



STRATEGIC OUTLINE CASE

Cruise Berthing Facility

This document provides information to relevant stakeholders to inform deliberations concerning the potential development of new berthing facilities for visiting cruise vessels.

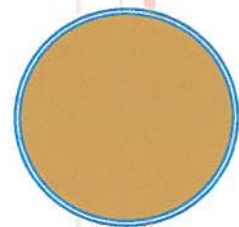




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CAYMAN ISLANDS GOVERNMENT

STRATEGIC OUTLINE CASE

Project Title: Proposed Cruise Berthing Facility

Sponsoring Ministry: Ministry of Tourism and Development

Senior Responsible Officer: Stran Bodden

Signed: 

Date: 30th April, 2013

Section 1: Project Overview

On 5th March 2013, the Cayman Island's Government issued a policy directive (see Appendix 1) for the development of cruise berthing facilities in George Town and the enhancement to existing facilities at Spotts Landing. This policy is intended to support the Government's Broad Outcome Goal of "Setting the Stage for Success in the Tourism Industry" and developing further tourism opportunities in the Cayman Islands through increased representation on cruise ship itineraries.

The project will include dredging of the George Town harbour and the construction of berthing pier(s) to facilitate cruise vessels. The exact number and size of piers will be determined as part of a substantive business case and is beyond the scope of this document. The project will also include further developments and improvements to existing facilities at Spotts Landing to serve as an alternate location during times of inclement weather.

The project is presently only viable as a Public Private Partnership (PPP) due to the Government's inability to do conventional borrowing. Private sector partner(s) will be identified via a competitive procurement process and will have the responsibility of designing, building and financing the facility. Operational responsibility will then revert to the Port Authority for strategic reasons.

The development of berthing facilities is expected to generate several jobs during the construction phase and additional employment opportunities when the berthing facility becomes fully operational.

The project is expected to deliver significant economic benefits to the Cayman Islands. These benefits include increased GDP from visitor spending, increased revenues for public coffers, job opportunities, increased opportunities for further Port Expansion from the availability of reclaimed land as well as greater profitability for the Port Authority overall.



Section 2: Aims, Needs, Objectives & Constraints

The tourism industry contributes approximately 24% of the Cayman Islands Gross Domestic Product (World Travel & Tourism Council). It provides significant employment and entrepreneurial opportunities for residents of the Island and is also a significant contributor to Government's revenues. These factors and several others make it one of the two main pillars of the economy.

Annually, 85% of total visitors to the Island arrive by sea. Since 2006, the Cayman Islands have been losing market share in the strategically important North American region. Based on representations from the cruise industry, that trend is likely to continue unless a berthing facility is put in place which will better facilitate the volume of passengers embarking and disembarking from cruise ships.

Competing regional countries such as Jamaica, Honduras, Belize and the Turks & Caicos Islands having recognized the need for berthing facilities and have made the relevant investments to preserve their markets.

It is important for the Cayman Islands to act in a timely manner to protect this key industry and the social and economic benefits it affords.

Increased growth in GDP and stable income streams are important components of the Government's overall 3-year fiscal plan. The development of cruise berthing facilities is expected to increase cruise passenger volumes, which will increase visitor exports (visitor spending on goods and services), and therefore positively impact GDP for the Cayman Islands while providing much needed Government revenue.

- ***Strategic aim(s) and policy objective(s)***

The Government's 2013-14 Strategic Policy Statement listed 19 Broad Outcome Goals. Under Broad Outcome Goal two (2) the Government outlined its support for 'the development of new cruise ship berthing facilities in the Cayman Islands.' This policy was reaffirmed through a more specific directive 'to further enhance the existing facilities for cruise passengers visiting the Cayman Islands in order to improve the visitor experience when disembarking, mitigate against the threat of further loss in cruise market share, and increase overall passenger numbers to the Cayman Islands.'

Presently, visiting cruise passengers to the Cayman Islands are facilitated by tender boats. The proposed cruise berthing facility will enhance the cruise visitor experience, better facilitate the embarkation and disembarkation of larger vessels improve the competitiveness of the Cayman Islands Tourism product and further improve the Islands' reputation as a destination of choice.



The development of berthing facilities is an important growth strategy for the Cayman Islands tourism market. As such, the project is supported by key industry representative groups such as the Chamber of Commerce, the Port Authority of the Cayman Islands, Cayman Tourism Association, downtown Merchants, the Cruise Lines, local attractions and the transport industry.

Visitors who remain on Island for longer periods have more opportunities to spend in the local economy. With the inefficiencies associated with tendering, visitors have to begin the queue process to return to their vessels at a much earlier time than if berthing facilities were available. Having proper berthing will allow for more efficient embarkation thereby allowing visitors more time to see and experience the Cayman Islands.

- ***Project need***

According to cruise market watch, six (6) new ships were added in 2013 with a passenger capacity of 14,074. Thirteen (13) more ships are expected to come on line between 2014 and 2015. This will add 8.7% to passenger capacity and \$3.2 billion in annual revenue to the entire cruise industry. Of the thirteen ships expected to come online, eight (8) will have lower berths exceeding 3,000 and four (4) of those will exceed 4,000

This trend is indicative of the industry's continued move towards larger vessels which will result in a gradual decline of the existing fleet of smaller vessels. The current Port infrastructure is inadequate to efficiently service the larger class vessels; therefore, if the Government does not act to provide appropriate infrastructure, Cayman's tourism sector could suffer from fewer cruise ships calling at the Island's Ports.

The project will provide improved cruise ship infrastructure at both the George Town and Spotts landing locations. This will provide improved visitor safety, increased opportunity for further port development and strategically place the Cayman Islands in an enhanced position to benefit from the changes and increases in the cruise ship market.

- ***Project objectives***

The Project seeks to provide the relevant infrastructure to better facilitate the efficient embarkation and disembarkation of passengers from larger cruise vessels in Cayman Islands Ports. This is to be achieved through the construction of new berthing facilities and enhancements to existing facilities at Spotts Landing.

These additions and enhancements will allow the Cayman Islands to be added on the destination itinerary for more cruise ships which will stabilize and improve visitor numbers to the Islands.



The project will also provide additional tourism opportunities, industry jobs and benefits to local merchants while enhancing the competitiveness of the Cayman Islands Cruise tourism product by providing the same or better facilities as competing jurisdictions.

The project will be conducted in an open and transparent manner, consistent with international best practices, and in accordance with the Public Management and Finance Law (2012 revision) to ensure value for money.

- ***Project constraints***

Financing: The Government is currently constrained by numerous economic factors. Due to restrictions under the Public Management and Finance Law (PMFL), the Government is unable to finance the construction of a berthing facility through conventional borrowing methods. The Government is also dependent on existing revenue streams stemming from the cruise industry as a means of funding its on-going operations.

Therefore, in order to deliver the project, the Government will need to consider alternative financing models including Public Private Partnerships (PPP).

Due to the importance of the Port facility as a strategic national asset, the Government will retain legal ownership for and operation of any facility built. Significant considerations will be necessary to determine a financing model that makes this possible while providing assurance and security to a private sector investment partner.

Political Environment: The decision to pursue a cruise berthing facility is largely supported by known political parties, independent members and groups. However, the Cayman Islands are set to have local elections on 22nd May 2013, which brings an element of uncertainty regarding the future political landscape. It is unlikely that the project would have progressed through the procurement stage by that point, therefore, the policies and directives around the project will be subject to change.

Phasing: The Public Management and Finance Law (2012 revision) sets out the five key stages that will be undertaken by the Cayman Islands Government in the planning, development, and execution of a project. Those include (1) appraisal and business case; (2) procurement (3) contract management; (4) delivery; and (5) evaluation.

The specific phasing of construction and timing for development of the berthing facility is beyond the scope of this document. The Government's policy is that these facilities be developed as early as possible giving due consideration for the relevant processes and procedures.

Impact on Cargo Operations: The decision on the number and placement of piers to facilitate berthing must also take into account the Port's cargo operations. In its present state, the Port's facilities are used for tourism during the day time hours and cargo during



night time hours. Construction of a new berthing facility will have an impact on the cargo operations and will require further studies to fully quantify.

Domestic Infrastructure: The transportation arteries for moving passengers in and out of George Town are significantly limited. Berthing facilities would result in a greater number of persons entering the downtown area simultaneously. Consideration is required for the physical capacity of the country's capital to handle this situation with appropriate mitigation measures recommended.

Social Environment: The Cayman Islands is known for its laid back peaceful approach towards day to day living. Whilst a vibrant tourism industry is important to the Island, there is also a need to balance other social aspects including commuting time for local residents. With a local population of approximately 50,000, consideration must also be given to the number of cruise passengers which can be facilitated harmoniously on any given day.

In addition, there is also a social desire to develop commercial activities in other areas of the Island to reduce the stress on central George Town and allow a greater cross section of the population to participate in the tourism Industry. Due consideration must also be given to existing businesses and residents who benefit from the cruise tendering business, and who are likely to be impacted with the construction of a berthing facility.

Natural Environment: The proposed project will involve some dredging within close proximity to known reefs and several other marine features. The Cayman Islands underwater assets are an important national treasure which must be protected to the fullest extent possible during and after infrastructure development.

Due to the potential impact on areas of environmental significance (including the Seven Mile beach area), a full, independent environmental impact study will be a critical component of the decision making process. It is expected that environmental impacts associated with this project can be avoided or minimized through various mitigation measures. Specifications requiring same will be an integral part of any agreement with a private sector partner(s).

A central aim of the project will be to deliver the necessary infrastructure while protecting the environment. The role of the Department of Environment and the local community as key stakeholders in this aspect is recognized and appropriate consultation and input will be taken throughout key phases of the project.



Section 3: Stakeholder Analysis

- **Key stakeholders and their involvement:** The following preliminary list of key stakeholders will be consulted during the development of a subsequent business case. Material representations and concerns expressed by groups or individuals will be key components of the decision making process as the project further develops.
- 1) **Cayman Islands Government (CIG):** The success of this project is of strategic national importance as it supports a key pillar of the economy. By making the Cayman Islands a more competitive cruise destination and improving the visitor experience, a vibrant cruise market can also serve as a significant marketing tool for future stay over visitors to the Island. Cruise tourism also provides direct and indirect revenue streams for the Government in the form of taxes, charges, and indirect fees from the businesses who benefit from the industry.
 - 2) **Port Authority of the Cayman Islands (PACI):** PACI and CIG jointly receive between CI\$9.23- \$10.05 per passenger from the Cruise Lines. PACI also receives income from tender operators and rental income from the Royal Watler Cruise Terminal that approximated \$76k and \$831k respectively in fiscal year 2011.
 - 3) **Department of Environment:** The Department of Environment seeks to facilitate responsible management and sustainable use of the natural environment and the natural resources of the Cayman Islands; through environmental protection and conservation.

The Department of Environment should play a key role in the development of an Environmental Impact Assessment as the future consequences of construction and maintenance of a berthing facility on various areas of the environment will need to be thoroughly researched.

- 4) **Construction Sector:** The construction sector is another key segment of the economy and an important stakeholder. Development of the cruise berthing facility would provide jobs for this industry during the construction phase and revenues for several merchants who support it.
- 5) **Tendering companies:** With a berthing facility, demand for tenders will drastically decrease. This could potentially result in tender companies closing down their operations entirely. Further consideration should be given to alternative options of disembarking, as in the case of bad weather days/ dock damage, when tender services may be needed but are inoperative.
- 6) **National Roads Authority/ Infrastructure Development:** Visiting cruise passengers landing in George Town and exiting the terminal onto the roadways are presently controlled through the gradual tendering of passengers from ships. However, in a berthing scenario, a significantly increased number of passengers could disembark



simultaneously which could lead to traffic congestion. As such, the existing traffic system will need to be studied and appropriate mitigation measures put in place.

- 7) **Cruise Lines:** Proper berthing facilities will more efficiently accommodate the passengers disembarking from cruise ships. Cruise lines share a mutual interest with the Cayman Islands Government in ensuring a high standard of visitor experience.
- 8) **Downtown retailers:** Several existing merchants in the downtown area depend on the cruise industry for retail success. Increased and or stable tourist arrivals provide for business stability and growth potential.
- 9) **Transport Industry:** The transportation industry plays a vital role in facilitating the movement of cruise visitors to various points on the Island. A vibrant cruise market provides income, business opportunities and jobs for stakeholders in this industry.
- 10) **Local Attractions/ Tour Operators:** Attractions such as the Turtle Farm would benefit from increased demand. The business model for several such facilities depends on the cruise visitor market to remain viable.
- 11) **General Public/ Residents:** Increased cruise visitors will result in higher demand for tourist related services; hence, the possibility of job creation. The general public will be concerned if this comes at the expense of increased traffic congestion and appropriate measures will be taken in this regard.
- 12) **Cayman Tourism Association (CTA)/ Advancement of Cruise Tourism (ACT):** As key industry representative groups, both the ACT and CITA would like to see a timely development of berthing facility.
- 13) **General business Community:** This project enjoys wide support from the business community. The general sentiment is a desire for harmonious business opportunities having due regard for sustainable growth and economic benefits to the entire Island. There is also strong support for the project to proceed in accordance with international best practices which provide equal opportunities for all members to participate and benefit from their involvement.
- 14) **Border control Agencies:** Customs and Immigrations are key stakeholders whose operations will be affected as a result of material changes in the rates and numbers of passengers arriving onshore. Both agencies facilitate the flow of cargo and individuals in and out of the Island, and both agencies would want to ensure that national security is not compromised as a result of a material increase in the number of passengers disembarking simultaneously.



Section 4: Management & Implementation

- ***Proposed project management structure and key personnel***

General: The choice of Procurement Method will affect the level of Project Management required. The base requirement is for Project Management Personnel with general procurement expertise and major project management skills. Consideration should be given to setting up a CIG Central Procurement Office including PM Training and Mentoring programme; Preferred UK Management Methodology- PRINCE 2;

Reporting Structure: The Project Manager will report to the Senior Responsible Owner (SRO), and to the Cruise Berthing Steering Group. Consideration should be given to setting up a Steering Group Technical Sub Committee for the Tendering Process and Construction Phases.

A Project Manager should be appointed to represent PACI/CIG interests during the project and acting as the “Owners Representative”. It is anticipated that the developer will appoint its own Project and Construction Managers.

The proposed Key Personnel anticipated for each project stage is as follows-

1) Pre Procurement Stage:

- Preparation of SOC, Outline & Full Business Case- Key Personnel/ Project Manager
- Consultant Support -Financial, Legal matters, Technical, Environmental.

2) Competitive Tendering Process:

- Preparation of Competitive Tendering and Contract Documents and Contract Award
Key Personnel (Project Manager, Deputy Project Manager/Engineer, Document Manager/Administration Assistant);
- Consultant Support- Financial, Legal, Technical, Environmental.

3) Contract & Performance Management- Construction Phase Project Delivery:

- Key Personnel-Project Manager, Deputy Project Manager, Document Manager/Administration Assistant;
- Consultant Support- Financial, Legal, Technical, Environmental.

4) Contract & Performance Management- Operations Stage:

- Monitoring and Assessment by PACI/CIG;

- ***Necessity of consultancy support***

Consultancy support is likely to be required during and after the Pre-Procurement Stage, for Financial, Legal, Technical and Environmental issues (see prior point).



- ***Legal, contractual or procurement issues***

Adherence to the Cayman Islands legal framework is required at every stage of this project. The Public Management and Finance Law (2012 revision) clearly sets out the key stages for projects of this nature and the various procurement requirements to ensure value for money.

Public Private Partnerships to the extent contemplated for this project is a fairly new area for the Cayman Islands Government. Relevant external expertise may therefore be necessary to review and advise on potential contractual arrangements prior to execution.

- ***Outstanding management/Implementation consideration***

The appointment of a project manager as soon as practical is a recommended course of action. This will afford a dedicated resource to the advancement of this project should the Government decide to pursue.

The adequacy of existing funding to retain consultant support for the preparation of RFP documents and full business case should also be considered.

Section 5: Consideration of Options

The list of considered options below is framed in the context of the policy directive issued by the Cabinet (see Appendix 1). Where the policy guidance is prescriptive regarding a particular position, (for example the location of the facility) options which are directly contrary to that expressed policy have not been presented for consideration at this stage.

1) **No Change:** – continue operation of existing facilities as is:

- Tenders continue to operate to Royal Watler Terminal and to the North and South Terminals.
- Cargo operation continues to operate as is at existing site.
- Spotts Landing continues to operate as backup site with no improvements.

2) **Continue operation of existing facilities with some upgrades:**

- Tenders continue to operate to Royal Watler Terminal and to the North and South Terminals with some improvements to enhance tendering facilities.
- Cargo operation continues to operate as is at existing site with some improvements to enhance cargo operations.
- Spotts Landing continues to operate as backup site with some necessary improvements to enhance site.



3) Development of one (1) pier and associated facilities:

Based on historical daily cruise ship arrival patterns from 2008 thru 2011, 1 pier (2 berths) would allow approximately 66%- 72% of cruise passengers to dock (all other passengers would need to be tendered if they wanted to disembark in Cayman).

- There is no planning for a second pier in this option.
- There is no planning for the cargo operation to be relocated in the future in this option
- The cargo operation and the single pier would share the site.
- This option may include some development of the cargo facility to facilitate ongoing cargo operations.
- Some additional development of the Spotts Landing site will be required to improve the backup site.
- This option will have to provide for tendering of passengers.

4) Development of two piers and associated facilities with piers being built on a phased basis:

Based on historical daily cruise ship arrival patterns from 2008 thru 2011, 2 piers (4 berths) would allow approximately 90%+ of cruise passengers to dock (all other passengers would need to be tendered if they wanted to disembark in Cayman).

- One pier to be built initially with the second pier being built as a second phase at a later date.
- There is no planning for the cargo operation to be relocated in the future in this option
- The cargo operation and the two piers would share the site on completion of the phased project.
- This option will likely require further development of the cargo facility to facilitate operation on a reduced site.
- Some additional development of Spotts Landing site will be required to improve the backup site.

5) Development of two piers and associated facilities with piers being built on a phased basis and the Cargo Port being relocated in the future:

- One pier to be built initially with the second pier being built at a later date.
- It is planned that the cargo operation be relocated in the future in this option.
- This will allow for the second pier to be designed to utilize the land currently occupied by the cargo operation which should result in less land having to be reclaimed than in other options.
- Some additional development of Spotts Landing site will be required to improve the backup site.

6) Development of two piers in a single phase, sharing the site with the cargo operation:



- Two piers will be built in a single phase.
- There is no planning for the cargo operation to be relocated in the future in this option
- The cargo operation and the two piers would share the site on completion of the project.
- This option will require further development of the cargo facility to facilitate operation on a reduced site.
- Some additional development of Spotts Landing site will be required to improve the backup site.

7) Development of two piers in a single phase, with the cargo operation being relocated in the future:

- Two piers will be built in a single phase.
- The cargo operation and the two piers would share the site on completion of the project but the cargo operation will be relocated in the future in this option
- This option will require further development of the cargo facility to facilitate operation on a reduced site. (ie prior to cargo operation relocation)
- Some additional development of Spotts Landing site will be required to improve the backup site.

8) Move cargo port now and have the full location for cruise berthing:

Section 6: Costs, Benefits & Risks

Broad Project Costs

- At this stage, the Government's cost towards this project is expected to be largely centred on the business case and subsequent procurement phase. Thereafter, in a potential Public Private Partnership Model, anticipated expenses will come from the contracting of external consultants, in addition to emoluments for a project management team, who will essentially act as an owner representative on behalf of CIG.
- In a public private partnership model, the capital costs are expected to be borne by the Private Sector with minimal if any Government involvement. Future operating costs will be dependent on the option chosen from the list of options in section 5 and will be further developed as part of a substantive business case.



- The construction phase will require the monitoring of PACI and CIG staff. The number of people and the amount of time required has yet to be ascertained and therefore has not been quantified.
- There will be costs associated with insuring the Project while it is being constructed, as well as hiring advisors to provide PACI and CIG with comfort that: the technical specifications meet the requirements of the cruise lines and PACI; costs are managed; and the quality is at or above agreed standards. The potential costs of the above will be borne by different stakeholders and are not available at present.
- Once the cruise berthing facilities have been constructed, there are various operational costs of the Project. The operation of the facilities includes management of the facilities, security, insurance, upkeep (cleaning, janitorial), passenger management/services (information), and back office functions (HR, finance, IT, etc.). PACI currently incurs operational expenses related to its existing cruise operations. With new facilities in place these costs will increase, but the extent of the increase is unknown at present as the detailed operational requirements of the new facility have yet to be fully defined. Furthermore, the impact on PACI's revenue stream from the loss of rental, due to construction, will have to be assessed.
- The development of the cruise berthing facilities will result in the requirement for additional development of the infrastructure along the George Town waterfront. The extent of the development, if any has yet to be determined. In addition, the party (/ies) that would bear these costs remains uncertain at this point in time.

Non-monetary Costs

- There will be necessary disruptions to cruise and cargo operations while the development process is underway. However, with the North and South terminals in George Town and Spotts Landing acting as potential alternative locations for cruise passengers to disembark, it is foreseen that operations should be able to continue. The impact of the disruption from construction has not yet been analysed and will need to be taken into consideration in the development plan.
- There are environmental impacts that will result during the development and operational phases of the Project. However, what these impacts are, whether they can be mitigated, and the associated costs are unknown at present. An



Environmental Impact Study (“EIS”) is required before development can commence. An EIS must be completed and any impacts should be addressed before the design and construction plans can be finalised.

- The construction of the piers will impact the demand for tenders (tenders will still be required to some extent within George Town, and at Spotts Landing) and this will directly impact the businesses that run and support the tender operations along with the people employed by these businesses.

Benefits

The benefits of the new development will vary between the stakeholders.

Initial perceived benefits include:

- The development of the Project will involve the local construction industry, and will create employment opportunities for Cayman residents, thus providing direct, indirect and induced economic impacts to GDP during the construction period.
- Improved competitive positioning of Cayman in the region and also from the associated passenger spend in the Cayman Islands. Also, an intention of the Project is that the Cayman Islands will be perceived as a more attractive tourism destination in general and potentially, the aesthetics of George Town should be improved.
- Potentially securing and increasing the cruise passenger revenue stream through increased passenger volume.
- Developing facilities that can accommodate vessels that currently do not stop in Grand Cayman due to the inability to tender.
- An improved passenger experience.
- Potentially increasing the percentage of passengers that disembark due to the elimination of tenders for the ships that can berth.
- Permitting the passengers on ships that have berthed a longer window of time on Grand Cayman and therefore increasing the time that passengers can consume.
- Securing and potentially increasing the economic impact of cruise tourism. A 2012 report released by ‘Business Research & Economic Advisors’ (BREA) estimated the average per passenger spend was US\$93.70, while crew spend was US\$57.50, for the Cayman Islands. It further indicated that a typical cruise ship carrying 3,500 passengers and 1,400 crew members would conservatively generate US\$340,040 in passenger and crew expenditures during a single port-of-call visit. Together with cruise lines spending in Cayman (CIG/PACI fees and local supplies), passenger and crew spending directly contributed US\$157.7m to the economy and approximately



3,547 direct jobs(1) in the year 2011/12. The WTTC estimates that the indirect and induced economic impact of tourism in the Cayman Islands is 2.4 times more than the direct impacts. Accordingly, for every dollar contributed to GDP from the cruise tourism industry, an additional economic impact of \$2.40 is generated. Assuming all passengers disembark, for every increase of 100,000 passengers, there will be a direct economic contribution of approximately \$9.4m, not to mention the increase in employment and the indirect and induced impacts.

Passengers: The passenger experience should be improved due to the ease of disembarking onto piers as opposed to being tendered. Piers will also enable passengers to have more flexibility as they will be able to disembark or board at will. It will also minimise the time spent waiting to board a tender and travelling to and from the ship.

Cruise lines: The cruise lines should benefit from improved customer satisfaction levels and from reduced operating costs while in Cayman.

Risks

In a standard government procurement project, government bears all of the risk. The proposed structure of the Project is a PPP; accordingly, risk is allocated between PACI, CIG and the Private Sector Development Partner. Although the allocation of risk has yet to be agreed; the following are the expected broad risks for the project that have been identified:

- **Financing of Project Costs** – The Cayman Islands Government will be responsible for the costs of the pre-procurement stage and preparation for the tender documentation. The costs during these two stages will amount to a significant amount to be identified in an entities' allocation, especially in a time when budgets are lean and there are requests for further budget reductions.
- **Impact to Natural Environment** – The proposed cruise berthing facility will be a project of significant magnitude. The construction phase of the project will take place almost exclusively within the marine environment, which is a natural asset that must be protected to the fullest extent possible. The possibility of having a negative impact on the marine and nearby coastal environment is high, if the appropriate mitigation measures are not taken through conducting a full environmental impact assessment.
- **Impact from Political Environment** – The proposed cruise berthing facility has the broad support of the known political parties, and independent members and groups. Nonetheless, local elections are due in the Cayman Islands on 22nd May 2013, and this does bring an element of uncertainty in relation to the future political



directorate that will emerge. The proposed facility will likely have not progressed through a procurement stage at the point in time of the national vote; therefore, the current policy direction relating to the project will be subject to change.

- Interaction with Social Environment – The development of cruise berthing in the Cayman Islands would be a significant change to how the cruise tourism business in the Cayman Islands is conducted. A berthing facility would allow a significantly higher number of cruise visitors to land in a short space of time. This new dynamic would change the landscape of downtown George Town in relation to how residents were accustomed to going about their daily routine. Therefore, public education and public buy-in of the project is crucial to the progress of the cruise berthing facility.
- Impact of Natural Disaster – The Cayman Islands is located in the hurricane belt and on a boundary between two tectonic plates. Given that the construction phase of the project would span approximately 18 months, depending on the start date, this duration could include two hurricane seasons. The impact of a near miss by a hurricane or an earthquake in close proximity would have a severe impact on the progress of the project.
- Loss of tendering capabilities – A berthing facility will drastically reduce the level of business for existing tender operators. If tender operators take the decision to close operations altogether, this could have an adverse impact on the Island's ability to tender vessels on days when the pier(s) are fully occupied and may also impact the timeliness of resuming cruise activity following a major hurricane.

Section 7: Funding & Affordability

The anticipated Cayman Islands Government costs associated with this project will be financed jointly by the Cayman Islands Government and PACI on terms to be developed. There are existing budgetary provisions for the pre-procurement stage.

Expert advice particularly in the development of the full business case will be competitively tendered and the cost range is currently unknown. The Cayman Islands Government will seek to utilize in-house expertise to the extent possible to minimize these costs.

There are presently no budgetary provisions for the Cayman Islands Government to undertake any component of the capital costs associated with construction. The 3-year fiscal plan that the Cayman Islands Government agreed with the Foreign and Commonwealth Office established defined limits on capital expenditure through to the 2015/16 fiscal year and those allocations does not include provision for the construction of a cruise berthing facility.



Subsequent reports will have to review Cayman Islands Government's current and prospective revenue streams to ensure adequate funding for the increased operational costs to the Port Authority resulting from the berthing facility.

Appendix 1



Proposed Cruise Berthing Project **Steering Group**

Cabinet Policy Guidance

The purpose of this document is to outline the broad policy direction that is to be followed by the Steering Group that is charged with the procurement process for the Proposed Cruise Berthing Project.

- 1. It is the Government's policy to further enhance the existing facilities for cruise passengers visiting the Cayman Islands in order to improve the visitor experience when disembarking, mitigate against a threat of losing existing visitors, and increase overall passenger numbers to the Cayman Islands.*
- 2. The Proposed Cruise Berthing Facility is to be sited in downtown George Town with a secondary facility at Spotts Landing. The project will not be funded with any conventional funding/ borrowing.*
- 3. The Cayman Islands Government/Port Authority of the Cayman Islands must retain full ownership of the Port/the property. There will be no commercial development by any third party developer. The opportunity for commercial development is to rest with the Port Authority of the Cayman Islands. Current cruise passenger fees should remain unchanged.*
- 4. At this stage, the combined cargo and cruise operations at the single location is to be continued. Also, the development of cruise berthing in the Cayman Islands is to include a provision for cruise tenders.*
- 5. There is to be no cap on the maximum number of cruise visitors, at this time. The current transportation infrastructure capacity for downtown George Town should be considered and a recommendation made based on the anticipated impact of the new berthing facility.*
- 6. Pursuant to a transparent and accountable procurement process, the target operational date for cruise berthing is as soon as possible.*



Proposed Cruise Terminal Development Project

Steering Committee Terms of Reference

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Appendix 2

Background

The Cayman Islands Government wishes to further enhance the existing facilities for cruise passengers visiting the Cayman Islands in order to improve the visitor experience when disembarking, mitigate against a threat of losing existing visitors, and increase overall passenger numbers to the Cayman Islands.

To further this policy objective, a Steering Committee was appointed to oversee the various processes required to further consider and or develop this project proposal.

Function of the Steering Committee

The function of the cruise terminal development project Steering Committee is to take responsibility for the business issues associated with the project. The Steering Committee is responsible for approving budgetary and procurement strategy, defining and realising benefits, and monitoring risks, quality and timeliness.

Role of the Steering Committee

The role of the Steering Committee is to:

- take on the responsibility for the project's feasibility, business plan and achievement of outcomes
- ensure the project remains aligned with Cayman Islands Government strategic aim(s) and policy objective(s)
- ensure the project's scope aligns with the requirements of the stakeholder groups
- provide those directly involved in the project with guidance on project business issues
- ensure effort and expenditure are appropriate to stakeholder expectations
- address any issue that has major implications for the project
- keep the project scope under control as emergent issues force changes to be considered
- reconcile differences in opinion and approach, and resolve disputes arising from them
- report project progress on a monthly base to the Deputy Governor so that Cabinet can be briefed on developments / issues.
- take on responsibility for any whole-of-government issues associated with the project
- review and approve final project deliverables

Role of individual Steering Committee members

The role of the individual member of the Committee includes:

- understanding the strategic implications and outcomes of initiatives being pursued through project outputs
- appreciating the significance of the project for some or all major stakeholders and perhaps represent their interests
- be genuinely interested in the initiative and the outcomes being pursued in the project
- be an advocate for the project's outcomes

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- have a broad understanding of project management issues and the approach being adopted
- be committed to, and actively involved in pursuing the project's outcomes

In practice, this means that individual members will:

- ensure the requirements of stakeholders are met by the project's outputs
- help balance conflicting priorities and resources
- provide guidance to the Project Team and users of the project's outputs
- consider ideas and issues raised
- review the progress of the project
- check adherence of project activities to standards of best practice, both within the Government and in a wider context

General

Membership

The Steering Committee shall be comprised of:

- Stran Bodden - Permanent Secretary & Chief Officer Ministry of Tourism and Development (Chairman)
- Paul Hurlston – Director, Port Authority (supported by Deputy Director Clement Reid for consistency)
- Ronnie Dunn – Deputy Accountant General
- Max Jones – Director, Public Works Department
- Jim Scott – Government Consultant – Project Manager of GOAP Project
- Project Manager – to be nominated
- Secretary – to be nominated
- Nigel Hearnden - Special adviser will be co-opted when required to offer advice
- Representatives from the Attorney General and Department for Environment, Auditor General and Internal Audit will be co-opted when required to offer advice.

Individual Steering Committee members have the following responsibilities:

- understand the goals, objectives, and desired outcomes of the project.
- understand and represent the interests of project stakeholders.
- take a genuine interest in the project's outcomes and overall success.
- act on opportunities to communicate positively about the project.
- check that the project is making sensible financial decisions – especially in procurement and in responding to issues, risks and proposed project changes.
- check that the project is aligned with the organizational strategy as well as policies and directions across government as a whole.

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- actively participate in meetings through attendance, discussion, and review of minutes, papers and other Steering Committee documents.
- support open discussion and debate, and encourage fellow Steering Committee members to voice their insights.

Chair

The Chair, Mr Stran Bodden, Permanent Secretary & Chief Officer Ministry of Tourism and Development shall convene the Steering Committee meetings.

The responsibilities of the Steering Committee Chair are as follows:

- sets the agenda for each meeting.
- ensures that agendas and supporting materials are delivered to members in advance of meetings.
- makes the purpose of each meeting clear to members and explains the agenda at the beginning of each meeting.
- clarifies and summarizes what is happening throughout each meeting.
- keeps the meeting moving by putting time limits on each agenda items and keeping all meetings to two hours or less.
- encourages broad participation from members in discussion by calling on different people.
- ends each meeting with a summary of decisions and assignments.
- follows up with consistently absent members to determine if they wish to discontinue membership.
- finds replacements for members who discontinue participation.

Agenda Items

All Steering Committee agenda items must be forwarded to the Secretary by close of business 7 working days prior to the next scheduled meeting.

The Steering Committee agenda, with attached meeting papers will be distributed at least 5 working days prior to the next scheduled meeting.

The Chair has the right to refuse to list an item on the formal agenda, but members may raise an item under 'Other Business' if necessary and as time permits.

Minutes & Meeting Papers

The format of the Steering Committee deliberations shall be as Minutes.

The minutes of each Steering Committee meeting will be prepared by the Secretary.

Full copies of the Minutes, including attachments, shall be provided to all Steering Committee members no later than 5 working days following each meeting.

By agreement of the Committee, out-of-session decisions will be deemed acceptable. Where agreed, all out-of-session decisions shall be recorded in the minutes of the next scheduled Steering Committee meeting.

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Frequency of Meetings

The Steering Committee shall normally meet on a monthly basis ideally timed to coincide with key milestones, which will be set out in the Project Plan.

Proxies to Meetings

Members of the Steering Committee shall be able to nominate a proxy to attend a meeting if the member is unable to attend.

The Chair will be informed of the substitution at least 5 working days prior to the scheduled nominated meeting.

The nominated proxy shall have voting rights at the attended meeting. The nominated proxy shall provide relevant comments/feedback, of the Steering Committee member they are representing, to the attended meeting.

Quorum Requirements

A minimum of 3 Steering Committee members is required for the meeting to be recognised as an authorised meeting for the recommendations or resolutions to be valid.