excellence

Seven Small Hotels Achieve International 'Hospitality Assured' Certification

The UK-based Hospitality Assured credentialing program was a basis for assisting over 25 small hotels in the STEMM project to achieve high operational standards. Seven hotels achieved the certification late this year, after nearly two years of work to raise their performance, and passing a rigorous review process by international assessors. These are: Fernandez Bay Village and Sammy Ts Beach Resort on Cat Island, Small Hope Bay Lodge and Andros Island Bonefish Club on Andros, The Corner Hotel and The Orchard Garden Hotel in Nassau, and Ocean Pearl Resort on Grand Bahama Island.

The Caribbean Tourism Organization, in cooperation with the Caribbean Society of Hotel Association Executives and support from the EU ProInvest Fund, worked with The Bahamas as the region's first pilot destination for Hospitality Assured's outreach into the region. Other countries in the region now starting the program include Antigua & Barbuda, Barbados, Dominica, Grenada, Guyana, Jamaica and Trinidad & Tobago.

Over 3,500 hotels and tourism businesses have achieved certification in the EU and increasingly it is being given consideration by tour operators, wholesalers and other intermediaries as a standard for consideration in doing business.

Kerzner's McKenzie Captures Caribbean Supervisor Honors

During its President's Inauguration and Recognition Dinner, hosted in Montego Bay at Half Moon, the Caribbean Hotel and Tourism Association honored Kevin McKenzie of Atlantis as *Caribbean Hotel Supervisor of the Year*.

Kevin McKenzie is Technical Systems Manager in the Engineering department of Atlantis Resorts, Nassau, Bahamas. "My philosophy is to train and empower my staff and to encourage them to learn as much as they can for as long as they can," said McKenzie.

Kevin has been with Atlantis Resorts since 1998, starting as Preventative Maintenance Manager until he was promoted to Chief Engineer and ultimately to his current role as Technical Systems Manager. "Kevin exemplifies the quality of a manager that any progressive company wants," said George Markantonis, President and Managing Director for Atlantis. .

Kevin was recipient of the 2008 Cacique Award for the Hotel Supervisor of the Year sponsored by the Bahamas Hotel Association in collaboration with the Ministry of Tourism. His accomplishments made him eligible to be nominated for the regional distinction.

Bahamas Taste Team Among Region's Elite

Making it into the region's elite culinary teams, the Bahamas was recognized as one of the top finalists in the region which competed at the Taste of the Caribbean Culinary Classics held at the Rio Mar Wyndham Grand Resort in Puerto Rico this September.

The team walked away with an overall gold medal, yielding only to Barbados and Trinidad and Tobago, which edged them out for the top awards. Members of the team came away with individual medals, capturing six awards.

Capturing an individual silver medal in the overall chef's competition was Executive Sous Chef Emmanuelle Gibson from the One and Only Ocean Club who finished third overall out of 33 chefs vying in that category. Other members from The Bahamas team finishing in the top twelve and capturing Bronze medals included: Richmond Fowler from the Lyford Cay Club and Clement Williams from Kerzner International.

Eldred Saunders, Chef Instructor from the College of The Bahamas, captured a bronze medal in the Pastry Chef category, coming fourth in the region. Also garnering a bronze medal in the bartender category was Wilfred Sands from the Lyford Cay Club.

Competing in international competition for the first time as an alternate and member of the team was Gia Wilson, from the Sheraton Cable Beach Resort, who played a pivotal role during team preparation throughout the event. This year's competition included a category for Junior Chef. Wendy Miller, an apprentice chef with Kerzner International was awarded a bronze medal for her achievement.

Team Manager Chef Devin Johnson from the Sheraton, worked closely with the team over several months in preparation for the competition. The Taste of the Caribbean competition is sponsored by the Caribbean Hotel and Tourism Association. The Bahamas team's participation was made possible thanks to the support of BHA, the Ministry of Tourism, the Bahamas Culinary Association and the College of The Bahamas and team member's hotels. Their participation was also made possible thanks to the generous support of Bahamas Food Services and the tremendous support from the Lyford Cay Club which hosted a gala fundraising dinner.

Cacique Awards Finalists Identified....Awards Ceremony January 28th

The Cacique Awards returns to the spotlight this coming January 28, 2011 at the Wyndham Nassau Resort when tourism's best and finest will be recognized during the gala event. BHA's selection committee reviewed all applications for the hotel categories, identifying the finalists in each, whose profiles are described in this program booklet.