strategy&

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Tourism Product and Customer Experience Strategic Review

Mr Mike Hopkins
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Subject: Tourism Product and Customer Experience Strategic Review

Dear Mr. Hopkins,

In accordance with our Contract (the "Contract") dated 2nd October 2017, we present our Tourism Product and Customer Experience Review (the "Report") to the Committee of Economic Development of the States of Guernsey (the "Client" or "you" or "yours").

Our Report has been prepared solely for the purposes of providing you with feedback from the interviews with stakeholders carried to date and our interim review of the Island's tourism product offering gained through visits and review of data. The report is to help inform your strategic thinking for the prioritization of tourism development and should not be relied upon for any other purpose.

You may not make copies of this report available to other persons except as described in the Contract, and subject to the conditions described therein. The Report can not be shared with any other party without our written consent and signing of a hold harmless letter prior to receiving the Report. Furthermore, you shall not share sections or extracts of the Report without our written consent.

We will not accept any duty of care, whether in contract (including negligence) or otherwise to any person other than you, except under the arrangements described in the Contract.

Yours faithfully

Evelyn Brady

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Guernsey's tourism objectives

The Tourism Strategic plan 2015-25 recognised the industry as being a significant contributor to Guernsey's GDP and had an objective to grow visitor numbers by 3% per annum. This was to be supported by several key initiatives:

1. Evaluate new and stronger route connections to the Island
2. Strengthen the Island's product offering
3. Develop an exceptional visitor experience
4. Develop a positive environment for growth and investment
5. Develop marketing and messaging that is consistent and compelling

The issues

Visitor growth targets have **not been achieved**. There have been numerous problems with the **ferry connectivity** including reduced sailing frequencies combined with technical problems with **air connectivity** becoming uncompetitive in terms of schedules, source destinations and pricing. In addition, market research has highlighted that the Island is seen as **expensive** and with **limited attractions and things to do.**

Summary Terms of Reference

A separate review is being undertaken on connectivity. The ToR addressed by this Report covers **initiatives 2,3 and 4**. This is to consider Guernsey's target markets and assess whether it has the offering to attract these, how they compare to other relevant destinations and where the gaps and deficiencies are. The review involves consultations with stakeholders across the industry, review of tourism data, site visits and benchmarking. Based on this assessment, recommendations have been provided on **achievable** proposals to **improve the product and visitor experience** with reference to the target markets, investment funding mechanism options and government policy and legislation. (Full details on the ToR are in Appendix 1).

In preparing this Report, PwC have consulted with a wide range of stakeholders and gathered insights from multiple sources

Interviewed c.28 stakeholders in the tourism sector

- **Gavin St Pier** *President, Policy and Resources Committee*
- **Peter Ferbrache** *President, Committee for Economic Development*
- **Chris Williams** *Committee for Economic Development*
- **Martyn Dorey** *Guernsey Chamber of Commerce*
- **John Hollis** *States Trading Supervisory Board*
- **Andrew Chantrell** *General Manager, OGH Hotel and Duke of Richmond*
- **Luke Wheadon** *Owner, Bella Luce Hotel*
- **David Nussbaumer** *Owner, The Farmhouse Hotel and Cobo Bay Hotel*
- **Corrina Walker** *Owner, Beau Vallon Self-catering*
- **Chris Coles** *Owner, Oatlands and Les Piques Self-catering*
- **Sandra Berry** *Owner, Self Catering Guernsey*
- **Ian Rogers** *MD, RW Randall Ltd*
- *GM, Rockmount and Reunion*
- **Genvieve Langford** *Director, Ziggurat Boutique Hotel*
- **Niel Inder** *Education, Sport and Culture Committee*
- **Graham Chester** *Operations Director, Committee for Education, Sports and Culture*
- **Pat Johnson** *President, Floral Guernsey*
- **Bev Scarr** *Sales Director, Premier Travel*
- **Steven Young** *Director, Carnival UK*
- **Robert MacKenzie** *MD, CI Travel Group*
- **Hannah Beacom** *MD, Island Coachways*
- **Paul Luxon** *CEO, Condor Ferries*
- **Andrew Haining** *Chairman, Aurigny*
- **Tom Barrasin, Rob Veron** *COO and CEO, Blue Islands*
- **David Ummels** *Investor*
- **Ady Wilcox** *Trident Travel*
- **Leon** *Island taxi firm*
- **Jules Ugo** *PR Managing Director, Lotus*

Visited key tourism attractions (c.20), hotels and self-catering establishments (15-20)

Analysed internal data provided by the Economic Development Department and gathered external insights and benchmarks

Interviewed selected external and PwC market experts

Guernsey's tourism situation and overall current product position

Tourism success factors, Government role and Guernsey's overall position

Successful tourism requires having clear **market positioning** based on attractors and experiences that address these markets and, most fundamental of all, having **good accessibility** in terms of **frequency and cost**. The optimal role of Government in promoting tourism is primarily to support accessibility, provide **inbound infrastructure** and **fund promotion**. It can also **enable private sector** investment in products though **policies** and **incentives,** and **support the funding** of a country's important heritage and cultural sites.

Guernsey's tourism has **declined over many years**. An already uncompetitive proposition has been exacerbated by its relatively **high cost** and **difficulty of access** particularly in comparison to main competitor destinations such as Jersey and UK South West. The Island relies heavily on repeat, mainly elderly (50+ ABC1) visitors, and those visiting friends and relations, and there appears to be limited new growth other than in some niche pockets.

Overall current product and visitor experience position

In our review we have focussed on the Island's tourism products; ranging from heritage and culture, the Bailiwick Islands, activities, events and attractions, and the overall visitor experience. It is noted that Guernsey **does not have a stand out, "must visit", anchor attractor** that can overcome the very significant accessibility disadvantage; its military heritage and occupation sites and story **do not compare to other leading destinations** in this niche such as Flanders, Normandy beaches and Auschwitz. The cultural offering is **relatively small** and the landscape and islands, while scenic, do not have the majesty of other competing coast lines in Cornwall, Dorset, Scotland etc. The outdoor activities are also competitively more limited due to the Island's size. The events held provide interest for locals but will take time to develop into a tourist draw. Of the key enablers, the restaurant offering is good but not internationally noteworthy to be a draw on its own. The **accommodation** sector has suffered from overall steady decline and underinvestment as the visitor market declines, with only a few examples of new development.

The **visitor experience needs significant improvement** in order to meet modern tourists' expectations**.** The logistics of getting around the Island (e.g. taxis, parking, signage) are unsatisfactory. Many heritage attractions look **stale** and are often **untidy** with poor signage and limited toilet and disabled access facilities. It is noted that Guernsey **does not have a clear unique selling point to help differentiate its brand positioning**. It addresses a broad visitor market segment but **does not have the marketing budget nor investment** (public or private) to achieve much headway, and as such falls short in many areas.

Guernsey should focus on a strategy for developing its overall visitor 'experience' that better addresses the core 50+ market

Overall Summary for Product and Experience Strategic Focus

Without a stand out anchor attractor, it would be a mistake to look at individual products in isolation from each other. Rather, it is the overall guest experience or **'journey'** that is critical, encompassing numerous product elements to make for a quality and fulfilling holiday / destination.

The accessibility barrier will be the **'new normal'** for some time, if always, while debate continues on a runway extension and thus the product strategy needs to adapt to this and be very focused on the markets it sets out to compete for. We advise that for Guernsey to maintain or even grow its visitor base it needs to focus very clearly on the **market segments** who are **least price sensitive** and who would more value the overall **'experience'** the Island has to offer. This we believe is the younger baby boomer (50-64 ABC1), empty nester, segment which we think is under penetrated today.

Through focused **branding**, supported by **selected developments of heritage and cultural assets,** and **modernisation** across many of the key facilities, Guernsey could start to differentiate itself from Jersey in particular and become part of the core UK and European short break destinations. It is blessed with a visually attractive, quaint but under developed leisure destination in **St Peter Port and the harbour estate.**

We cover in the report our recommendations for the **key target market and the priorities** for how the Island can better position itself to target this market (through the improvement and development of its product offering) and note the range of Government interventions that can both drive the change and support the private sector to invest.

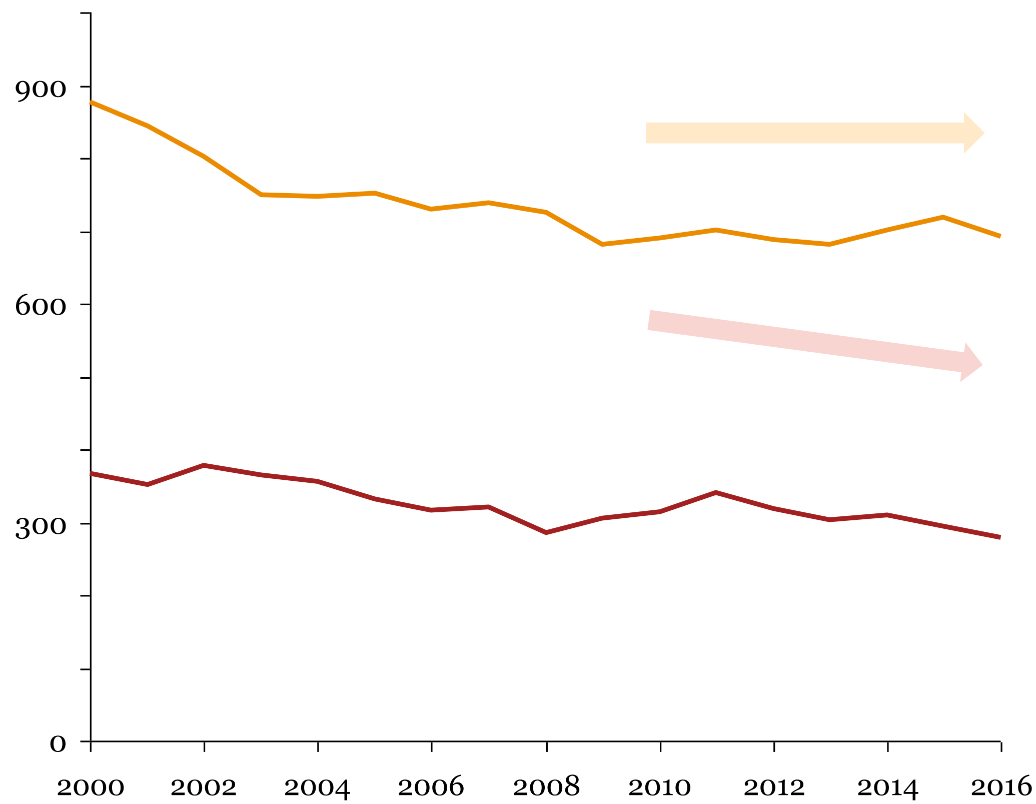
Our recommended next steps include further studies into the feasibility of infrastructure development, assessment of specific policy changes and reviews of structural options within Government for the ownership and management of assets and investment in specific facilities immediately. We do not address the **connectivity strategy** nor specifically the **role of the DMO VisitGuernsey** as these are out of our scope, but again reinforce our view that the success of any product strategy will be almost **wholly dependent** on both.

Summary conclusions: At-a-glance

1 **Market trends and core target for Guernsey**	Guernsey's visitor numbers have suffered a **long term downward** trend while Jersey has seen slight improvements since the arrival of low cost carriers. Though targeting the 50+ segment, the current visitors are mainly more elderly (55+) and repeat. The Island is seen as being too expensive with insufficient things / activities to do. With access costs unlikely to reduce, Guernsey will remain uncompetitive for many younger segments and thus needs to focus its positioning and marketing on the younger baby boomer (50-64), empty nester segment who are less price sensitive. However this segment do expect a high quality overall experience in terms of heritage and culture, accommodation, eating out and activities. The **US** and **European markets** appear to be underpenetrated, and could be better targeted with additional resources. The **cruise** market is expected to continue to grow, and can be targeted to encourage returns
3 **Priority product development recommend-ations**	The overall 'experience' and associated products that fit the **50+ baby boomer** segment should be the core focus, while also improving the experience for the more elderly segments. Without a truly compelling tourist attractor, we advise that the Island develops a high quality short break experience more clearly based on the visually attractive and quaint **St Peter Port itself** with the harbour estate as the centrepiece 'attraction'. This will need to be supported by investing in and upscaling much of the core associated **heritage**, **cultural**, **island archipelago, activity products and events**. We believe that a Castle Cornet redevelopment including many leisure components such as retail, F&B, and even a boutique hotel would be viable and will enhance the tourist offering. Heritage and culture sites need to be **considerably modernised**, regenerated and better managed to become more compelling attractions, while product propositions based on **Victor Hugo** could be very appealing
4 **Supporting improvement recommendat-ions**	A number of **physical improvements are critical** to make the overall **visitor experience** much more fulfilling. These include transport options, parking, toilets, disabled facilities and signage. We were advised of many other areas requiring an upgrade, but saw these as more to improve resident amenity than to improve tourism. We do not advise a major investment in a new attraction or major international event as cannot see this being **economically viable**
5 **Accommodation and planning policy**	There is a wide mix of accommodation on the Island with some good recent development. However, much of the old stock has been **under invested**, with falling occupancy and closures, particularly coastal hotels. The short season and falling visitor numbers within this are making some other coastal properties unviable, while relatively **tight planning laws** are discouraging new investment. We note that despite this there are pinch points in peak season but there is a **lack of flexible 'swing' rooms provided** by offerings such as Airbnb. We recommend **some policy liberation** following a full scenario review of the sector
6 **Funding and structure mechanisms**	Our Priority areas of focus will require significant funds, though the business cases for these 'infrastructure' investments will be a combination of business, residential and tourism revenue and GDP value generation. We highlight that there are a number of **public / private funding mechanisms** and alternative operating structures such as charitable foundations that can be applied to share the risks and benefits while promoting more **entrepreneurial** and **sustainable innovation** in the sector

Guernsey has faced a consistent decline in visitors as its historic core summer holiday market has reduced and not been replaced

Historical number of visitors to Jersey* and Guernsey, in '000
2000-2016



CAGR (%)

	2000-05	2005-10	2010-16
Guernsey	-1.9%	-1.1%	-1.9%
Jersey	-3.1%	-1.7%	0.0%

- Guernsey's visitor numbers have gradually declined as its historic core summer market has been impacted by the growth of **lower cost, more attractive** destinations for the UK customer. However, Guernsey Visitor Exit Survey shows some improvement in tourist figures between Q3 2016 and Q3 2017
- The current core visitor base to Guernsey is 45+, with a large proportion that is elderly **(35% above the age of 65)**, and the majority are **repeat** visitors (c.60%)
- Guernsey's visitor feedback is that the Island is **too expensive to get to and stay in** and there is **not enough to do**
- Meanwhile, **Jersey** has managed to **reverse** a steeper decline since 2000, and has attracted **low cost carriers** (e.g. EasyJet started flying between London Gatwick and Jersey in 2013)

Note: *The methodology for capturing visitor data in Jersey changed in 2016 and may have an impact on trend
Source: States of Guernsey Information, Visit Jersey, Government of Jersey

Younger higher spending Baby Boomers should be the core market focus, including those in Europe and the US

Summary of travel market trends	Implications for Guernsey
The Baby Boomer and the Swing generation market (50+) represents approximately **44% of the UK outbound travel volume and 48% of the total spend, displaying high growth, especially for the 65+.** This demographic is the **wealthiest** and has **low price sensitivity**	Guernsey can make itself more attractive to the **young Baby Boomer segment (50+) seeking short/city breaks, currently a core market for Guernsey,** in addition to **retaining/growing the 65+ market.** These consumers look for high quality experiences and have **high expectations** for accommodation standards, restaurant and retail offering, and overall service levels. They holiday **out of season** and are flexible with length of stays
Gastronomy, culture, wellness and activity holidays are growing trends in the travel market, especially for Baby Boomers	Guernsey could **leverage more of its current assets**, such as the F&B offering, and **enhance its cultural / heritage proposition** to better satisfy this segment
The UK **independent holiday** market has been growing at a **faster rate** compared to the **traditional packaged holiday** market, and is forecast to drive growth in the next few years	Greater focus required on developing and facilitating the **short stay multi Island** proposition. While fitting consumer requirements, it helps extend the season and avoids exacerbating the capacity issue in peak season
The **cruise market** is expected to continue to grow, driven by aging population, penetration into younger segments and increased spending	While cruise passengers are day visitors and are **relatively low spend**, return rates for longer stays are increasing. Guernsey could have more active initiatives that expand a **cruise visitor's experience of the Island** and its attractions
US tourists are one of the largest inbound groups into the UK and are also in the core age range. Many seek two centre holidays combining London with **one other destination**	Guernsey's historic Victorian/Edwardian aura would **be very attractive** to this segment. With the new film and low exchange rate there is now **a perfect opportunity to tie in with US operators** offering two centre UK holidays
The **European visitor market appears underexploited**, particularly the **French market** and its connection to **Victor Hugo**	Guernsey has become a **genuinely good value** proposition for the European market. The **French** market in particular could be directly targeted, while feedback from German and Dutch visitors is positive

Priority product development recommendations

Creating a high quality experience that attracts the **50+ baby boomer** segment should be the strategic focus while improving the proposition for the more elderly customer segments. The Island lacks a truly **compelling tourist anchor attractor** but we advise that the visually distinctive **St Peter Port itself** and harbour estate should be the centrepiece around which the proposition can be strengthened and the Island can be marketed. This should be supported by investing in, quasi privatising, modernising, and upscaling some core associated **military heritage**, **cultural** and **leisure, island archipelago and activity products and events**

Greater activation of Castle Cornet	As the **centrepiece** of the port and the stand out heritage site it is **significantly under activated**. The surrounding area is **poorly** presented and used. Inside, the museums are well curated but are not distinctive enough to be a main tourist draw and are relatively small. As with many other such sites e.g. **Oxford Castle**, the castle can be sympathetically developed to be more 'alive' and distinctive. This could include conversion of buildings with a mix of F&B, tailored retail, hosting of regular events (shows and markets) and potentially a unique boutique hotel
Redevelop the harbour area around attractions	A **huge underexploited** space that currently detracts from the town behind. There are many examples globally of ports being successfully regenerated as vibrant leisure and commercial areas. For tourism purposes the focus would be on the area around Castle Cornet. However we recognise this would be part of a **much more substantial masterplan** for the harbour estate upon which the viability will be primarily dependent on the **economic case** for the financial services and other business sectors and the opportunity to lease out a range of real estate components
Military Heritage, Defence & Occupation	This is the Island's **main 'story**' and it is relatively unique in retaining most Napoleonic and WW2 fortifications. While **not a sufficiently compelling stand alone attractor**, these need to be much better managed, packaged and presented to impact the overall Island experience. In conjunction with the GLPPS* film promotion, investment and work is required to create the **cohesive narrative**, improve the signage and accessibility, modernise many sites to meet the need of the modern traveller, and develop some sites into **alternative leisure** use (see section on Accommodation). The display from the **Occupation Museum is at risk** and needs to be protected, potentially through the acquisition of exhibits and utilising them in other locations
Other Heritage and Culture	The Island is blessed with having connections to an international **literary icon** in **Victor Hugo**. However, this though is not given **sufficient prominence** or exploited. The Island needs to own its VH story with investment in more events associated with the author, more exposure given to key sites on the Island to project its Anglo French heritage. This has **proven appeal** to the French market and will be of interest to the UK and US markets

*The Guernsey Literary and Potato Peel Pie Society

Additional improvement recommendations

A number of the other products, while having a lower impact, could nonetheless be significantly enhanced to make the overall visitor experience much more fulfilling. We do not advise a major investment in a new attraction or major international event as cannot see this being economically viable. We do recommend some urgent improvement to the physical infrastructure supporting tourism and the visitor experience such as transport, parking, amenities such as toilets, disabled access and signage

Bailiwick Islands	These are an **attractive and potentially differentiated,** but underexploited, proposition for visitors. Issues with Sark will take a long time to resolve and detract from its appeal today. Opportunities exist to better activate the **sea aspect** with more **day cruises, dolphin and bird spotting** etc. Visitor **transit experience is poor**, in particular the parking arrangements which are highly restrictive
Activity/ Wellness	**None** of the Island's activity offerings are **a stand alone tourist draw** relative to better options in UK, though can form an attractive part of an overall 'health and wellness' package. The most important is **walking**, which is unchallenging but offers pleasant scenery and could be much better leveraged including more events (e.g. challenges) and much better signage. To attract the main **wellness** market will require more spa and indoor activity options which need to be provided by hotels and will depend upon their own business cases
Events	The majority of the current events **appear well received,** though mainly attract residents to date. However these may not yet be sufficiently differentiated and it can take many years for an event to become established as a tourist draw. We do **not recommend looking at sports** events to attract tourists as can be expensive to host with limited legacy. We have noted that there is a potential base of **Art & Sculpture** on the Island and plans put forward to exploit this. Art has proven successful with the core market in other destinations and should be assessed
Other Products	We noted other existing and potential new products for development. Given their **limited scale and positioning** we advise that they are out of scope for attracting tourists, being more local amenities with tangential visitor benefit. We also do not see a feasible case for any large scale 'theme park / family entertainment' type attraction on the Island, as this would need to be underpinned by local use which would be insufficient to support anything notable of scale
Visitor Experiences	Other than those noted above, we believe there are **many improvements** to the visitor experience. While the Bus service is good, this is unlikely to be attractive to the target segment who will prefer cars or taxis. Taxi service appears relatively inflexible and a hailing app could be very beneficial. **Parking in St Peter Port is very poor for day visitors** and the lack of an all day parking facility is an issue. **Signage**, particularly for tourist activities, is weak or non existent on the Island. Marketing appears weak, with limited product bundling and limited opening hours out of season

Accommodation and planning policy

There is a wide mix of accommodation on the Island with some good recent development. However much of the old stock has been under invested, with falling occupancy and closures, particularly of coastal hotels. The short season, and falling numbers within this, is making many more coastal properties unviable, while tight planning laws are discouraging new investment. We note that despite this there are pinch points in peak season but there is a lack of flexible 'swing' rooms enabled by offerings such as Airbnb

Performance	Guernsey's accommodation performance is **overall weak**, with declining number of beds and stagnating occupancy rates. Capacity is claimed to be constrained during a few peak months particularly for charters, which is problematic given the current **limited swing flexibility** that would have historically been offered by guest houses and B&Bs, of which there are few
Range & Quality	While the mix of hotels and self catering by star rating **appears appropriate** and similar to other destinations, this can be **misleading as not a good judge of quality** and feedback. Our own observation is that many of the hotels are not of a quality to meet the target markets' more modern expectations. We also note the restrictions placed on Airbnb type letting which we think should be relaxed. This will provide more flexibility as well as being attractive to all market segments including the 50+ segment
Future offering	The Island would need more **high quality boutique hotels** as well as **quality budget** hotels. An attractive angle for the target market are 'heritage hotels' which provide an immersive and unique experience and a revenue source on unused assets. The wellness offering with Spas and fitness classes is under developed and we encourage hotels to better leverage activities on the Island such as walking in 'health & wellness' packages
Liberating planning	We recognise the concern over reforming **the Change of Use** rules leading to a **rapid decline** in bed stock. We do though believe that this needs a detailed study of options before allowing **market forces to be allowed** to play out to ensure that there is a reorientation of stock volume and quality to enable viability in the current market. Accommodation will need to be attractive to both businesses and upmarket tourists to extend the season. We also think that a number of the State's assets **could be successfully redeveloped** into a hospitality offering as seen in other markets including Jersey

Funding and structure mechanisms

Our Priority areas will require significant funds, though the business cases for these 'infrastructure' investments will be underpinned by the leasing of real estate components supporting the broader business and residential economies. We highlight that there are a number of **public/private funding mechanisms** and **operating and management structures** for State assets that can be applied to share the risks and benefits and promote more **entrepreneurial innovation** in the sector. We recommend a review of the planning processes and the population management policies

Large Infrastructure	Developing the **harbour estate and Castle Cornet** into more fully serviced income generating leisure facilities will require **multi million** funding. Port and Heritage site development and regeneration has been **successfully achieved** in other places such as Plymouth and Portsmouth with **PPP** (partnerships between public authorities, who own/lease the sites, and private developers, financiers and operators)
Heritage and Museums	Similar PPP models can be applied for **the potential redevelopment of the States' heritage properties** into hospitality businesses. E.g. conversion of towers into small living units, restaurants, coffee shops. We agree with many commentators that Government is **not always the best operator** of leisure assets. We believe there is an opportunity to both inspire more innovation in presentation and use of assets and **unlock domestic donations** through the creation of a '**charitable foundation**' to include a number of key assets. This has been used in the UK with the successful creation of **Historic Royal Palaces,** including the Tower of London
Supporting Entrepreneurs	We note that much of the gap in the visitor experience is **the lack of small hospitality and leisure enterprises** providing interesting activities; being off the beach, at sea or within the Island. This could be due to the difficulty of getting planning, funding and business support. Other countries have created **public funds** specifically designed to provide low cost funding and support to entrepreneurs which could be adopted by the State. We also note that lottery funds could be applied to tourism products and facilities
Policy	We have noted the issues with **planning and change of use** and recommend a detailed study **into the economics** of the accommodation sector today in order to develop impact scenarios. There may be options to **secure undertakings** from developers to either contribute 'value' for change of use or to redevelop accommodation elsewhere. We also advise a review of the impact of **population management** policies on the sector to better understand whether it is the policies or exchange rate causing more harm to the sector

Recommended next steps

Prioritised product offering	Recommended initiative	Recommended next steps	Proposed investment mechanisms	Indicative investment scale*
Castle Cornet	Activate Castle Cornet through converting the building into a mix of restaurants, tailored retail, and potentially a unique boutique hotel	• Research option to create a Heritage Foundation (to include other heritage assets) • Commission a feasibility study for development (mainly to be done in conjunction with the review of St. Peter Port Harbour)	Charitable foundation Public-private-partnership	£20m-£40m** (£1,100-£3,600/sqm)
St Peter Port Harbour	Activation of the harbour area around key attractions	• Commission feasibility and master planning studies	Public-private-partnership	c.£200mn-£500m
Military Sites and Museums	Enhance the overall historical military and occupation offering	• Review State owned heritage sites portfolio and consider feasibility to convert some sites into accommodation / other uses • Review opportunity to acquire privately owned Occupation museum exhibits • Modernise offering / experience (e.g. modern technology, enhancing ancillary offering etc.) • Create a better visitor journey through more material and signage and make sites more presentable to meet the need of the modern traveller	Charitable foundation Public-private-partnership	c.100k-£1m
Other Heritage and Culture	Invest in more events associated with Victor Hugo, while maintaining the ongoing support for current events (e.g. The Heritage Festival, food festivals)	• Develop a plan to create a Victor Hugo Based event, with or potentially without the partnership with Paris • Give more exposure to non-Paris Victor Hugo estate owned attractions	State in collaboration with Private sector	c.100k-£500k
Visitor experience	Improve signage at attractions, improve transportation and accessibility, parking, toilets, disability access	• Improve signage at attractions including walking trails • Encourage longer opening times for attractions • Consider providing all day paid parking for visitors, and provide parking sites for buses near attractions • Improve disability access where possible and provide toilet facilities at key attractions • Consider creating a hailing app to improve taxi transportation	State	c.£100k-£1m
Accommodation policy	Assess the impact of the policy on the industry	• Commission a detailed assessment of the accommodation offering and look into planning and change of use • Input into people management policies to enable hospitality friendly legislation	State	c.£100k- £300k

Note: *Indicative and based on international benchmarks. Actual investment will vary significantly depending on the masterplan and scale of development. **Based on select heritage regeneration benchmarks and assuming the regeneration of 50% of the BUA of Castle Cornet

Travel market trends and Guernsey's target markets

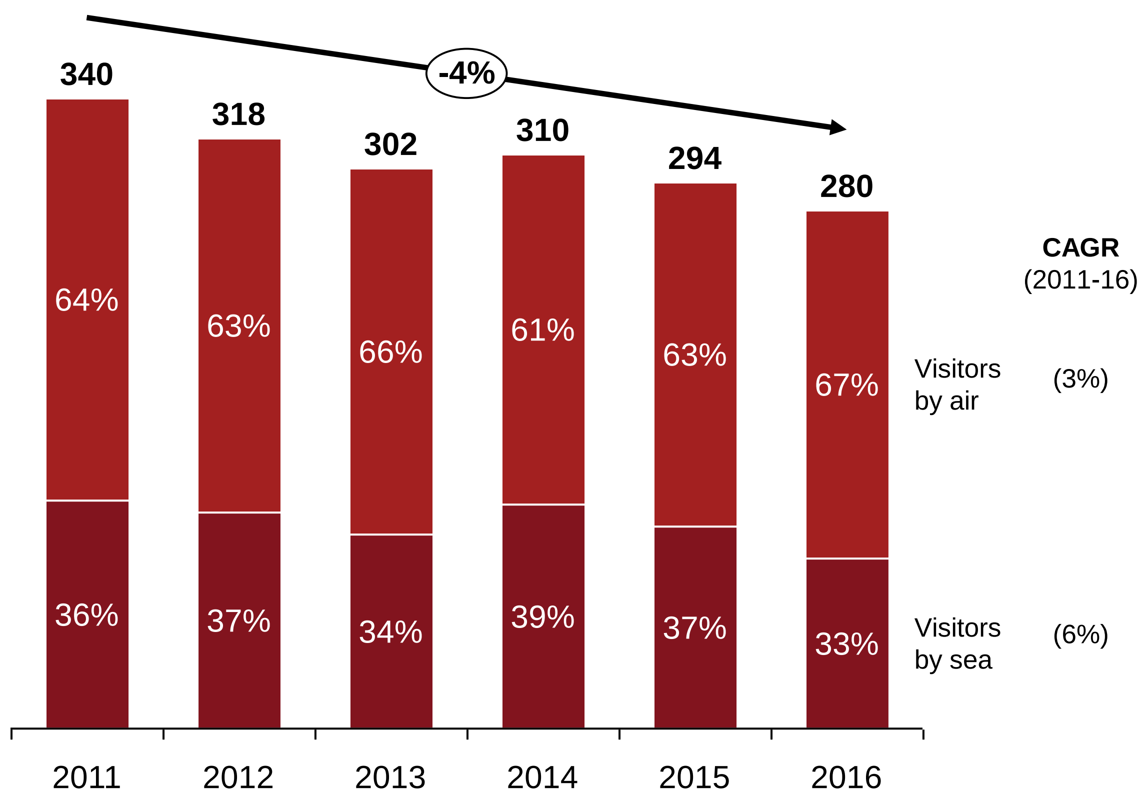
Macro market trends make the higher spending younger Baby boomer the most attractive target segment for Guernsey

While Guernsey acknowledges that its core target market should be the 50+ year old baby boomer and swing generation segments, it needs to consider the key trends in these segments when considering how to evolve its product offering

Guernsey Market	Guernsey's visitor numbers have been **declining** for the past 5 years, mainly through the decline in tourists arriving **by sea**. The Island relies principally on repeat business from the **UK**, with an age profile **of 45+,** travelling as **couples** and staying 4 to 5 nights
Target Market	The core target market remains **the 50+ baby boomers**. This market representing 44% of UK outbound travel volume and 48% of the total spend, displays high growth especially for the 65+ age range. Future trends in travel spending are positive with the segment being the **most affluent** and having **lower price** sensitivity. Recent pension reforms provide greater ability for retirees to spend on travel and leisure
Market trends	**Gastronomy** and **cultural** discovery are important holiday requirements, especially for Baby Boomers. In addition this aging population segment is seeking health and fitness, leading to a fast growth in **wellness** and **activities** based holidays
Other Trends	**Dynamic/bespoke** packages are the fastest growing element of the overall flat UK packaged holiday market which plays to short breaks and multiple destinations. The **Cruise** market is expected to grow driven by aging population, increased vessel capacity and penetration of younger segments. Guernsey has a good foundation in this market which also plays well to its core demographic
Other Source markets	The **US market** feels under penetrated given relative performance in other UK locations and their love of quaint English heritage. The **French market** could also be better exploited given the cultural ties to Guernsey, especially though the Victor Hugo connection, while **low exchange rates** provide a short term attractiveness for other European source markets

Guernsey's visitor numbers have been declining in the past 5 years, mainly driven by a decline in tourists arriving by sea

Guernsey's volume of visits by mode of travel, 2011-2016 (000's)*



The decline in the number of visitors travelling by sea has been driven by:

- Technical and operational issues related to Condor Ferries (e.g. delays, cancellations) which have affected consumer confidence in this mode of transport
- The launch of a single new high speed ferry by Condor, replacing two high speed crafts which has significantly impacted inter-island and day visit volumes

Visitors by air have been static, although Guernsey has suffered due to a perceived lack of competitive fares to the Island, especially compared with low cost carrier fares to Jersey

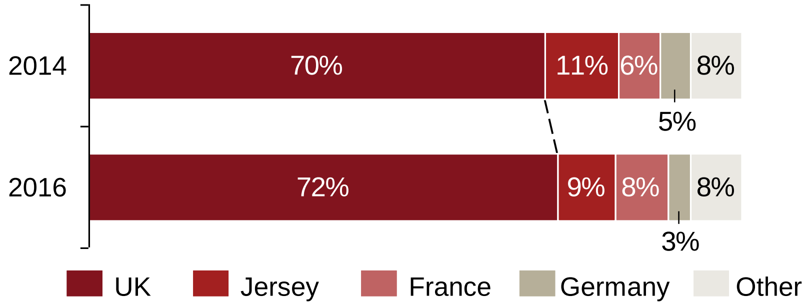
- A roundtrip flight between the UK and Jersey during the peak summer months is on average 50% cheaper compared to a roundtrip flight between the UK and Guernsey**

Note: *Numbers exclude cruise ship passengers and visiting yachtsmen. **Information retrieved 1st Nov 2017 for direct, return flights departing from the UK on a Friday during August 2018 and returning to the UK on Sunday
Source: Government Information. Skyscanner.com, PwC analysis

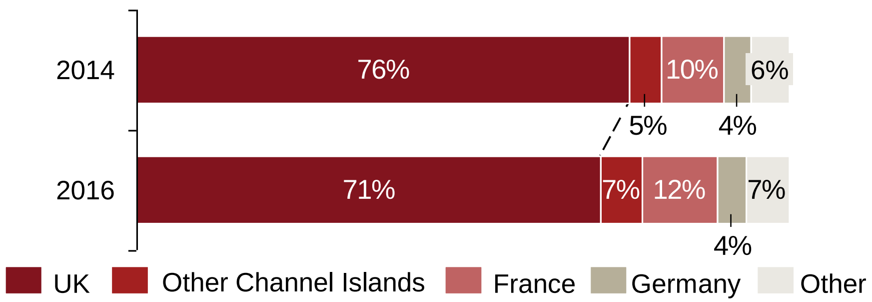
The main source market is principally repeat business from the UK

Guernsey's source markets are similar to Jersey, although Jersey has been successful in diversifying its UK visitor base over the past few years

Guernsey's volume of visits by source country, 2014-2016 (%)*

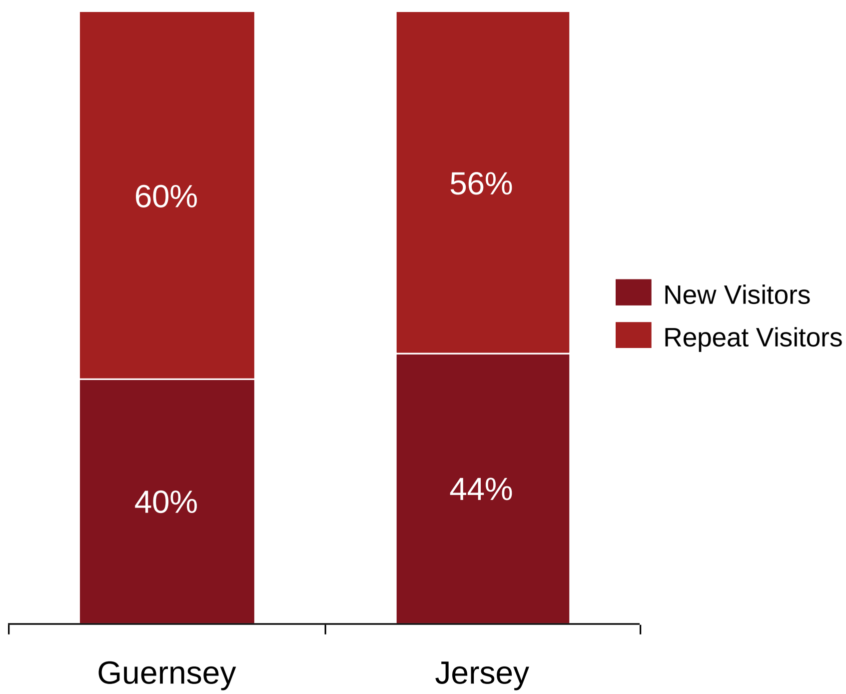


Jersey's volume of staying leisure visits by source country, 2014-2016 (%)



Jersey is able to attract a larger proportion of new visitors compared to Guernsey

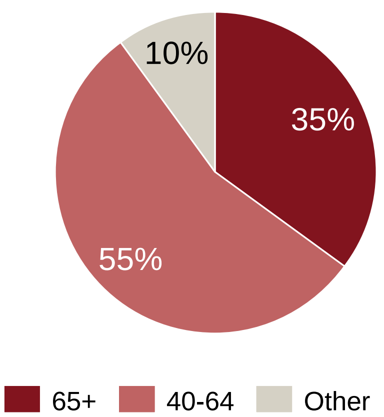
New vs. repeat visits, 2016 (%)



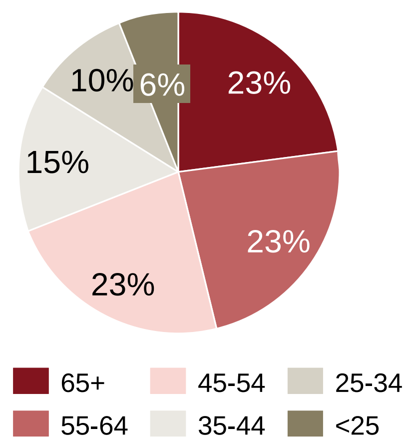
Note: *Numbers exclude cruise ship passengers and visiting yachtsmen
Source: Government Information, Visit Guernsey Online Visitor Survey, Profile Form Report 2017, Visit Jersey Annual Report 2016, Visit Jersey Destination Plan 2015

The typical visitor has an age profile of 50+ travelling as a part of a couple; Guernsey has an older visitor demographic compared to Jersey

Guernsey's visitor age bracket, 2016 (%)



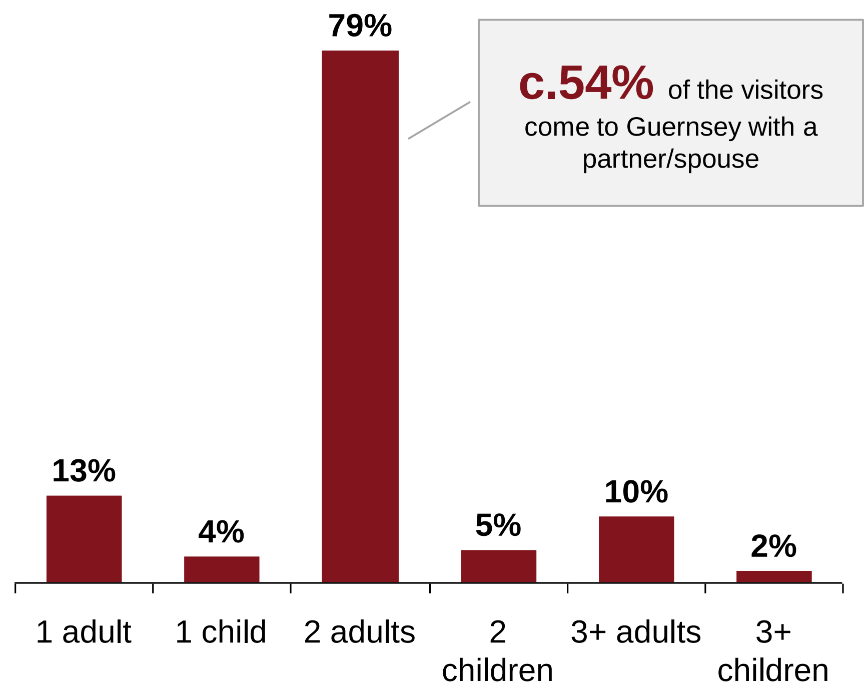
Jersey's visitor age bracket, 2016 (%)



- Surveys conducted by the State of Guernsey show that the Island's main market has an age profile of 50+ with a socio-demographic (ACORN) profile of ABC1.
- This market is likely to be affluent, active, cultured, empty nesters with a propensity to take a number of short breaks and holidays each year
- Compared to Jersey, Guernsey has an older visitor demographic (i.e. larger proportion of 65+)

Guernsey's visitor party size and composition (incl. respondent), 2017 (%)

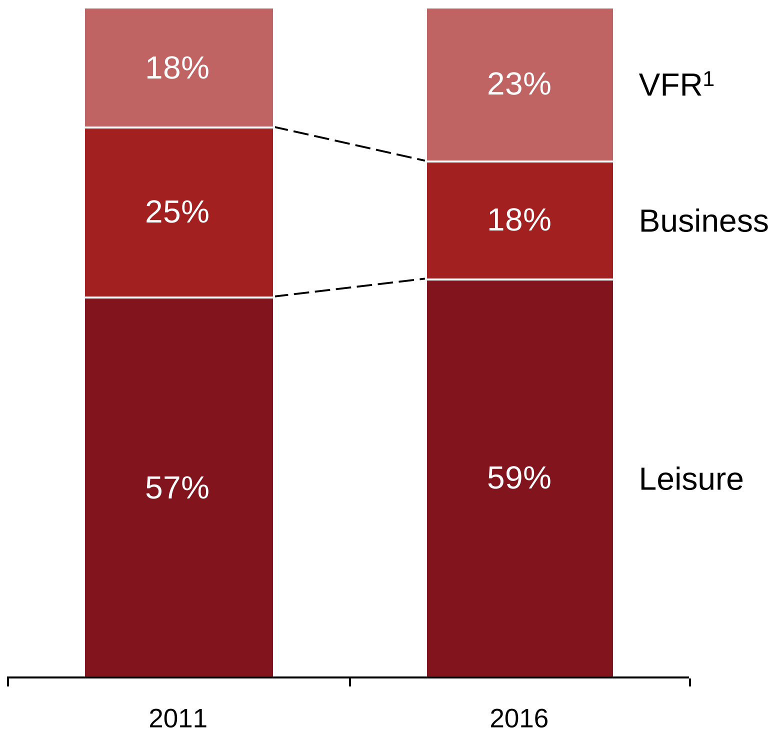
"How many adults (including yourself) and children, if any, would be in your party?"



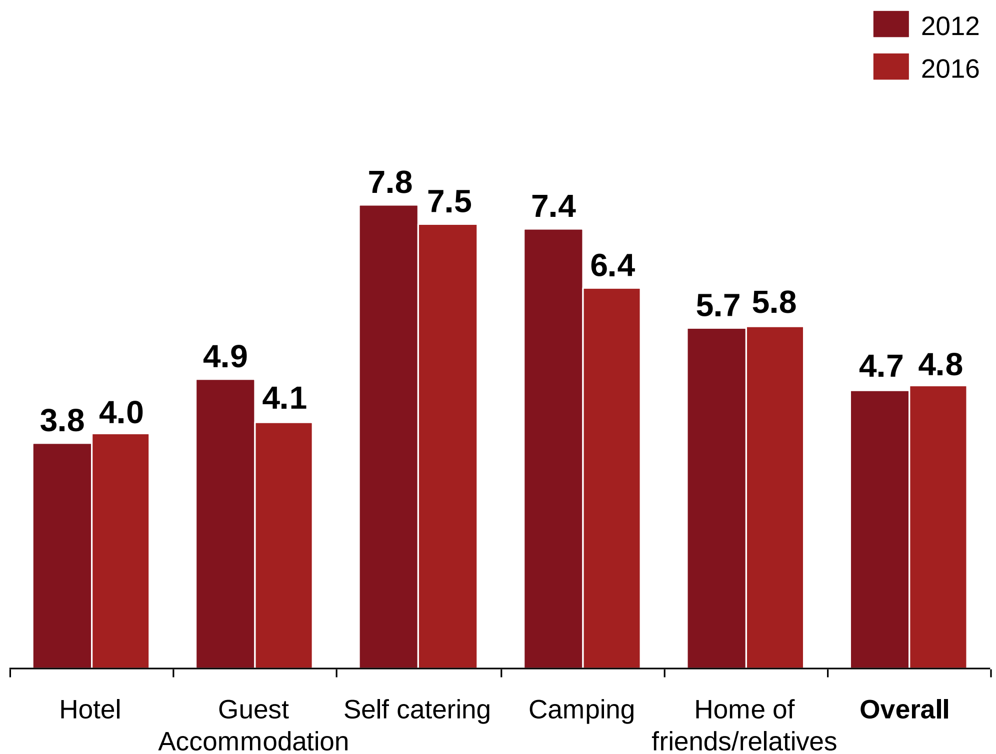
Source: Government Information, Visit Guernsey Online Visitor Survey, Profile Form Report 2017, Visit Jersey Annual Report 2016

A majority are staying leisure visitors who usually spend 4 to 5 nights on the Island

Guernsey's volume of visits by purpose, 2016 (%)



Average length of stay in Guernsey by type of accommodation, 2013-2016 (# nights)

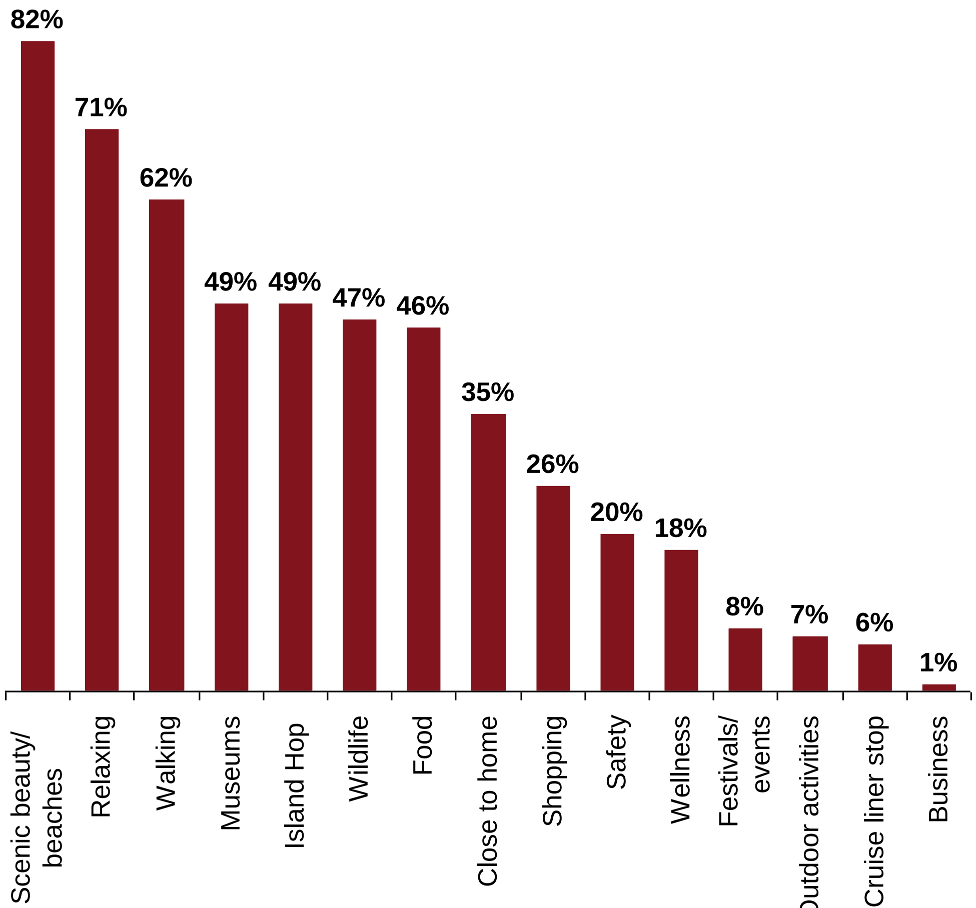


Note: Numbers exclude cruise ship passengers and visiting yachtsmen. 1. Visiting friends or relatives
Source: Government Information

Surveyed visitors to Guernsey highlight scenery, relaxation and walking as the key activities and reasons for choosing the Island

Reasons for travelling to Guernsey, 2016

"What activities or reasons have inspired you to consider Guernsey?"



Source: Visit Guernsey Online Visitor Survey, Profile Form Report

Top 5 Activities

1. Dining out

2. Self-guided walks

3. Shopping

4. Trip to a beach

5. Boat Trip

Top 5 Attractions

1. German Fortifications

2. Castle Cornet and Museums

3. The Little Chapel

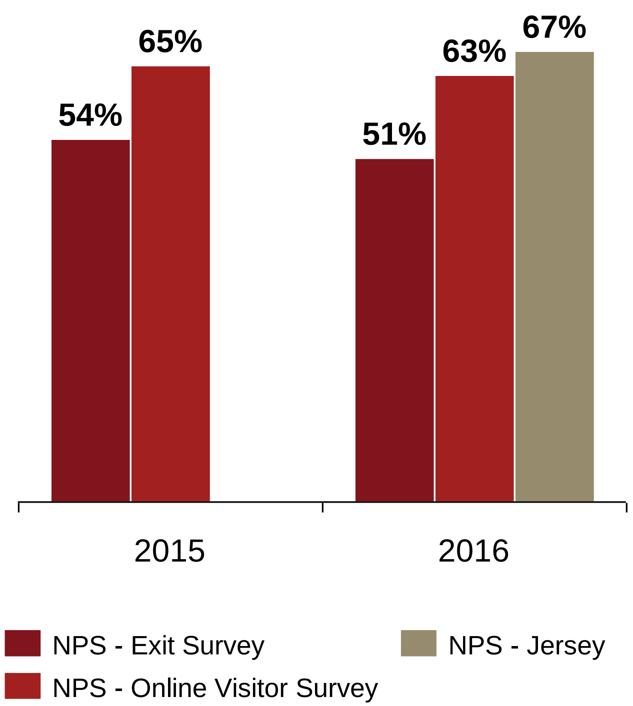
4. Candie Gardens

5. German Occupation Museum

Guernsey's NPS score has declined, with feedback raised by visitors around signage, attractions, information and connectivity

Guernsey's NPS Score (how likely visitors would be to recommend Guernsey) has declined over the past two years

Guernsey NPS Score, 2014-2016 (%)



Key feedback points raised by visitors are around signage, attractions, information availability and connectivity

Signage

"A few more signposts for walkers round the Island (would be useful)"

Attractions

" Ensure that all the visitor attractions are presentable, good value for money, and not closed for various reasons during the 'holiday season'"

Information on eating out

"Providing a list of restaurants i.e: what type of food is on the menu and their location so that visitors can make their choice"

Disability awareness

"Deaf awareness is somewhat lacking in some places and wheelchair accessibility especially the museums, etc."

Information centre

"Improve the Information Centre in St Peters Port. The staff were not helpful and weren't able to give sufficient advice or suggestions. We specifically enquired about public transport to travel around the Island"

Transport

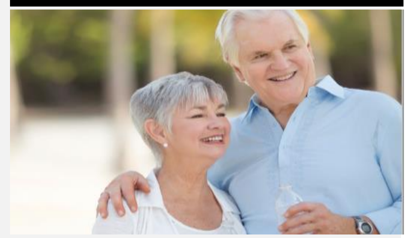
"Better air connections - more reliable flights and cheaper fares"

"Cheaper travel to the Island would be a benefit and some cheaper hotels or B&B's"

Source: Guernsey Exit Surveys Q4 2014, Q4 2015, Q4 2016, Online Visitor Survey 2016, Visit Jersey Annual Report 2016

Baby Boomers and the Swing generation still represent the best segments that could be much better targeted by the Island

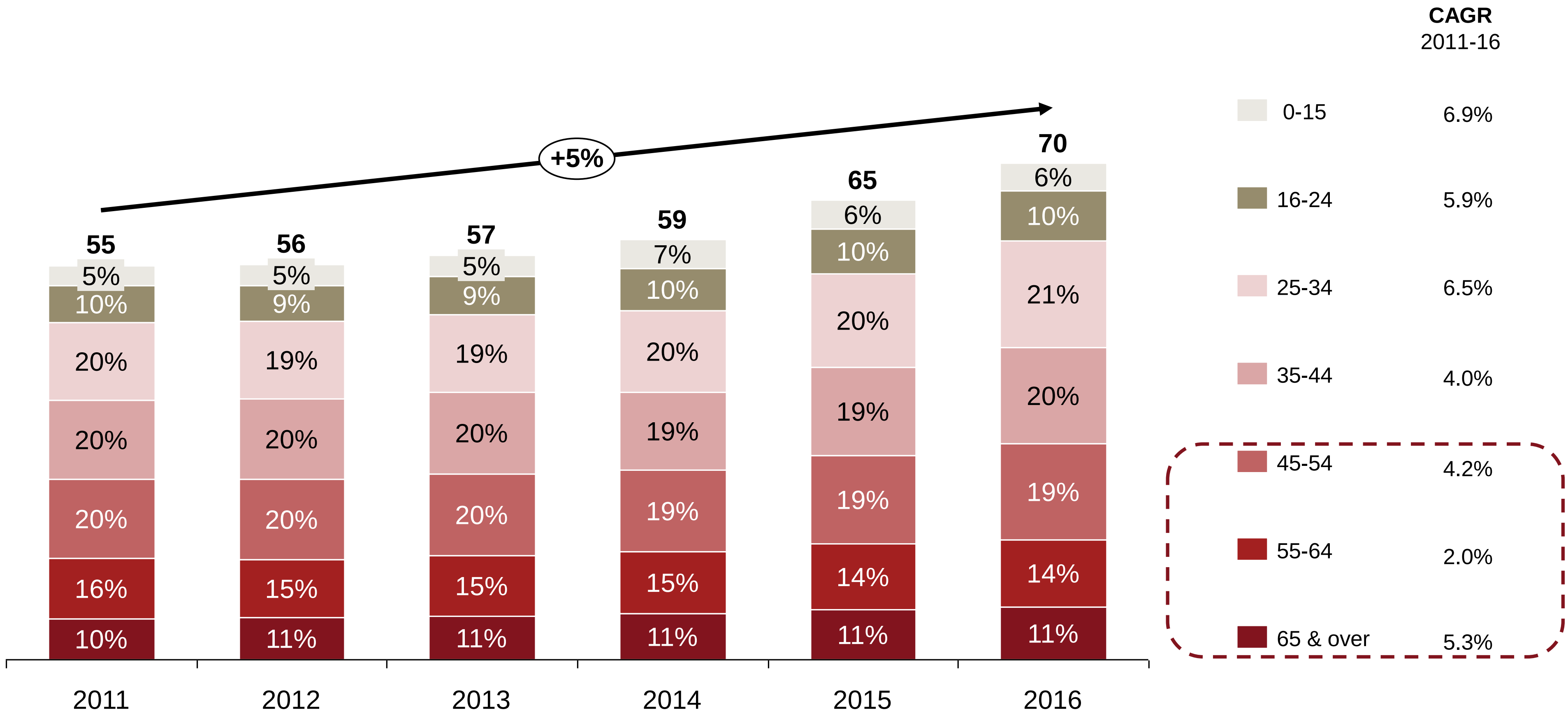
Key customer segments

	Millennials	Generation X	Baby Boomers (Prime target market)	Swing Generation / WWII (Existing core market)
				
Description	• Age 15-29 • Price sensitive – increase use of online channels to identify potential deals	• Age 30-49 • Families, most likely with children under 16	• Age 50-64 • Couples (Empty-nesters), Families • Less price sensitive	• Age 65+ • Couples (Empty-nesters)
Holiday preferences	• Preference for multi-destination holidays including beach holidays and city breaks • More likely to take holidays during school holidays and peak summer months	• c.40% of the Generation X individuals will take one type of holiday every year, most likely a family holiday • More likely to take holidays during school holidays and peak summer months • Beach destinations are amongst the most popular choices	• Higher preference for rural/ countryside based holidays, but also beach holidays and city breaks • More likely to take off-season holidays/outside of school holidays • Value good F&B offering, walking, trekking and eco-tourism	• Preference for escorted tours and cruises • Beach and rural holidays • More likely to take off-season holidays/outside of school holidays • Preference for packaged holidays
Accommodation preferences	• Preference for cheaper hotel options and Airbnb	• Longer stay (4+ nights) holidays • Most likely to prefer self-catering options	• Higher-end hotels • Self-catering (especially when travelling with family or as part of a small group)	• Hotels

Source: Mintel, ABTA

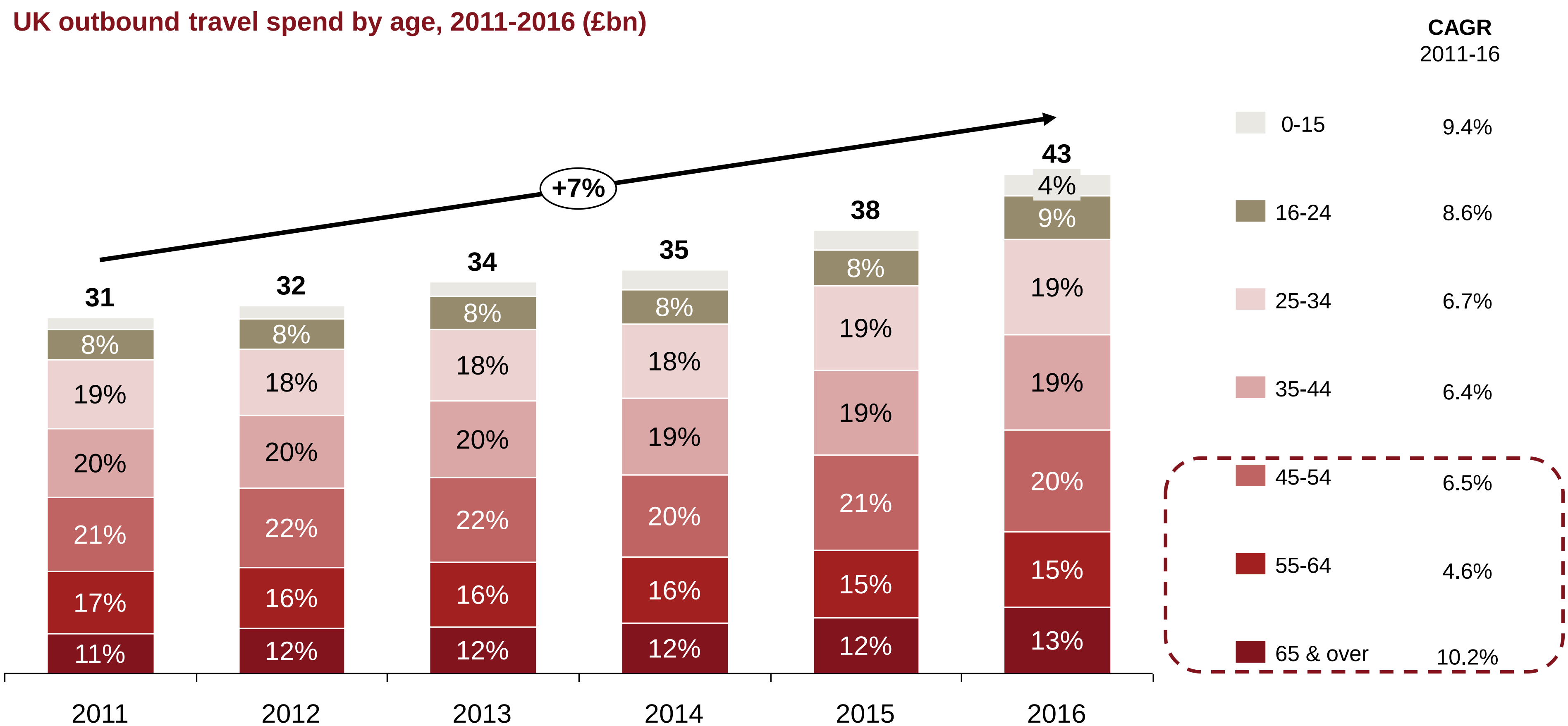
The 50+ market accounts for 44% of the UK outbound travel volume…

UK outbound visits by traveller 's by age, 2011-2016 (m visits)



Note: Numbers include Business, VFR and Holiday visits outside of the UK. The 45-54 age group contains the highest proportion of Baby Boomers
Source: IPS

… and represents 48% of the total spend, with highest growth in the 65+ segment



Note: Numbers include Business, VFR and Holiday visits outside of the UK. The 45-54 age group contains the highest proportion of Baby Boomers
Source: IPS

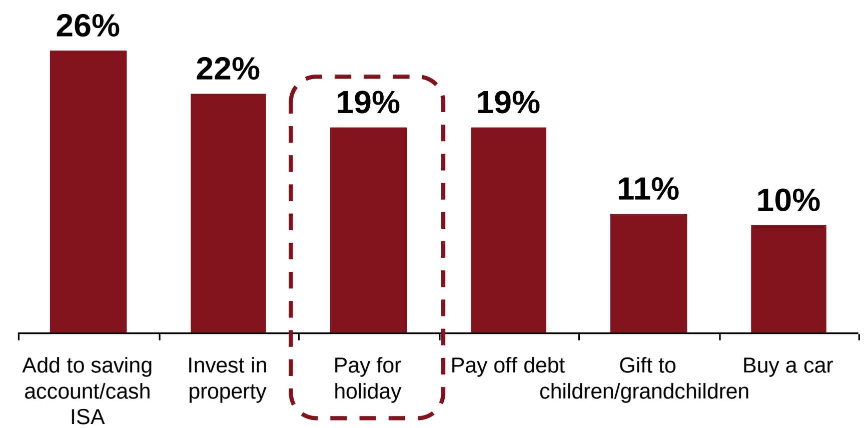
This is largely driven by pension reforms, enabling retirees to access their funds earlier and plan to spend more on holidays

Recent pension reforms allow more flexibility in pension withdrawals….

- Historically, individuals were **restricted** in how they could access their pensions during retirement and were charged **55% tax** if they withdrew the entire amount in one instalment
- Since April 2015, individuals over the age of 55 have been able to **choose how they receive their pension**, including the ability to **withdraw their entire pension upfront at the normal rate of income tax** (rather than 55%)

…which is likely to benefit the travel market

"Which of the following things, if any, do you plan to do with the withdrawn pension?"



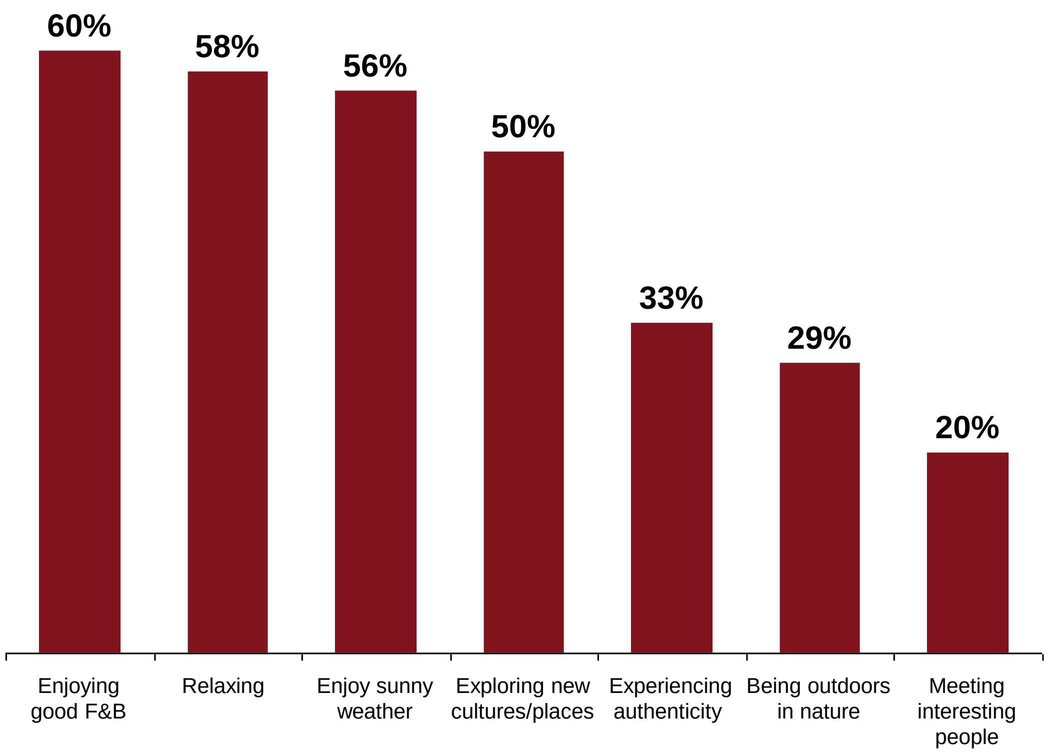
- Increased flexibility around how individuals can access their pension is likely to benefit the travel market, given the retired demographic is an important segment of the outbound travel market
- If more people choose to withdraw a larger proportion of their pension at an earlier age (when they are still active and healthy), then this is likely to increase the propensity / ability of people to go on more holidays

Source: ONS, Mintel

Baby Boomers most value gastronomy while cultural discovery is also very important

Most important factors for Baby Boomers, 2015 (% of respondents)

"Typically which of the following are the most important to you when you are going on holiday? Please select up to 5 answers"



Source: Mintel

F&B and exploration of new cultures are amongst the most important holiday features for Baby Boomers

- According to Mintel research, Baby Boomers value good F&B and cultural discovery more than the average individual
- Over 55s are the largest group of gastro-tourists and are likely to **spend a high proportion of their budget on "wining and dining"**
- Given their relatively high value for authenticity, the holiday rental market also appeals to them for creating strong connections with **the local community**, **local food produce** and, in some cases, **eco-tourism,** as it allows them to purchase and prepare food themselves
- There is an opportunity in the market for **gastronomy holidays**, with more providers offering **packaged tasting / cooking tours**

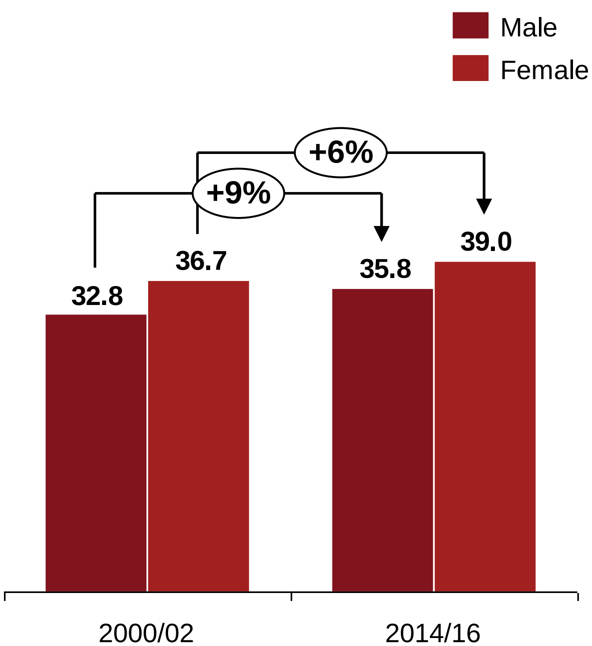
With aging populations and increasing focus on health, wellness based tourism has become a fast growing market

Life expectancy has been increasing rapidly in the UK…

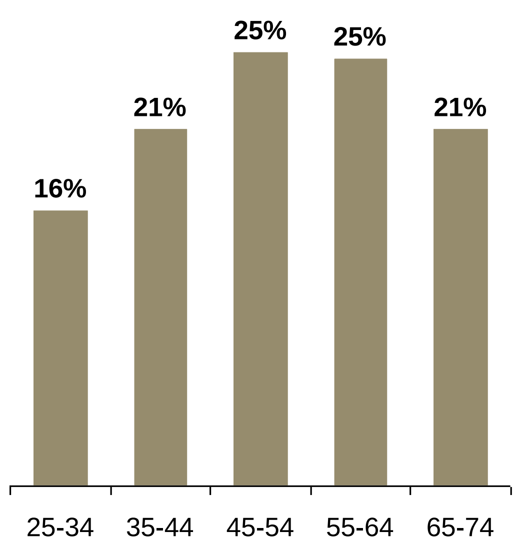
…and on average the elderly population is less healthy…

…driving growth in the wellness market and creating additional opportunities

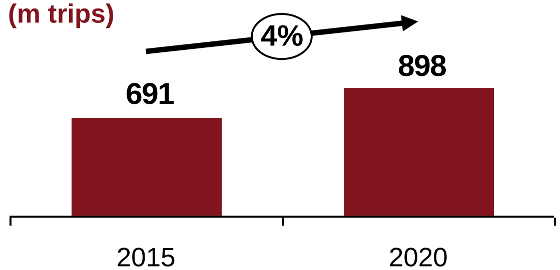
Further life expectancy at age 45 in the UK, 2000/02 – 2014/16 (years)



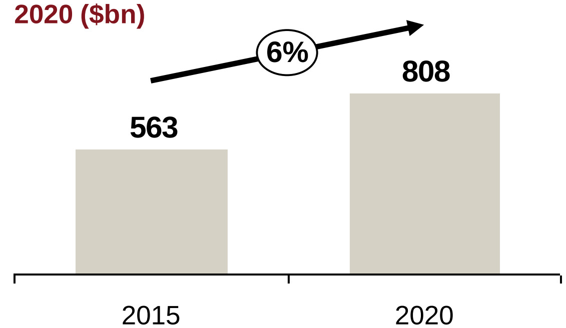
BMI overweight proportion of UK population by age , 2014 (%)



Global wellness tourists, 2015-2020 (m trips)



Global wellness tourism market value, 2015-2020 ($bn)



Source: ONS, Eurostat, Global Wellness Institute, Mintel

Wellness tourism covers both spa and recreation as well as more comprehensive location based experiences

Wellness tourism

"Standard" experience

- Consist mainly of standard offerings such as day spas, wellness cruises, beauty centres, etc.

Illustrative examples

Day spa/beauty centers

Mostly found at most 4 and 5-star hotels and as stand-alone centres

UnCruise Adventures

Hawaii

UnCruise Adventures is a ship company operating cruises in Hawaii and Alaska, focusing on wellness and providing special programs centered around fitness, nutrition and overall wellbeing

"Authentic location-based" experience

- Consist mainly of experiences in unique locations/settings with services such as spiritual/yoga retreats, ashrams, resort-themed spas, etc.

Illustrative examples

Asclepios Wellness & Healing Retreat

Costa Rica

Asclepios offers its visitors wellness services in a unique setting: Weight Management, Meditation, Acupuncture, Floral Therapy, Homeopathy, Yoga, Pilates, etc.

Dead Sea Wellness resorts & spas

Dead Sea, Jordan

Jordan has several resorts renowned for their wellness and spa offering, leveraging their unique location in proximity to the Dead Sea

Source: Company websites, PwC analysis

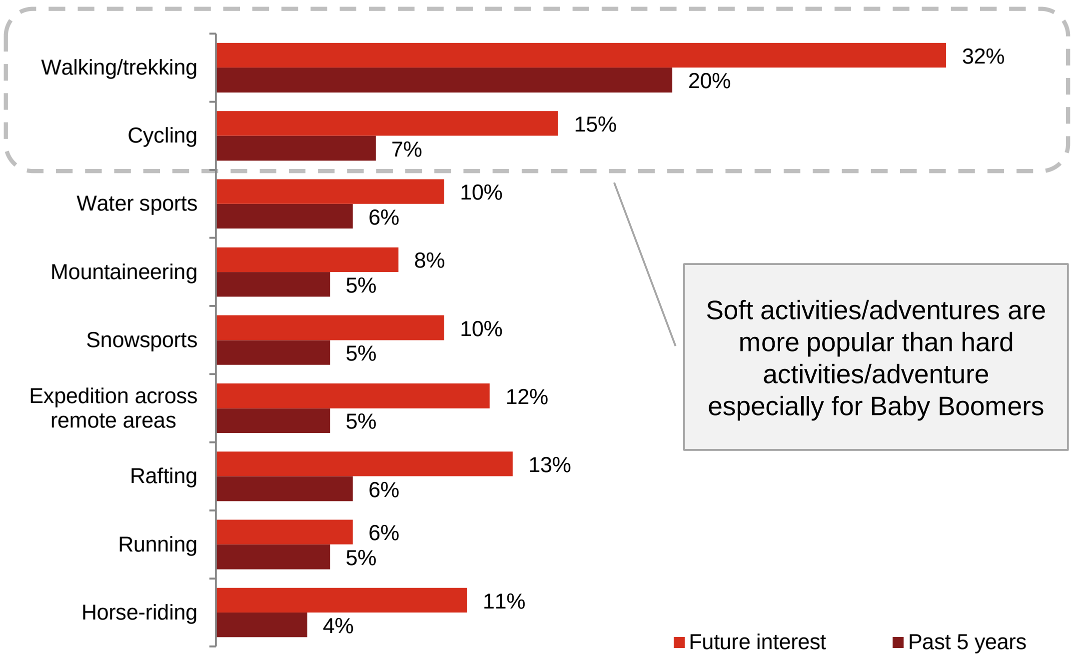
In line with wellness, activity based holidays are an increasingly important trend particularly walking

Walking/trekking and cycling are the most popular holiday activities and are expected to maintain their position over next 5 years…

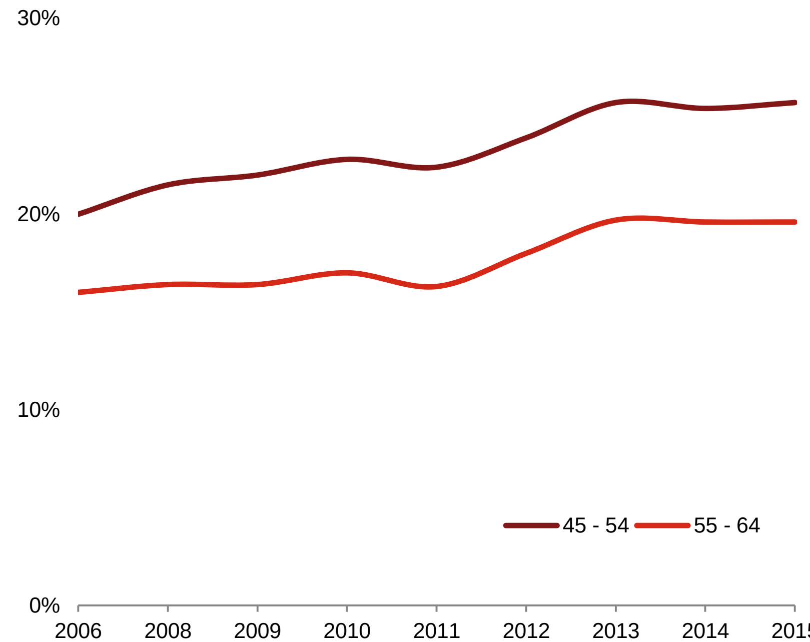
…supported by a positive trend in active lifestyles, especially amongst the 45+

UK consumer past experience and future interest in adventure travel, 2015

"Which of these activities would you like to form a significant part of a holiday in the future? Which of these were a significant part of your previous holiday?"



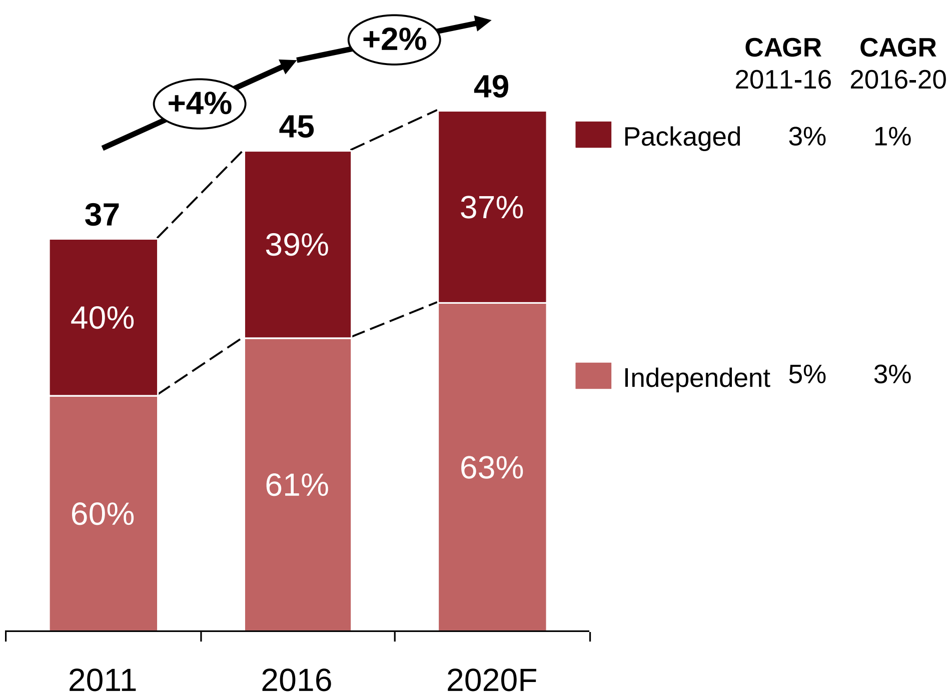
Percentage of people taking part in sport/ recreational activities 3+ times a week, 2006 – 2015



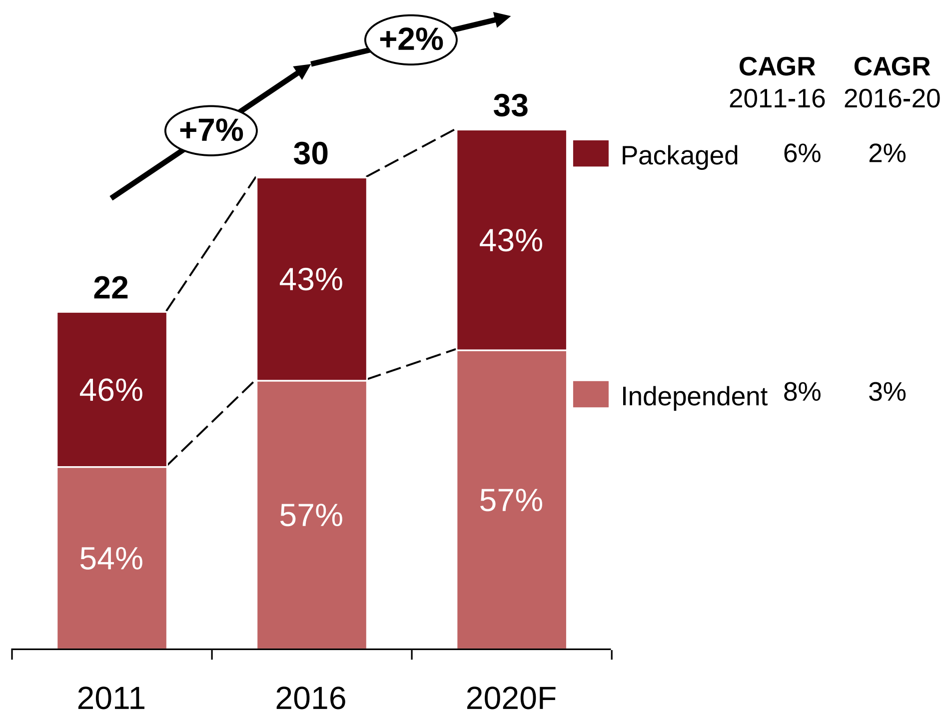
Source: Mintel, HSCIS, Sport England, PwC Analysis

While the UK packaged holiday market has stabilised, the mix is changing with fast growth of bespoke/dynamic packages

UK overseas holidays by type, 2011-2020F (m)



UK outbound value market by type, 2011-2016 (£bn)

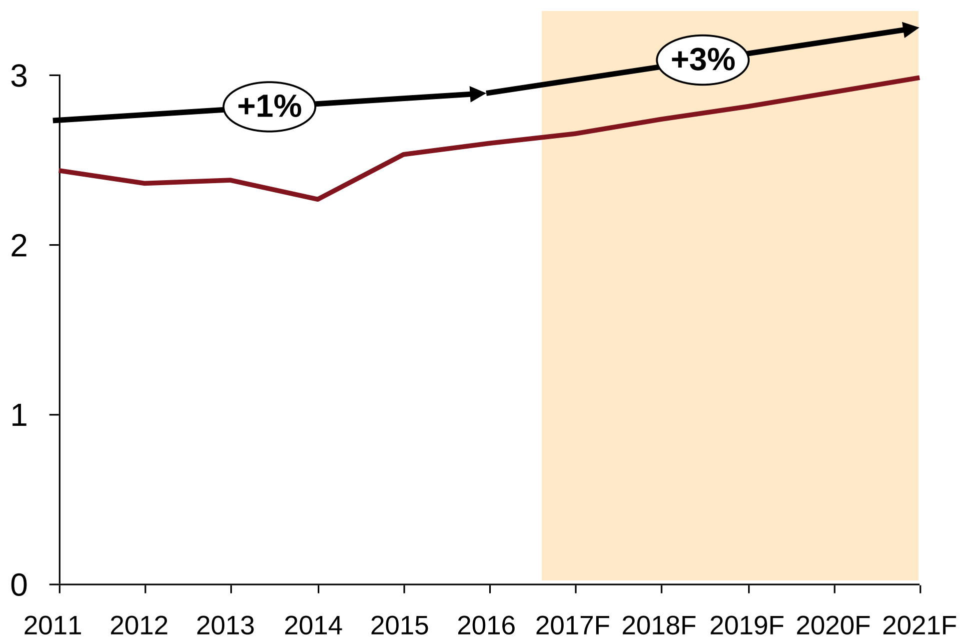


Packaged holidays include return fares and accommodation, and are usually purchased from **one provider for a single price. Bespoke/dynamic packages** (in which customers have multiple accommodation and travel options at different prices) are likely to become more popular in the next few years, driven by increased consumer confidence and tour operator developments using new technology

Source: IPS, Mintel

The cruise market is expected to grow driven by aging population, growing vessel capacity and a widening target market

Value of UK sea cruise market, 2011-2021F (£bn)



Key growth drivers for the UK cruise market

1. Aging population

The UK population is aging, with the number of people above the age of 65 expected to constitute c.21% of the population by 2026 (vs. 18% in 2016). This will positively impact the demand for cruise trips given that this segment has a high preference for escorted tours and cruises

2. Growing vessel capacity

The cruise capacity is expected to grow, with the big four cruise operators (Carnival, Royal Caribbean Cruises, Norwegian Cruise Line Holdings, MSC Cruises) forecasting 15% growth in capacity by 2019

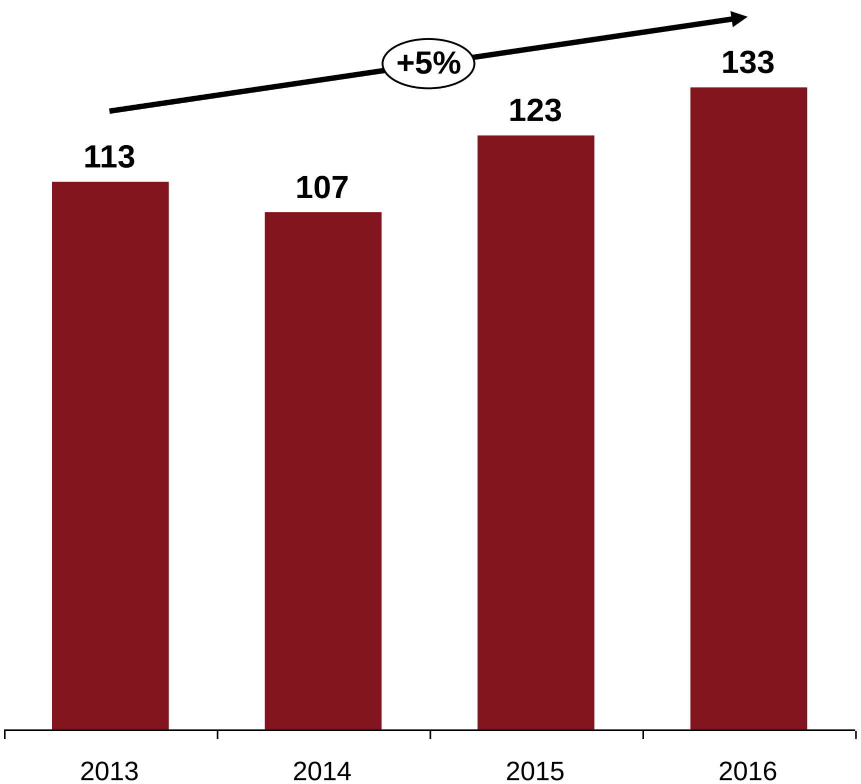
3. Widening target market

The average age of the cruise passenger demographic has been decreasing over the last few years, with younger people showing an interest in cruise travel (e.g. 48% of Millennials, 35% of 35-44 and 44% of the Baby Boomers interested in cruising)

Source: ONS, CLIA UK & Ireland, Mintel

In Guernsey, the cruise market has been performing well, driven by tax advantages and better harbour infrastructure compared to Jersey

Cruise visits to Guernsey, 2013-2016 (000's)

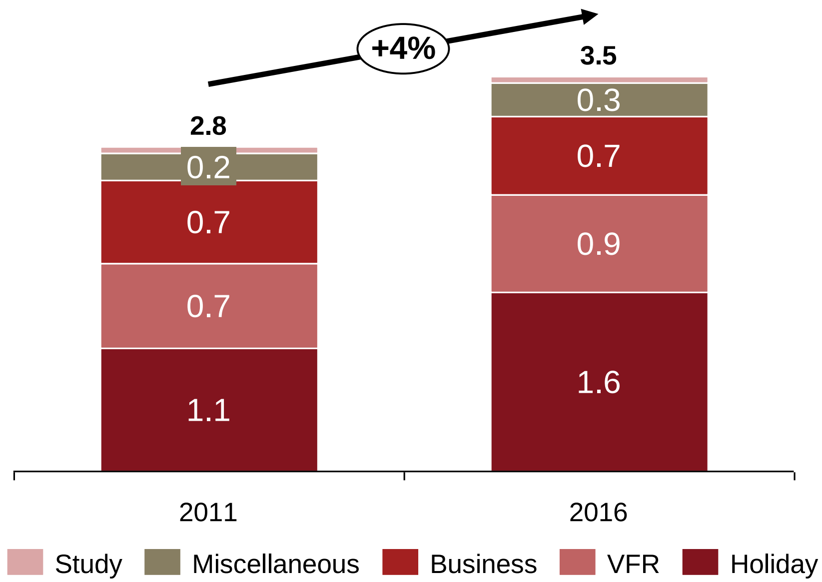


- Guernsey currently attracts more than 133,000 annual cruise visitors and is considered one of **Europe's largest cruise liner tender ports**
- The Island appeals to cruise liners as it offers **VAT advantages and has a better port infrastructure compared to Jersey**
- Cruises provide a **good marketing opportunity** for the Island as c.2.5% of cruise passengers revisit the Island for a short break or a longer holiday
- However, the cruise liner opportunity is **not fully exploited**, with issues around the arrival and departure experience for cruise passengers, poor transportation around the Island and lack of flexibility in opening times from shops and attractions
- Moreover, given that Guernsey is a tender port, **weather** plays an important role in how many cruise passengers land (e.g. 2017 saw a record number of vessel dock cancellations, with a majority being due to unfavourable weather) and makes this market volatile

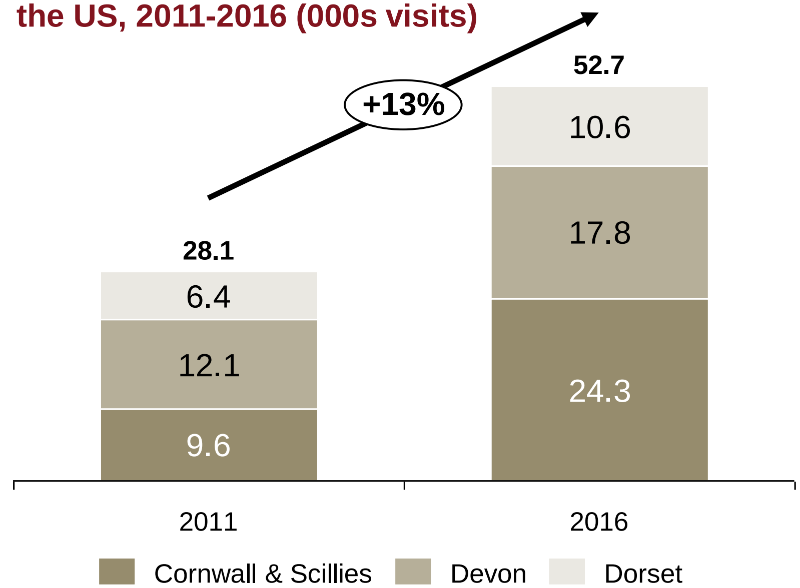
Source: Government Information, PwC Analysis, Stakeholder interviews, IGR

The US market feels under penetrated given relative performance in other UK locations

UK visits from the US, 2011-2016 (m visits)



Devon, Cornwall and Dorset holiday visits from the US, 2011-2016 (000s visits)

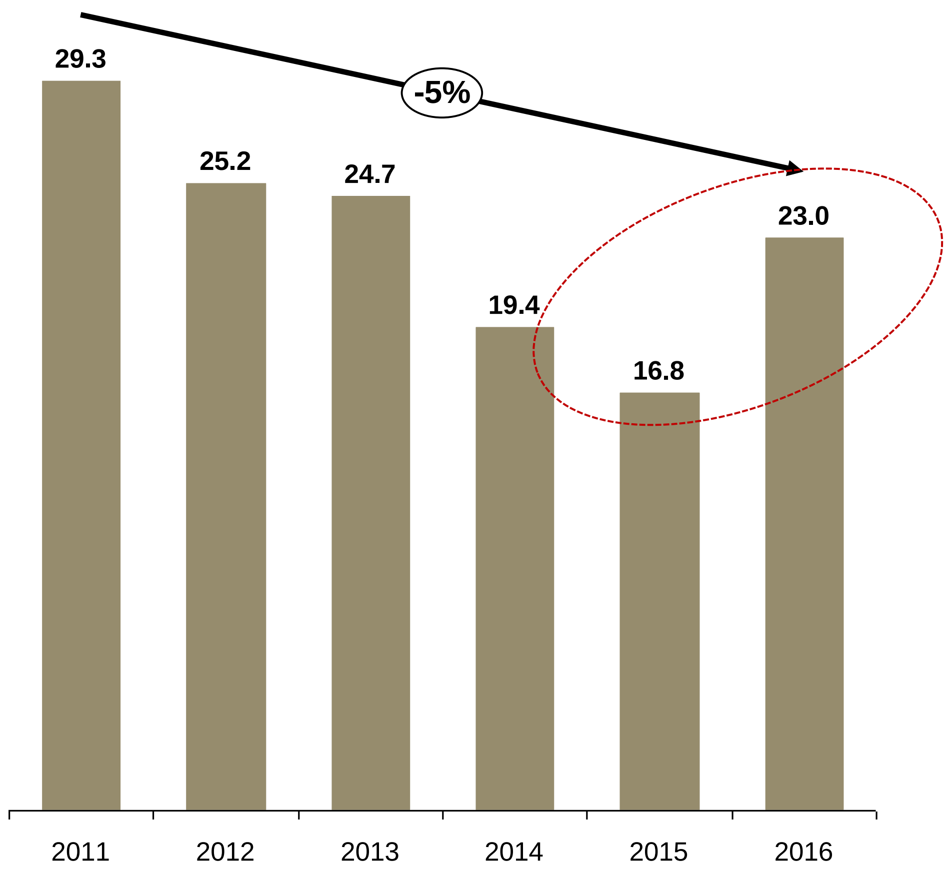


- US **is #1 source market by value** for the UK and **#2 source market by number of visits**, with £3.4bn spend and 3.5m visits in 2016.
- Many US travellers often seek **two trips**, combining London with one other destination including the South coast
- Guernsey may constitute an attractive proposition for them as they are **very sensitive to safety**
- With the new film ("The Guernsey Literary and Potato Peel Pie Society") and low exchange rates, there is now a perfect opportunity to tie in with US operators offering two centre UK holidays

Source: Visit Britain, IPS

The French market could also be better exploited given the cultural ties to Guernsey, especially though the Victor Hugo connection

Visits to Guernsey from France, 2011-2016 (000s visits)



Source: Government Information

Festival to celebrate Victor Hugo's Guernsey exile.
Tickets are now available for events at the first Victor Hugo in Guernsey Festival which takes place on the Channel Island of Guernsey from 2 to 10 April.
Travel Daily UK, February 2016

- The number of visits to Guernsey from France has been historically **decreasing;** however, in 2016, there was an **increase in the number of French** visitors
- In 2016, Guernsey hosted a number of events, including celebrations around the **150th anniversary of the publication of Victor Hugo's "Toilers of the Sea"**
- Victor Hugo is considered to be one of the greatest and best-known French writers. Other than his former house and his statue in Candie Gardens, there is little to commemorate him in Guernsey
- There are **opportunities** for Guernsey to generate **a higher proportion of French tourists** through exploiting the **Victor Hugo** connection by showcasing it across the Islands (e.g. events, festivals, exhibitions etc)

Stakeholder perspectives

Context and key questions addressed

Context

We conducted interviews with key stakeholders in the tourism sector ranging from government departments, accommodation providers, transport providers, attraction owners and tour operators to gauge their views / perspectives on the tourism industry in Guernsey.
The objective of each interview was to primarily focus on the product offering (e.g. heritage sites, annual events, activities, trekking/cycling, Bailiwick Islands, business events, hotels etc.) rather than the transport and connectivity issue which is being covered in a separate study.

Key themes and questions addressed

1. ***Discussion on the tourism industry in Guernsey, mainly around:***
   - *Overall observations on the tourism sector in Guernsey, how it has changed over time and what has driven this*
   - *Views on the comparison with competing destinations such as Jersey and other UK destinations, and lessons learnt*
   - *Views on the quality and breadth of the existing product offering and what could be enhanced or is missing*
   - *Views on the tourist segments that Guernsey should be targeting and potential trends the Island could better exploit*
   - *Insights on visitor experience and feedback received. How has this changed? What is Guernsey doing well and where is improvement required?*
   - *Views on the other enablers supporting tourism such as the Food and Beverage offering, retail offering and the transport infrastructure*

2. ***Potential opportunities to enhance product offering/visitor experience. Where should the focus be going forwards?***

3. ***What are the plans for the interviewee's own business? Are there ambitions for further investment and what is required to support this?***

4. ***Perceived challenges / barriers to delivery; e.g. infrastructure, government policy, human capital. How can the States of Guernsey best support the growth of the sector (e.g. through policy and regulatory changes, direct investment etc.)?***

Tourism stakeholders acknowledge that Guernsey is facing a significant challenge largely solvable by forces within its control

Connectivity

The current position is **highly detrimental** and fundamentally the tourism sector cannot grow without a change. The reducing schedules, increasing fares (particularly versus Jersey), lack of connections to Jersey and inconsistent service (ferries) have hit tourism hard. Without a resolution of this situation, it is **unlikely that tourism growth** can be restored and can flourish

Product offering and customer experience

It was generally acknowledged that the Island has **no stand out offering** compared to competing destinations. Most believe that it is now the Island's beauty and 'quaintness' that is its key asset combined with being safe, good for walking and eating out. Much of the offering has become **stale, shabby** and **out of date**. **Military Heritage**, both pre war and Occupation, should be a better draw, but is under exploited and under invested. **Bailiwick Island** archipelago is under marketed. General agreement that the **harbour** needs redevelopment

Accommodation

The current accommodation offering has **significant weaknesses**, particularly in the high end boutique and good quality mid scale range. There remain too many under invested 3* properties and disincentives to invest (change of use rules and general planning restrictions and weak market). Hotels in St Peter Port better placed as benefit from Business travel. The restrictions on home rentals (e.g. on the Airbnb platform) could be relaxed to provide flexibility and meet modern market needs. Staff retention is reaching a crisis point given weak exchange rate and new Population Management policies

Government strategy, Policy & Regulation

Consistent views expressed about the **lack of strategy and ambition** by the States leading to inertia, indecision and protectiveness. Of particular note are the **current planning and change of use** rules making the hospitality sector not investible. People Management policies are putting pressure on maintaining staff though biggest issue is in fact devalued sterling. A number queried the many layers of bureaucracy and number of departments involved leading to the complexity in getting decisions made. Many questioned whether the States is best placed to manage the tourism assets they do

Key feedback from stakeholder interviews (1/4)

The value of tourism to Guernsey and key issues

- There were mixed views on the **overall value** of tourism for Guernsey, but general agreement that it is important to the Island as it supports the hospitality sector which is itself vital for the long term attractiveness of the Island for the financial services sector in particular ("Symbiotic relationship")
- While many are nostalgic for the Island's heyday, there is general recognition that the world has changed and Guernsey **needs to adapt** if it wants to grow its tourism and access new markets
- The Island has **fallen substantially behind Jersey** in its focus on, and investment in, tourism and products to support it.

Transportation and connectivity

- There were a wide range of views on **connectivity** depending upon interviewee though universal agreement that the situation now is **highly detrimental to the Island**. Views around the air links range from enabling full open skies policy to encourage competition (on the basis that Aurigny is not delivering) to full protection of all routes for Aurigny to be able to manage pricing and scheduling. Consistent comment that the **sea link situation**, with reduced and inconsistent services, between UK and the Island, and between the Channel Islands themselves, **has hit tourism hard**.
- The Island has become **too expensive and too difficult** to visit for many visitor segments.
- However, the airlines comment that **air fares are reasonable** (for commercial viability) and that demand is weak, other than in peak summer months, due to lack of a compelling product offering.
- There were mixed views on the **runway extension**, though most recognise that on its own this will not be the panacea to solve tourism decline and that low cost carriers will need to be much more certain that there is the volume that can be generated from lower fares before entering the market.

Key feedback from stakeholder interviews (2/4)

Accommodation

- General view that the **accommodation offering has significant weaknesses**, particularly in the availability of high end and mid-scale quality. It was noted that a number of hotels are not good enough and the overall choice is too limited to attract the type of guests who could afford Guernsey and who have higher product expectations (e.g. spa)
- Hoteliers and self-catering providers themselves raised issues with their performance outside of the core season (July- September) with **very low occupancy** leading to concerns over committing further investment
- However tour operators **noted difficulty in getting rooms in peak season**, as hotels are not able, or are reluctant to offer block booking due to taking short term stays via online travel agents (OTA).
- Those with an interest in hotel development say that the sector is **not attractive to invest in** while the current change of use rules are imposed (see Policy and Regulation note below). Many commentated that the **market should be fully liberalised** and that market forces should be allowed to dictate the volume and type of accommodation. Other stakeholders recognised that there are some risks associated with removing the restrictions completely, and that this needs to be considered carefully to ensure that any transition is managed
- A number of interviewees suggested that the **Airbnb platform and holiday homes** should be more encouraged to meet market expectations and provide flexibility. A view was offered that an ability to own and rent holiday homes would make Guernsey more competitive with equivalent UK high end summer destinations such as Rock, Salcombe, Abersoch etc.
- However, accommodation providers themselves showed **some concern** with regards to the management and regulation of Airbnb, and the difficulty around enforcing regulation (e.g. 8 week policy for local properties that were not designated Tourism Use Class) and wanted the State to ensure a **level playing field** (though it was noted that some actually marketed their property through Airbnb as well). It became apparent however that a number of those that expressed concern were not aware of the 8 week policy, or that permits had to be awarded to offer Airbnb accommodation
- Accommodation and food & beverage providers commented on the issues of **retaining and recruiting staff**. There is a very high reliance on an immigrant workforce and new regulations on residency periods and the weak exchange rates (hard to disentangle which is having the greatest impact) are discouraging staff from coming and pushing many places to crisis point

Key feedback from stakeholder interviews (3/4)

Product Offering

- The most recurring theme on Guernsey's key products are that it is **'an Island'** and is part of an archipelago. It has outstanding natural beauty, is safe, and good for a wide range of activities such as Island hopping, walking, cycling and sailing. Heritage, in particular 'Occupation sites', are interesting but underexploited and, other than Castle Cornet, generally agreed not to be stand out attractions. Other areas mentioned were Guernsey's floral offering and eco-friendly environment being an attractive proposition to showcase. It was noted that interviewees who were not Islanders felt that the Island generally **over estimated** the attraction of its tourism offering.
- As such, a number concede that Guernsey has **no stand out offering** or hook that can attract new visitors which many of the competing destinations now have. Successful UK destinations such as St Ives (Art) and Padstow (Food) were quoted as places that have developed a differentiated proposition.
- The **Food & Beverage** offering is generally described as good quality, with a wide variety of restaurants available compared to other destinations, but to be a tourist draw, the offering could benefit from having internationally recognised chefs / brands.
- Events (e.g. Sea Front Sundays) were **viewed positively** but not seen as main tourism drivers. Generally recognised that global sports events such as the **Triathlon staged in Jersey** would not be viable in Guernsey.
- The opportunity with **Cruise ships** was considered underexploited. Issues ranged from poor disembarkation facilities and poor transportation around the Island to lack of flexibility in opening times from shops and attractions.
- Many recognise that more **inter-Island (Guernsey and Jersey)** cooperation would be beneficial to both and tour operators noted that two Island holidays are a **growing** proposition with short break opportunities on both Islands.
- Most agreed that some **regeneration of the Harbour** was essential. Using the space for free parking was not the most sensible use and it was generally agreed that a sympathetic development would enhance many aspects of the Island's proposition (accommodation, retail, F&B, events, Cruise ship disembarkation etc.)

Key feedback from stakeholder interviews (4/4)

The Role of the State and Policy and Regulation

- Consistent views that **lack of strategy and direction** from the State is harmful leading to numerous friction points or **inertia, and that policies can be inconsistent and overly protective** which constrains the sector (examples cited include **lack of coordination** between Committees, **lack of clarity** over responsibilities, burdensome **property planning** rules, tightening **population management**).
- There were a number of views expressed about the **lack of risk taking and investment** the States has made in its own assets and it appears to have encouraged a managed decline of many.
- Current planning process and **change of use** rules are making the accommodation sector in particular 'uninvestable' as developers do not want to expose themselves to the risk of being trapped in a failing venture with no other options.
- To **unlock the market** it was suggested that the State should consider receiving some '**value**' for allowing change of use (payment or development of another site) with any payments placed in a State infrastructure fund for reinvestment by converting other tourism based assets. There was also a suggestion that closed privately owned assets that have an iconic status should be **compulsorily purchased** by the States to enable redevelopment
- Interviewees who have a desire to support **new 'product development'** were very disappointed with the **lack of response** and general apathy to their schemes. Of most note were a proposed permanent Art exhibition and the restoration of Saumarez Park.
- It was noted that the general promotion of the Guernsey is too limited and that **Jersey commits significantly** more to its **marketing** than Guernsey.
- Hospitality operators are very concerned about **staff availability and costs**. Many rely on low cost immigrant labour. A combination of new residency rules and weak exchange rate is significantly constraining supply, leading to service quality issues and a reduction in profitability. Many noted this is reaching crisis point **with forced closure** a likelihood for some.

Assessment of Guernsey's tourism product offering

We assessed Guernsey's tourism product offering based on site visits, benchmarks and stakeholder interviews…

We visited c.20 attractions in Guernsey …

Example of key attractions visited:

- *Guernsey Museum*
- *Guernsey Tapestry*
- *Castle Cornet*
- *The Military Museum*
- *The Aquarium*
- *Sausmarez Walled Garden*
- *Neolithic caves and sculptures*
- *Little Chapel*
- *Martyn Guille clock shop*
- *The Occupation Museum*
- *The Underground Hospital*
- *Sausmarez Manor*
- *National Trust Properties (Les Caches Old Barn)*
- *Bruce Russell*
- *Herm*
- *La Valette Bathing Pools*
- *Oatlands*

…and assessed them based on several criteria

Product offering assessment criteria:

- *Relevance to target market*
- *Quality of curation*
- *Engagement / interactivity*
- *Facility upkeep / presentation*
- *Average dwell time*
- *Value for money*
- *Signage*
- *Disability access*
- *Availability of parking*
- *Information availability and quality*

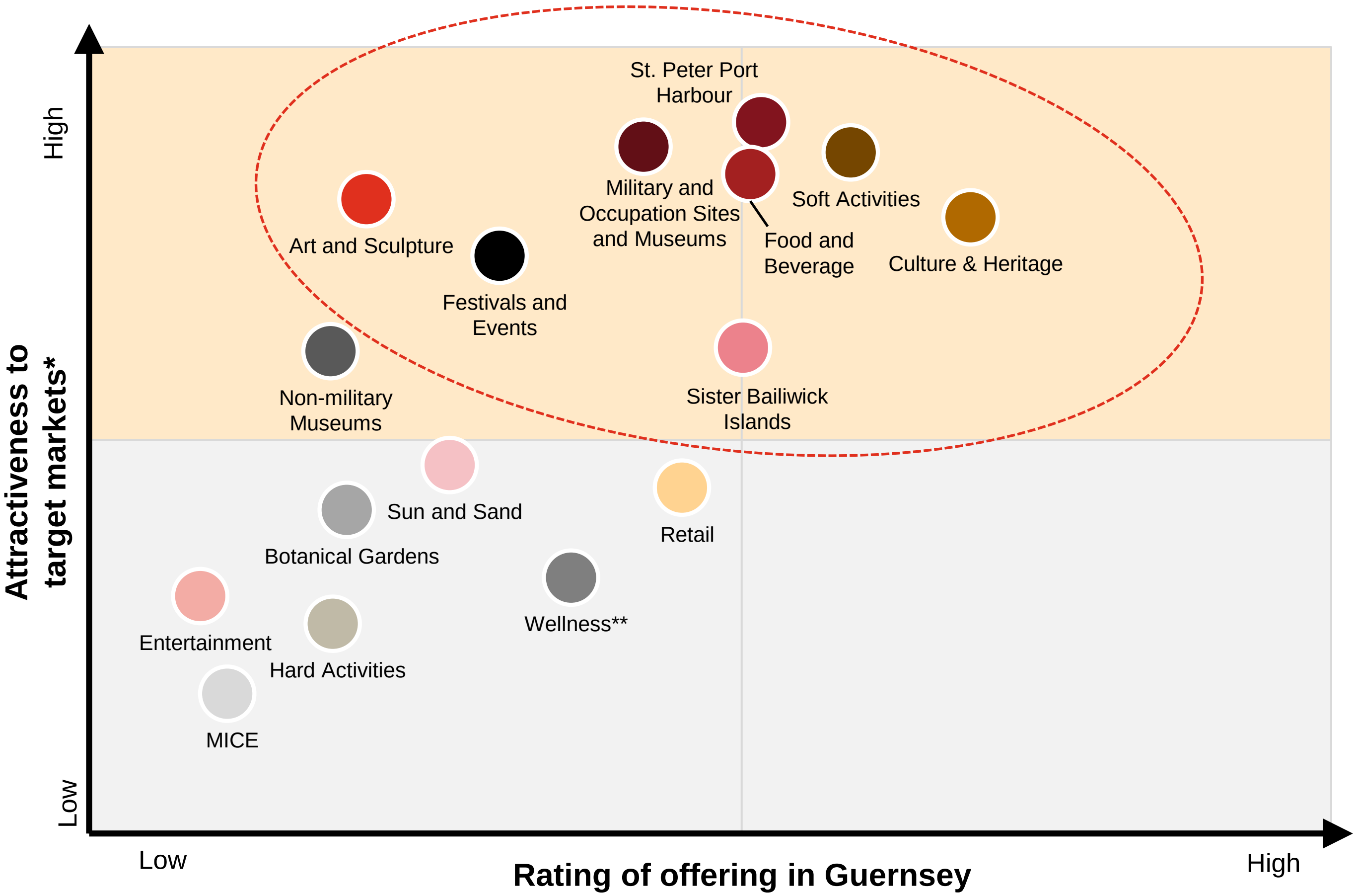
We also gathered information from other sources which informed the prioritisation of initiatives

Additional Sources of information:

- *Stakeholder interviews*
- *External insights and benchmarks*
- *Interviews with selected market and PwC experts*
- *Visitor surveys conducted by the States of Guernsey*

….and have prioritised a number of product offerings to improve the visitor experience with reference to the target markets

Tourism product offering



We note that without a **stand out attractor**, individual products do not drive tourism; rather it is the o**verall guest experience** and **'journey'** that is critical, encompassing numerous elements to make for a quality and fulfilling holiday/**destination.**

Through much clearer **branding**, and **selective development and improvement** across much of the key product base, Guernsey could start to differentiate itself from Jersey in particular and become a core UK and European short break destination.

Other important **enablers** include:

- Transportation to and on the Island
- Accommodation options and quality
- Marketing
- Information availability, including signage

Note: *Rating is assigned in the context of the product's appeal to the target tourist and as a tourism offering. ** Wellness covers SPAs and resort type retreats. Walking is covered under Soft Activities

Priority product development recommendations

Creating a high quality experience that attracts the **50+ baby boomer** segment should be the strategic focus while improving the proposition for the more elderly customer segments. The Island lacks a truly **compelling tourist anchor attractor** but we advise that the visually distinctive **St Peter Port itself** and harbour estate should be the centrepiece around which the proposition can be strengthened and the Island can be marketed. This should be supported by investing in, quasi privatising, modernising, and upscaling some core associated **military heritage**, **cultural** and **leisure, island archipelago and activity products and events**

Greater activation of Castle Cornet	As the **centrepiece** of the port and the stand out heritage site it is **significantly under activated**. The surrounding area is **poorly** presented and used. Inside, the museums are well curated but are not distinctive enough to be a main tourist draw and are relatively small. As with many other such sites e.g. **Oxford Castle**, the castle can be sympathetically developed to be more 'alive' and distinctive. This could include conversion of buildings with a mix of F&B, tailored retail, hosting of regular events (shows and markets) and potentially a unique boutique hotel
Redevelop the harbour area around attractions	A **huge underexploited** space that currently detracts from the town behind. There are many examples globally of ports being successfully regenerated as vibrant leisure and commercial areas. For tourism purposes the focus would be on the area around Castle Cornet. However we recognise this would be part of a **much more substantial masterplan** for the harbour estate upon which the viability will be primarily dependent on the **economic case** for the financial services and other business sectors and the opportunity to lease out a range of real estate components
Military Heritage, Defence & Occupation	This is the Island's **main 'story'** and it is relatively unique in retaining most Napoleonic and WW2 fortifications. While **not a sufficiently compelling stand alone attractor**, these need to be much better managed, packaged and presented to impact the overall Island experience. In conjunction with the GLPPS* film promotion, investment and work is required to create the **cohesive narrative**, improve the signage and accessibility, modernise many sites to meet the need of the modern traveller, and develop some sites into **alternative leisure** use (see section on Accommodation). The display from the **Occupation Museum is at risk** and needs to be protected, potentially through the acquisition of exhibits and utilising them in other locations
Other Heritage and Culture	The Island is blessed with having connections to an international **literary icon** in **Victor Hugo**. However, this though is not given **sufficient prominence** or exploited. The Island needs to own its VH story with investment in more events associated with the author, more exposure given to key sites on the Island to project its Anglo French heritage. This has **proven appeal** to the French market and will be of interest to the UK and US markets

*The Guernsey Literary and Potato Peel Pie Society

Additional improvement recommendations

A number of the other products, while having a lower impact, could nonetheless be significantly enhanced to make the overall visitor experience much more fulfilling. We do not advise a major investment in a new attraction or major international event as cannot see this being economically viable. We do recommend some urgent improvement to the physical infrastructure supporting tourism and the visitor experience such as transport, parking, amenities such as toilets, disabled access and signage

Bailiwick Islands	These are an **attractive and potentially differentiated,** but underexploited, proposition for visitors. Issues with Sark will take a long time to resolve and detract from its appeal today. Opportunities exist to better activate the **sea aspect** with more **day cruises, dolphin and bird spotting** etc. Visitor **transit experience is poor**, in particular the parking arrangements which are highly restrictive
Activity/ Wellness	**None** of the Island's activity offerings are **a stand alone tourist draw** relative to better options in UK, though can form an attractive part of an overall 'health and wellness' package. The most important is **walking**, which is unchallenging but offers pleasant scenery and could be much better leveraged including more events (e.g. challenges) and much better signage. To attract the main **wellness** market will require more spa and indoor activity options which need to be provided by hotels and will depend upon their own business cases
Events	The majority of the current events **appear well received,** though mainly attract residents to date. However these may not yet be sufficiently differentiated and it can take many years for an event to become established as a tourist draw. We do **not recommend looking at sports** events to attract tourists as can be expensive to host with limited legacy. We have noted that there is a potential base of **Art & Sculpture** on the Island and plans put forward to exploit this. Art has proven successful with the core market in other destinations and should be assessed
Other Products	We noted other existing and potential new products for development. Given their **limited scale and positioning** we advise that they are out of scope for attracting tourists, being more local amenities with tangential visitor benefit. We also do not see a feasible case for any large scale 'theme park / family entertainment' type attraction on the Island, as this would need to be underpinned by local use which would be insufficient to support anything notable of scale
Visitor Experiences	Other than those noted above, we believe there are **many improvements** to the visitor experience. While the Bus service is good, this is unlikely to be attractive to the target segment who will prefer cars or taxis. Taxi service appears relatively inflexible and a hailing app could be very beneficial. **Parking in St Peter Port is very poor for day visitors** and the lack of an all day parking facility is an issue. **Signage**, particularly for tourist activities, is weak or non existent on the Island. Marketing appears weak, with limited product bundling and limited opening hours out of season

Recommended next steps

Prioritised product offering	Recommended initiative	Recommended next steps	Proposed investment mechanisms	Indicative investment scale*
Castle Cornet	Activate Castle Cornet through converting the building into a mix of restaurants, tailored retail, and potentially a unique boutique hotel	• Research option to create a Heritage Foundation (to include other heritage assets) • Commission a feasibility study for development (mainly to be done in conjunction with the review of St. Peter Port Harbour)	Charitable foundation Public-private-partnership	£20m-£40m** (£1,100-£3,600/sqm)
St Peter Port Harbour	Activation of the harbour area around key attractions	• Commission feasibility and master planning studies	Public-private-partnership	c.£200mn-£500m
Military Sites and Museums	Enhance the overall historical military and occupation offering	• Review State owned heritage sites portfolio and consider feasibility to convert some sites into accommodation / other uses • Review opportunity to acquire privately owned Occupation museum exhibits • Modernise offering / experience (e.g. modern technology, enhancing ancillary offering etc.) • Create a better visitor journey through more material and signage and make sites more presentable to meet the need of the modern traveller	Charitable foundation Public-private-partnership	c.100k-£1m
Other Heritage and Culture	Invest in more events associated with Victor Hugo, while maintaining the ongoing support for current events (e.g. The Heritage Festival, food festivals)	• Develop a plan to create a Victor Hugo Based event, with or potentially without the partnership with Paris • Give more exposure to non-Paris Victor Hugo estate owned attractions	State in collaboration with Private sector	c.100k-£500k
Visitor experience	Improve signage at attractions, improve transportation and accessibility, parking, toilets, disability access	• Improve signage at attractions including walking trails • Encourage longer opening times for attractions • Consider providing all day paid parking for visitors, and provide parking sites for buses near attractions • Improve disability access where possible and provide toilet facilities at key attractions • Consider creating a hailing app to improve taxi transportation	State	c.£100k-£1m
Accommodation policy	Assess the impact of the policy on the industry	• Commission a detailed assessment of the accommodation offering and look into planning and change of use • Input into people management policies to enable hospitality friendly legislation	State	c.£100k- £300k

Note: *Indicative and based on international benchmarks. Actual investment will vary significantly depending on the masterplan and scale of development. **Based on select heritage regeneration benchmarks and assuming the regeneration of 50% of the BUA of Castle Cornet

Summary of prioritised tourism product offerings (1/2)

Product Offering	Examples in Guernsey	Relevance to target market	Rating of offering in Guernsey*	Development priority	Rationale
Architecture / Infrastructure	St Peter Port Harbour	◕	◑	●	The harbour is a differentiated feature of the Island, currently substantially underexploited and could enhance many of the tourism products (e.g. cruise, retail, F&B, heritage)
Culture & Heritage	Castle Cornet, Victor Hugo, The Little Chapel	◑	◕	●	Guernsey has a rich heritage offering, in particular Castle Cornet, which can be better exploited
Military and Occupation Sites and Museums	Fort Grey, German Military Underground Hospital , Occupation Towers, Military Museum, The Occupation Museum	◕	◑	◕	Military sites and museums are not well exploited today but are an important feature of the overall Island package
Sister Bailiwick Islands	Lihou, Herm, Sark, Alderney	◑	◑	◕	The Bailiwick Archipelago is an attractive offering, but underexploited and under marketed
Art & Sculpture	Guernsey Museum at Candie, Sculpture Park at Sausmarez Manor	◕	◔	◑	Modest Art and Sculpture proposition but there is potential for the base of art on the Island to be exploited
Soft activities	Walking, trekking, cycling	◕	◑	◑	Guernsey has the foundations of a decent walking destination but only as part of an overall Island package
Festivals and events	Island celebrations, sporting events	◕ (in case of major events)	◔	◑	Currently well received but mainly targeting residents. Not seen as becoming main tourist drivers but still important with regards to the overall visitor experience
Food and Beverage	Restaurants, Cafes, Pubs, Bars, Kiosks	◕	◑	◑	An overall good offering and important to the overall visitor experience, but does not have a cuisine with international recognition

Note: *Rating is assigned in the context of the product's appeal to the target tourist and as a tourism offering

Summary of prioritised tourism product offerings (2/2)

Product Offering	Examples in Guernsey	Relevance to target market	Rating of offering in Guernsey*	Development priority	Rationale
Sun and Sand	27 beaches (e.g. Cobo Beach, Vazon Bay, Grandes Rocques Bay, Fermaine Bay)	◑	◔	◔	The offering is highly seasonal and uncompetitive compared to Mediterranean destinations
Non-military Museums	Guernsey Museum at Candie, The Guernsey Tapestry	◕	◔	◔	Not well differentiated and lacking key standout attractors
Botanical gardens & parks	Victorian Walled Garden, Candie Gardens	◑	◔	◔	Guernsey does not has sufficient uniqueness to stand out in this market
Hard activities	Sailing, surfing, triathlon	◔	◔	◔	Offering does not appeal to the target demographic and is a more niche offering for experienced people
Retail	Shops, markets	◑	◑	◔	Offering is adequate for current target market, but struggles to compete with major shopping destinations
Wellness	Spas, wellness retreats	◔	◑	◔	Aspects of wellness are partially covered by the enhancement of soft activities. Spas will be subject to the accommodation sector investing in the proposition
Entertainment	Cinema, Theatre, Family Entertainment Centres (e.g. Oatlands)	◔	◔	◔	The offering primarily serves the resident population
MICE	Conference and Meeting rooms	◔	◔	◔	Guernsey's opportunities to become a strong MICE destination are limited, given connectivity issues and lack of exhibition space

Note: *Rating is assigned in the context of the product's appeal to the target tourist and as a tourism offering

St Peter Port Harbour is a differentiating feature of the Island, and offers opportunities for much better use

Tourism Product Offering: Architecture / Infrastructure (St Peter Port Harbour)

Examples of offering in Guernsey

- St Peter Port Harbour

Assessment of product offering in Guernsey

- St Peter Port Harbour is one of the **stand out features of the Island.** St Peter Port town along with its cobbled streets and local shops creates an attractive and interesting offering to visitors, along with major attractions such as **Castle Cornet** and **Victor Hugo's house** which are within a walking distance from the harbour
- However, a significant portion of the harbour is currently being used as a space for free parking and industrial units which affects the overall aesthetics. Relative to other harbours that have been regenerated, it is substantially under exploited. Many of the stakeholders interviewed agreed that a sympathetic development would enhance many aspects of the Island's proposition (accommodation, retail, F&B, cruise ship disembarkation) with a much wider GDP benefit beyond just tourism
- **Visitor experience**, particularly for cruise ships, can be significantly enhanced. Currently, there are issues around arrival facilities, poor transportation around the Island and often a lack of flexibility in opening times from shops and attractions

Relevance to target market

- Appeals to a wide demographic and visitor segments, including business, leisure, VFRs and visitors from cruise ships

Development priority

- We understand that there is much debate upon the merits of a redevelopment. We would **endorse** the view that there is a significant opportunity that will **enhance the overall infrastructure** of the Island of which tourism will be a beneficiary but should not be the prime driver
- Initiatives proposed include a privately funded, 59k sqft **mixed-use development,** with a cinema offering, prime commercial space, retail and F&B
- Also proposed is creation of an **iconic art venue** on the harbour similar to other cities with successful art venues / galleries (e.g. Marseille, Bordeaux)
- Other harbours also contain a mix of hotels, some high end residential, with space for restaurants, bespoke retail and commercial offices

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

Ports have historically been industrial areas, but many have been successfully developed into key residential and tourist destinations

	 **Belfast Harbour** *Belfast, N. Ireland*	 **Gunwharf Quays** *Portsmouth, UK*	 **Chatham Dockyard** *Kent, UK*	 **Salford Quays** *Manchester, UK*	 **Nyhavn** *Copenhagen, Denmark*	 **Ibiza Port** *Ibiza, Spain*
Overview	Successful regeneration around Titanic shipyard	Regenerated ex-naval base with strong community impact	Successful harbour front with adjacent ongoing redevelopment	Public-private funded regeneration of Manchester Docks	17th century canal and long-time tourist hotspot	Bustling island port city in Mediterranean
Key Attraction	Titanic shipyard	Spinnaker Tower (observation tower)	Chatham Historic Dockyard	Imperial War Museum	Historic townhouses and ships	Nightlife
Events	Variety of events including sport events and exhibitions	Hosts international sailing events	Upcoming exhibition and event space (EventCity)	Lowry Centre	Open-air events (market-style)	Events hosted in the numerous high profile nightclubs
Lodging	Premier Inn, Marriott (upcoming), Boutique Hotels	Holiday Inn Express, Boutique Hotels	Travelodge, Boutique Hotels	Marriott, Travelodge, Holiday Inn, Ibis, Premier Inn, Copthorne	Best Western, Boutique Hotels	Hilton, Playasol, THB, Boutique Hotels, Private Villas
Other Components	Retail, Leisure, F&B, Heritage, Commercial, Residential	Retail, Leisure, F&B, Heritage, Commercial, Residential	Retail, F&B, Heritage, Commercial, Residential	Retail, Leisure, F&B, Heritage, Commercial, Residential	Retail, Leisure, F&B, Heritage	Retail, Leisure, F&B, Heritage
Key Success Factors	• £2bn of Gross Development Value (1992-2011) • c.150,000 cruise visitors per year • 15,000 office jobs in City Quays upon completion (estimated)	• £27m rent revenue and £200m+ valuation for Gunwharf Quays shopping complex in 2017 • 5m visitors to shopping complex during first year of opening (2001)	• 3,500 new jobs expected upon completion in 2023 • Aims to create 900m of new waterfront, 400,000 sqft of commercial space, 125,000 sqft of retail and leisure	• Unemployment fell from 8.7% to 4.5% between 1996 and 2006 • 718 businesses employing c.21,600 people in 2017	• Aesthetically attractive • Popular appeal to residents and visitors of Copenhagen	• Attracts top-end entertainment and music industry icons, with a unique entertainment proposition
Investment	£500m – £1bn	c.£500m	c.£650m - £1bn	c.£900m - £1bn	N/A	N/A

Source: Public Information, PwC Analysis

Successful harbour redevelopment projects are well-planned and well-funded mixed-use developments

Mix-use developments

- Successful harbour / waterfront developments tend to have multiple components in close proximity to each other, such as leisure attractions, hotels, retail, F&B and cultural attractions

Economic and Social Balance

- Large scale redevelopment projects need to be well planned in order to meet the needs of the resident community as well as the tourist segment
- The successful development is both economic and socially balanced

Government support and policy

- Large scale redevelopment projects tend to have government support through funding and /or favourable policies

Residential Component

- Residential components ensure the development is activated all year round, and tend to enhance its the commercial viability (e.g. upfront cashflow from the off-plan sales)

Coherent Master Plan

- Successful harbour projects tend to be phased and based on a long term development plan which supports regeneration
- Phased developments progressively activate and expand the area

Public-private Partnership (PPP)

- The majority of successful harbour redevelopment projects have been funded through a PPP framework which is based on risk-cost-and-reward-sharing

Source: Public Information, PwC Analysis

We propose activating the harbour area around Castle Cornet to create a tourist destination

Illustrative

What makes a destination?

- A destination includes **multiple components in close proximity** to each other, such as leisure attractions, hotels, and cultural attractions
- Destinations are **more appealing than standalone attractions**, as they attract a larger number of visits (multiplier effect) and increase average dwell time and spend per visit

1 Multiplier Effect

Having multiple leisure components in close proximity increases footfall to each individual component

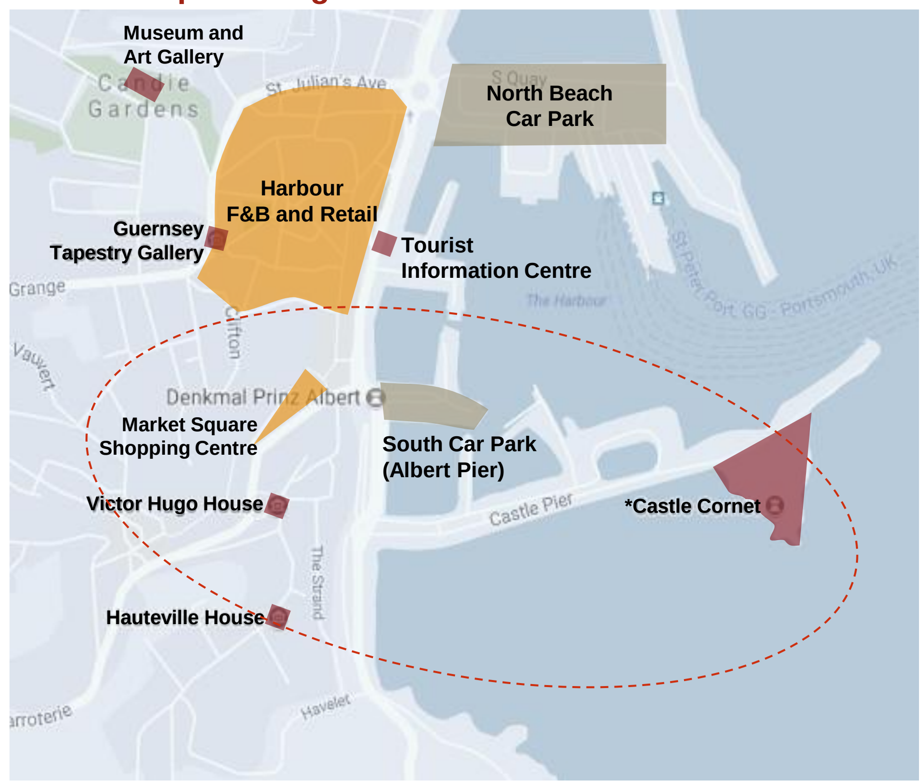
2 Longer Stays per Tourist

Encouraged by a wide range of leisure activities and accommodation available

3 Complimentary Revenue Sources

Opportunity to gain revenue from ancillary offering e.g. retail, food and beverage

Initial phase of harbour regeneration could focus on the area around Castle Cornet but can be significantly expanded across much of the industrial and parking spaces. Development could contain a mix of hotels, some high end residential, with space for restaurants, bespoke retail and space for galleries



Source: World Bank, UN World Tourism Organisation, Las Vegas Conventions and Visits Authority, PwC Analysis

Castle Cornet is the key standout attraction on the Island and is significantly under activated

Tourism Product Offering: Culture & Heritage (Castle Cornet)

Examples of offering in Guernsey

- Castle Cornet

Assessment of product offering in Guernsey

- Castle Cornet is the **centrepiece of the harbour and St Peter Port, and the stand out heritage site** on the Island
- While the attraction is well kept overall and holds a well curated collection across its three museums, it is **not fully exploited/activated** when compared to global benchmarks (e.g. Windsor Castle, Alnwick Castle), which have more extensive ancillary offerings (e.g. F&B, retail, events, and in some cases lodging) and are more 'alive' and distinctive
- Additionally, the Castle is **closed from November to March** during the low season which affects overall visitor experience on the Island
- Overall visitor experience could be improved. The **surrounding land use** affects the overall experience of getting to the castle and aesthetics of the attraction (e.g. sailing dinghies occupying the parking, large area occupied by the model sailing pool). Parking is too time limited if dwell time is to be increased beyond 2 hours

Relevance to target market

- Culture and heritage is one of the key attractors for Baby Boomers and the Swing Generation
- Around 50% of Baby Boomers rank "Exploration of new cultures" as one of the top 5 things they look for in a holiday
- Castle Cornet is the second most popular attraction on the Island with more than a third of the travellers visiting, according to the Online Visitor Survey 2016

Development priority

- Most successful global heritage destinations are well-supported by tourism facilities such as food and beverage, retail and in many cases lodging (e.g. heritage hotels). Such features encourage longer dwell time by tourists and turn a heritage site into a **destination**, rather than a single attraction
- Castle Cornet can benefit from a more **extensive development / ancillary offerings** (e.g. boutique hotel, F&B, specialist retail) and more events/shows to bring the place to life, especially during the low season
- Activating the Castle will also enhance other initiatives, such as the overall **St Peter Port Harbour** development and the improvement of the **cruise proposition**

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

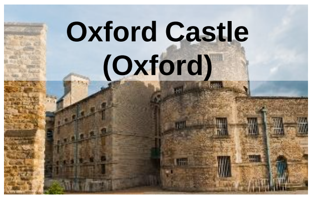
Most successful global heritage destinations are well-supported by tourism facilities such as food & beverage, retail and events

	 **Castle Cornet**	 **Alnwick Castle**	 **Windsor Castle**	 **Göreme Open Air Museum**	 **Plimoth Plantation**
Known For	Role in 1338 French Invasion, English Civil War	Featured as Hogwarts in Harry Potter films	World's oldest and longest occupied castle	Complex of ancient cave churches	Recreation of English Colonists in America
Annual Visitors	65,000	250,000	1,356,000	950,000	500,000
Entrance Fee	Adults £10.50 Concession £3	Adults £26.10 Concession £22.20	Adults £19.20 Concession £17.50	£7	£20
On-Site Facilities and activities	• **Limited F&B and retail offering** • Some organised events including weddings, but **no regular events**	• **Good F&B, retail and Events** offering • Wide range of **family-friendly activities and a regular schedule of events** • Extensive **venue hire** opportunities with bespoke catering, especially for weddings	• **Extensive retail** offering and good F&B • **Family activities and events** every Saturday and in school holidays • Self-guided audio tour and children's **audio tour** • A variety of interactive experiences	• **Heritage cave hotels** • **Exploratory experience** • Private tours	• Permanent exhibits enhanced with special events, public programs and workshops • **Engaging and experiential** outdoor and indoor learning environment

Successful heritage sites benchmarked offer more extensive F&B, retail and organised experiences compared to Castle Cornet
Such features encourage longer dwell time by tourists and turn a heritage site into a destination, rather than a single attraction

Source: Market Representatives, Government Statistics Centres, VisitBritain, PwC Analysis

The average cost for select heritage regeneration projects in the UK ranges from £1,100 to £3,600 per square meter

Heritage site	Project Period	Built up area (m^2)	Cost	2017 Cost per m^2	Funding mechanism	Previous Owner	Previous Use	New Owner	New Use
 **Oxford Castle (Oxford)**	2001-2006	40,469	£44.5m	£1,765	Private: £34.2m Public: £10.3m	Home Office	Jail	Oxford County Council	Mixed-use development
 **Portrush Town Hall (N. Ireland)**	2004-2006	2,175	£1.6m	£1,104	Private: £0.6m Public: £1m	Coleraine Borough Council	Town Hall	Hearth Revolving Fund	Leased to Coleraine Borough Council for events
 **Castlemilk Stables (Glasgow)**	2005-2007	3,767	£4.2m	£1,621	Public and Private (23 sources)	Glasgow City Council	Vacant	Cassiltoun Trust	Community Centre
 **Tower Mill (Hawick)**	2001-2007	4,161	£9.4m	£3,627	Public only	Charitable Trust	Spinning Mill & Mill Shop	Scottish Borders Council	Heritage hub, theatre, cinema, coffee shop and offices

Source: The Prince's Regeneration Trust, PwC Analysis

Victor Hugo is not given sufficient prominence nor fully exploited, and would appeal to both French and Anglo visitors

Tourism Product Offering: Culture & Heritage (Victor Hugo, Little Chapel)

Examples of offering in Guernsey

- Hauteville House (Victor Hugo), Little Chapel

Assessment of product offering in Guernsey

- Hauteville House is the only residence that Victor Hugo owned and lived in for 15 years, making it an **important attraction**
- Though with visitor number restrictions, the house is **well kept** and open to the public, but is **not as exploited as Victor Hugo's rented apartment** in Paris, where many third party exhibitions, workshops and events are held to keep the place alive (e.g. Museum-organised talks, workshops for young visitors, VIP viewing, photoshoots, filming, seminars, conferences, venue hire)
- Other Victor Hugo sites on the Island are largely unmarked
- As the Hauteville House will be closed for renovation for c.18 months, it is important for the Island to showcase Victor Hugo in other ways **and through other attractions**
- **The Little Chapel** is another well visited and unique attraction on the Island, despite not being of a scale large enough to become a stand alone tourist draw

Relevance to target market

- Culture and heritage are one of the key attractors for Baby Boomers and the Swing Generation
- Around 50% of Baby Boomers rank "Exploration of new cultures" as one of the top 5 things they look for in a holiday

Development priority

- The Island is blessed with having connections to **an international literary icon in Victor Hugo**. This though is not given sufficient prominence or activated
- The Island needs to own the story with investment in **more events associated with Victor Hugo**, give more exposure to key sites and make it a front piece to project the Island's **Anglo French heritage**
- We can envisage successful **larger scale performance arts** (literary and drama) events/festival being based around Victor Hugo, plus other writers and dramatists, using the Castle for a Son et Lumiere using music from Les Miserables for example

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

Military and occupations sites and museums are not well exploited today but are an important feature of the overall Island package

Tourism Product Offering: Military & occupation sites and museums

Examples of offering in Guernsey

- Fort Grey, German Military Underground Hospital, Occupation museum

Assessment of product offering in Guernsey

- While there are numerous structures, the attraction to tourists is **diminished** as there was no major battle field event or tragic human event (e.g. holocaust) upon which to develop a compelling narrative. The structure is thus not a sufficiently compelling stand alone draw compared to other locations (e.g. D Day landings, WW1 trenches)
- However, there is still an interesting social and visual history thread which will be significantly supported by the film **"Guernsey Literary and Potato Peel Pie Society"**
- The sites are interesting but **underexploited** and often poorly kept/presented, with little marketing literature and connectivity
- The majority of privately owned occupation attractions are often **dated, too static, with weak signage**, **average to poor curation, limited dedicated parking**, and generally do not offer the interactive engagement modern consumers now expect
- Overall, **visitor experience around military sites and museums is weak and disjointed** as the sites are not connected nor bundled/marketed together as one offering

Relevance to target market

- Military sites and museums could be important features that appeal to the target market as an attractive option for their visit, though underexploited today
- The German Occupation Museum is one of the Top 5 Attractions on the Island according to the Online Visitor Survey 2016

Development priority

- There needs to be **more coordination and consistency** in presenting and marketing the offering. We expect that more innovation and enthusiasm can be generated locally if managed outside of the Government directly (See Funding Mechanisms)
- The majority of occupation sites/attractions are privately owned, with the owners often running the facilities themselves. As a result, as the ownership base ages, many of these assets are under the **risk of being lost/sold.** It is therefore important for the States to protect and potentially bring together the privately owned occupation collections on the Island through acquisition/bequest
- As for the State owned military assets, many of these are currently unused (e.g. coastal towers) and can be **regenerated/converted** into successful tourist destinations (e.g. self catering, alfresco dining venue, mixed use venue, art gallery)

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

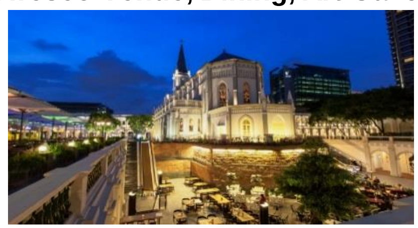
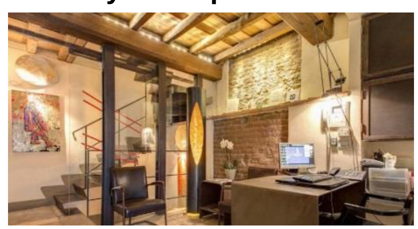
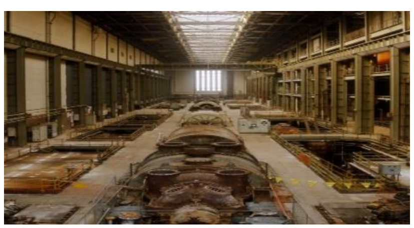
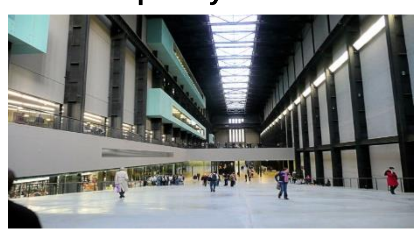
Various locations around Europe have a stronger WWII heritage compared to Guernsey upon which to base a compelling narrative

	D-Day Landing Beaches	Anne Frank House	Auschwitz-Birkenau Memorial and Muesum
Location	Normandy, France	Amsterdam, Netherlands	Oświęcim, Poland
Historical signification/ importance	• The largest seaborne invasion in history • The operation began the liberation of German-occupied Europe and contributed to the Allied victory on the Western Front	• The building preserves the hiding place of Anne Frank when she was trying to escape from Nazi persecution • All the rooms in the house have been preserved to their original style and decor from the hiding period	• The largest of the German Nazi concentration camps and extermination centres, in which over 1.1 million men, women and children lost their lives
Description	• Vast area with a series of beaches with strong historical significance • Includes several museums and attractions such as Merville Battery, Musee du Mur de l'Atlantique Le Bunker, Musee America-Gold Beach etc. • Events, circuits, festivals and activities organised on a regular basis in the region	• Biographical museum dedicated to Jewish wartime diarist Anne Frank • Has a few permanent exhibitions and regular temporary exhibitions • Engaging experience with films in which people that knew Anne Frank talk about her	• The authentic Memorial consists of two parts of the former camp: Auschwitz and Birkenau • Free admissions but different types of guided tours are offered to visitors • Permanent and temporary exhibitions • Dwelling time: c.3.5h
Annual Visitors	N/A	~1.2m	~1.7m

Source: Publicly available sources

The State owns many unused heritage assets that can be regenerated/converted into successful tourist destinations

Examples of successful regeneration/conversion of historic sites

	Former Use	Current Use	Critical success factors
CHIMES Singapore	**Catholic church and convent** 	**Alfresco Venue, Dining, Art Gallery** 	✓ High occupancy (c.90% in 2016) ✓ Part of the National monuments of Singapore ✓ Commercially attractive (complex valued at c.£362m) ✓ Key tourist and resident attraction
Residenza Torre Colonna Rome	**Medieval defense tower** 	**Luxury Boutique Residence** 	✓ Unique offering with strong novelty value ✓ High customer reviews (9.1 on booking.com, 4.8/5 on Expedia, 5/5 on TripAdvisor)
Tate Modern London	**Bankside Power Station** 	**Contemporary Art Museum** 	✓ Iconic landmark and synergy with contemporary artwork ✓ Significant increase in footfall, from c. 2.5 million visitors to 5+ million visitors a year

Source: Public Information; Perennial Annual Report 2016

The Bailiwick archipelago is an attractive offering that will appeal to the target market but could be better exploited

Tourism Product Offering: Sister Bailiwick Islands

Examples of offering in Guernsey

- Trips/excursions to Herm, Sark, Alderney, Lihou

Assessment of product offering in Guernsey

- The Bailiwick Islands is a **differentiating proposition** as each of the Islands provides an alternative experience for the visitor (e.g. occupation in Alderney, no cars in Sark and Herm, Dark Sky in Sark)
- Guernsey is the only **hub** from which visitors can access the other Bailiwick Islands (with the exception of Alderney which can be accessed from the UK)
- The **current trip/excursion proposition is quite limited** with only a few transport options, and it is relatively **inconvenient** for visitors who have cars given the limited parking space in St. Peter's Port. **More than 50%** of the visitors to the Island (54.7%) **have not taken any excursions to other Islands** whilst in Guernsey, according to the Online Visitor Survey 2016
- Packages with Sark are currently severely constrained following the **closure of 4 hotels** on the Island
- There is also an opportunity to create more **activities that bring the Islands together**, both in terms of overnight stays and day trips

Relevance to target market

- Island hopping is an attractive offering for the current target market
- Almost 50% of visitors in 2017 mentioned **Island hopping as one of the main reasons they considered Guernsey as a destination (**probably including Jersey)

Development priority

- The Bailiwick experience is a **differentiated offering** which is attractive to the target market and could be better exploited. We believe the priority is with Herm and Sark as Alderney is too far for a viable day trip
- Feedback from the Profile Form Report suggests visitors would like more information about the actual Islands in the Guernsey marketing material. **Island hopping experience** could be enhanced through better packaging and marketing, more transport choices, and more things to do on the Islands and around their coasts. However, this will rely on more **entrepreneurial private development** of activities
- A current initiative to introduce **sea-planes** could be exploited to create bespoke and unique trips over and onto the Islands. In addition more **yacht and motorboat** cruises around the Islands would be an attractive proposition

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

Guernsey's current art and sculpture proposition is modest, however there is a potential base of art on the Island to be exploited

Tourism Product Offering: Art & Sculpture

Examples of offering in Guernsey

- Guernsey Museum at Candie, Sculpture Park at Sausmarez Manor, Neolithic sculptures and passages/caves

Assessment of product offering in Guernsey

- The current art and sculpture proposition in Guernsey **is not well differentiated and is lacking key standout attractors**
- Guernsey Museum at Candie is the only key attraction on the Island with a **well curated art** collection, despite being small compared to other major global museums. Moreover, the museum is located on a steep hill, with no dedicated bus stop and parking, making it difficult to visit, especially for elderly cruise passengers.
- Feedback from the Profile Form Report 2016 shows a lack of disability friendly facilities in museums
- Stakeholders have indicated that there **are large privately held art collections** on the Island that could be exploited to create an iconic art location in the same vein as St Ives in Cornwall
- Guernsey's **Neolithic sculptures and heritage is dispersed on the Island,** with limited information displayed on the artifacts and relatively limited marketing. We see these as being of very niche interest
- The privately owned sculpture collection in the Sculpture Park is not well curated and acts as **retail/commercial initiative for the owner** rather than a tourist attraction. Furthermore feedback from the Profile Form Report 2016 suggests the adjacent offering there is of low quality service

Relevance to target market

- Art tourism is a growing area and particularly appeals to the **higher wealth segments**
- St Ives for example has achieved international recognition for its partnership with the Tate, while coastal sculptures attract attention

Development priority

- Art has proven successful with the core market and we advise that this could be a successful focus on which to create short term recognition and longer term visitation
- We note ideas put forward to **exploit the art owned by many residents** on the Island to create a permanent art exhibition venue. If the intent can be further substantiated, the art proposition on the Island can be significantly enhanced through a form of public private partnership
- Other initiatives include **partnering with other museums and galleries** and **hosting international exhibitions** that showcase and expand the current art and sculpture proposition

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

Various locations around the UK became tourist attractions by leveraging modern and peculiar art pieces




	Crosby Beach, Liverpool	Aldeburgh, Suffolk	St Ives, Cornwall	Gateshead, Tyne and Wear
Attractions	Another Place Statue	Scallop Shell	Tate St Ives Gallery, Barbara Hepworth Museum and Sculpture Garden	The Angel of the North
Artist	Antony Gormley	Maggi Hambling	Various	Antony Gormley
Description	• The 100 cast iron figures have been exhibited in several locations around Europe before being permanently installed at Crosby Beach • The naked statues initially raised controversy, though they became an important tourist attraction in the region	• The 15ft high sculpture is a controversial piece of art situated on the beach • The piece is constructed of two giant stainless steel scallop shells which interlock • The controversial nature of the art created a landmark for the region and became one of the biggest attractions on the beach	• The town hosts a variety of art pieces including the Tate iconic gallery situated in proximity to the seafront, overlooking Porthmeor Beach • The Tate gallery is currently being redeveloped to accommodate additional space for art, events and activities	• Sculpture of an angel 66ft tall with wings measuring 177ft, slightly leaning forward to create a sense of embrace • Project funded mostly by the National Lottery • One of the most famous sculptures in the UK • Visited by approx.150,000 people every year

Source: Publicly available sources, Visit Britain, Visit England, Gateshead Council

Guernsey has the foundations of a decent walking destination but only as part of an overall Island package

Tourism Product Offering: Soft Activities

Examples of offering in Guernsey

- Walking, Trekking, Cycling

Assessment of product offering in Guernsey

- **None** of the Island's activity offerings are **a stand alone tourist draw** relative to better options in UK, though can form an attractive part of an overall 'health and wellness' package
- The most important is **walking**, which, while unchallenging and cannot compete with many UK walking areas, offers pleasant scenery and views and could be much better leveraged including more events and much better signage
- There is a **lack of branding** which has previously been a successful marketing feature for other UK destinations (e.g. The Jurassic coast, The Ridgeway etc.) and may help with differentiation
- There are insufficient open spaces and roads are too narrow with traffic to fully **push cycling** as a genuine mass activity for serious cyclist visitors to Guernsey

Relevance to target market

- Walking/trekking is one of the most popular adventure holiday activity for the Baby Boomers and is expected to grow in the next 5 years (20% vs 32% participation rate)
- According to the Profile Form Report 2016 62% of the people mentioned walking was one of the reasons that inspired them to consider Guernsey

Development priority

- Given the potential for differentiation and the growing trend in the travel market, **enhancing the walking proposition should be given priority**
- Guernsey's offering could be further developed to become more appealing to the current demographic and attract new visitors. Better signage, information and packaging is needed to transform the product into a **high quality walking offering**
- Future initiatives may focus on **branding and events/challenges** (such as Active Challenge's series of Ultra Challenge walks) to attract new visitors to the Island

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

The Island's current events appear well received but mainly target residents and are not seen as becoming main tourist drivers

Tourism Product Offering: Festivals and Events

Examples of offering in Guernsey

- Island celebrations, sporting events, food festivals (e.g. Tennerfest), Sark Folk Festival, Sea Front Sundays, literary events, The Heritage Festival

Assessment of product offering in Guernsey

- There is a wide range of events and festivals on the Island, however, most these are of a relatively **small scale** and primarily cater to the **local population.** Only 22% of the visitors strongly agree that Guernsey is an Island of festivals according to the Online Visitor Survey 2016
- It can take many years for an event to become established as a tourist draw and if trying to develop one from scratch it needs to be viable with local attendance
- During the Heritage Festival, the one week long initiative around **Victor Hugo** (e.g. 150th anniversary of the publication of Victor Hugo's "Toilers of the Sea") seemed to gain traction. Similar initiatives may attract French tourists, and could be further exploited
- Examples of successful events that attract tourists (e.g. Oktoberfest, La Tomatina) leverage **local culture and heritage** to create an unique experience

Relevance to target market

- Events and festivals have potential to attract high number of visitors. If tailored around Baby Boomers' interests and marketed appropriately they could become an appealing proposition but they take time to develop and gain traction

Development priority

- Guernsey could identify one or two key events which are well differentiated and appeal to the target markets. As such we do **not recommend looking at sports** events to attract tourists
- Future initiatives may **leverage more cultural heritage and traditions** (such as exploiting the Victor Hugo connection), and may use **innovative ways to reach scale** (such as bringing a celebrity chef). We note some events (e.g. Sea Front Sundays, The Food Festival) might be important for the Cruise market, and should be maintained
- Should the **Arts & sculpture** proposition be taken forward, it could be tied to events and could be successfully developed and marketed to the international market

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

Successful events take a long time to be established and to attract tourists, and tend to be tied to local culture and heritage





	Oktoberfest	La Tomatina	Notting Hill Carnival	Palio di Siena	San Fermin Festival
Location	Munich, Germany	Valencia, Spain	London, UK	Siena, Italy	Pamplona, Spain
Duration *(Date)*	16-18 days *(Mid September – Early October)*	c. 1h *(Last Wednesday of August)*	2 days *(August bank holiday Monday and preceding Sunday)*	~4 days (90s race) *(2nd of July and 16th of August)*	1 week *(6-14th July)*
Known For…	Beer	Tomato fights	Music and costumes	Bareback horse races	Running of the Bulls
Description	• Annual folk festival showcasing Bavarian culture; first held in 1810 for the marriage of King Ludwig I • Includes amusement rides, a wide variety of traditional food, games and costume parades	• Fight held annually since 1945 when during a public event the crowd started a fight with tomatoes in absence of other weapons • Multiple parties are held during the day, including a boat party	• Led by members of the British West Indian community, the event promotes cultural unity and was first held as a response to racial issues in 1959 • Features multiple types of music, different shows and a wide food and beverage offering	• Races were first held in the Medieval ages and soon became tied to religious events • Includes parties, rehearsal dinners, a variety of rituals and a historical costume parade	• Celebration of San Fermin who is said to have died being dragged through the streets with angry bulls running after him • Comprises of folkloric events and parties, rural Basque sports (stone lifting, wood cutting etc.) and bull fighting
Annual Visitors	~ 6m visitors (~15% foreign)	~20,000 visitors	~ 1m visitors (~40-50% from outside London)	~50,000 visitors to each event	~1m visitors

Source: Public Information

The F&B offering in Guernsey is of a good standard, but does not have international recognition

Tourism Product Offering: F&B

Examples of offering in Guernsey

- Restaurants, Cafes, Pubs, Bars, Kiosks

Assessment of product offering in Guernsey

- There is a **good range of restaurants** on the Island and in general they are of a good standard, with multiple boutique/family-run businesses rather than food chains
- The proposition is mainly **tailored for residents and business visitors** and **lacks the scale to become a major tourist attraction**, especially given the relatively high-standard expectations of the target market
- Guernsey's F&B offering and cuisine **does not have the international recognition** necessary for the Island to become a gastronomical destination and the events organised (The Taste Guernsey Food Festival and Tennerfest) are mainly attracting residents
- Overall, the **current proposition is good,** and will not disappoint visitors but will not be the main draw

Relevance to target market

- F&B is an important factor for a successful holiday and **gastronomical tours are generally gaining momentum** in the travel market
- **60%** of the Baby Boomers mention enjoying good F&B is an important factor when going on holidays
- Dining out is the most popular activity on the Island according to the Online Visitor Survey 2016

Development priority

- A **large amount of effort and industry coordination** is required for Guernsey to become a main gastronomical destination, however there are **ways in which the visitor experience could be improved**
- There is a need for **a stand-out element** and **better branding** to significantly differentiate Guernsey from other destinations (e.g. celebrity chef, seafood focus)
- Guernsey could further **leverage its local produce** (e.g. healthy, specific, relatively limited produce) and **interesting trading experience** (e.g. Hedge Veg) to enhance both its permanent and seasonal proposition (festivals, events etc.). It could also do more to highlight its fresh seafood offering in particular crab

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

Guernsey's sun & sand offering is not competitive compared to more attractive destinations that have become accessible and cheaper

Tourism Product Offering: Sun and Sand

Examples of offering in Guernsey

- 27 beaches (e.g. Cobo Beach, Vazon Bay, Grandes Rocques Bay, Fermaine Bay)

Assessment of product offering in Guernsey

- Guernsey (and the other Bailiwick Islands) have several **unspoiled beaches**, many of which are sandy and attractive to visitors seeking a sun and sand holiday (80% of surveyed visitors to Guernsey agree that the Island has good beaches)
- However, the **beach season in Guernsey is short** with c.9 months during the year with an average temperature below 15 degrees Celsius
- **Public beach facilities** (e.g. toilets, sun beds, umbrellas) are very **limited** and not all of them have kiosks / small restaurants which service the public. The sun and sand offering can be significantly enhanced through offering more public facilities / amenities

Relevance to target market

- While beach holidays are popular amongst Baby Boomers, the short beach season in Guernsey coupled with cheaper and more attractive beach destinations in Europe and the Mediterranean, make the sun and sand offering in Guernsey much less appealing to this market

Development priority

- Guernsey's historic traditional core beach market relies principally on repeat business from the UK. While some families consistently visit this is not regenerating and this core beach market will decline / plateau as new consumers unfamiliar with Guernsey have a much wider range of more attractive, lower cost opportunities in the UK, Europe, and even Jersey (due to lower air fares)
- In light of the high cost of getting to Guernsey, the sun and sand offering should take a **lower priority** in the Government's plans compared to other more attractive product offerings

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

The non-military museum offering in Guernsey is not well differentiated and lacks key standout attractors

Tourism Product Offering: Non-Military Museums

Examples of offering in Guernsey

- Guernsey Museum at Candie, The Tapestry

Assessment of product offering in Guernsey

- Generally, the **State owned museums** are pleasantly kept, well curated and are operated more professionally than the privately owned museums
- However, several State owned museums (e.g. Guernsey Museum, Castle Cornet museums) **close during the autumn and winter**, which significantly impacts the visitor experience during these months when many outdoor activities and attractions are inaccessible
- **Privately owned museums** have large collections, but content is not well curated, and availability and quality of information is in some cases poor (e.g. hand written signage)
- **Digitization is lacking/poor** (e.g. voice buttons, old TV screens) and could be enhanced to provide the visitor with a more modern/experiential activity
- **Sales channels are weak** as many of the museums only sell tickets at the door, and the Discovery Pass for State owned attractions is not well marketed

Relevance to target market

- Museums are often important tourist attractions but they need to be distinctive with unique collections if they are to be a main draw

Development priority

- The museum offering in Guernsey is **not well differentiated** as it lacks standout attractors (e.g. iconic content, iconic architecture, modern technology, highly interactive offering) and is thus not likely to become a main draw for the target market
- The current museums do provide additional day time activities as part of the Island package but **without securing a leading collection** we do not advise this area as being a development priority
- However there are actions that could be taken **to modernise the visitor experience** in line with other museums- such as more interactivity and VR (this applies also to the Military museums covered in the previous page)

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

Museums in Guernsey can enhance the visitor experience and dwell time by incorporating technology such as virtual reality

Technology | **Examples**

Virtual Reality Headsets

Small Wonders: The VR Experience
The Met, New York

- Visitors explore the detailing on artefacts by moving through, around, and within them
- 3D rendered items include 16th century Gothic prayer beads and rare boxwood carvings

TheBlu
Natural History Museum, Los Angeles

- Visitors can use HTC Vive VR headsets; Hand controller acts as a virtual flashlight
- Provides the visitor with a sea life experience (e.g. meet an 80-foot blue whale, stop on a coral reef, dive into an abyss)

Audiovisual Elements

Arromanches 360 Circular Cinema
Normandy

- A film is played across nine large screens covering the theatre's circumference
- Immersion is augmented by high-quality soundtracks and mixing images from archives with contemporary images

The Pink Floyd Exhibition
V&A, London

- V&A's most successful music exhibition ever, popular across audience types
- Combines authentic staging and quality sound
- Integrates actual equipment, stage props, posters, and artwork used by the band

Source: Public Information

Botanical gardens and parks in Guernsey do not have sufficient uniqueness to stand out as a key tourist attractor

Tourism Product Offering: Botanical Gardens and Parks

Examples of offering in Guernsey

- Victorian Walled Garden, Candie Gardens, Sausmarez Manor Sub-tropical Garden

Assessment of product offering in Guernsey

- Guernsey's gardens and park are not of a **scale or uniqueness** to be a major visitor attraction
- We recognise **Guernsey's floral heritage** and that some climatic advantages over the UK enable a wider range of flora and fauna. However, it is not sufficiently different from other destinations
- Even though there has been extensive work in this area done by volunteers, the **product offering is limited** with **not enough outstanding species**. The gardens and parks currently **lack a differentiating factor and a story/outstanding characteristic**
- **Presentation of current attractions is modest**, with not enough available information and signage
- Packaging of **multiple attractions** or points of interest for flora lovers is relatively modest and often inconvenient given no available parking
- Overall **Guernsey does not have sufficient uniqueness to stand out in this market**

Relevance to target market

- While horticulture is popular for a segment of the UK tourist market (e.g. 50+ enthusiasts, members of RHS), it does not stand out as a **major trend** in tourism
- Even though 47% of the people mentioned the Wildlife/Flora/Fauna inspired them to come to Guernsey, this is not one of the most important factors

Development priority

- Guernsey's floral offering is not **sufficiently unique to stand out as a key tourist attractor**
- Available initiatives which deal with improvement of parks and enhancement of current product offering are mostly targeting, and **will have a greater impact on, the local/resident population rather than on tourists**
- While we do not think Guernsey has sufficient uniqueness to stand out in this market, the ideas for regenerating Saumaurez Park need consideration

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

Guernsey's hard activity offering does not appeal to the target demographic and is a more niche offering for experienced people

Tourism Product Offering: Hard Activities

Examples of offering in Guernsey

- Surfing, Sailing

Assessment of product offering in Guernsey

- The Island offers a number of outdoor activities but many **are sub scale** and more an **adjunct to a visitor's stay** rather than being the draw for visitors to the Island
- The current sailing proposition is **limited to experienced sailors** because the waters around the Island are challenging and relatively treacherous
- Surfing is highly dependent on weather conditions and **waves are too inconsistent** to attract a high number of enthusiasts compared to other destinations (e.g. Newquay for surf)

Relevance to target market

- Hard activities are primarily appealing to a much **younger demographic** than Guernsey's target market
- Only 7% of the people were inspired by the sports/outdoor activities when coming to Guernsey according to the Profile Form Report 2016

Development priority

- Regattas and organised sailing activities are unlikely to attract the average UK sailor and so would likely be sub scale
- Guernsey was once part of global power boat circuits. Even though there are some attractions in hosting such an event in terms of media coverage and awareness, the **timing will usually be poor** (during the peak season) and the **actual audience is niche**
- Events such as Triathalons, Tough Mudder, Spartan etc. are **expensive to stage** and have **high breakeven points** in terms of customer numbers (we estimate c.5000 for some events). They rely on high participation from residents and Guernsey may find it challenging to economically sustain such events, **while adjacent economic benefits are likely to be small**

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

Guernsey's retail offering is adequate for the current target market

Tourism Product Offering: Retail

Examples of offering in Guernsey

- Local shops, markets

Assessment of product offering in Guernsey

- Overall the **retail offering is good** with a variety of boutique shops, especially for jewellery and arts and crafts, and a few international brands such as M&S and Superdry
- The retail proposition is **adequate for cruise passengers**, with a good number of **shops situated around the harbour area**
- The **favourable VAT** environment makes the Guernsey retail proposition relatively attractive compared to other destinations, however the offering could be further improved as there is a **limited number of luxury brands** present on the Island
- Limitations in the retail offering are mainly around opening times, as some of the shops, especially around the harbour are **not open during weekends.** Only 34% of the visitors went shopping whilst in Guernsey (vs. 82% that dined out)
- For a visitor the shopping experience in St Peter Port **is pleasant** with narrow street and interesting local shops. As with F&B it is a **reasonable foundation** for the overall city break package

Relevance to target market

- Retail is in general **an important offering for visitors**, especially for cruise passengers
- **63%** of the cruise passengers mention they have been shopping whilst in Guernsey

Development priority

- Guernsey **does not have the scale** to compete with major shopping destinations in the UK (eg Gun Wharf Quays)
- Generally a strong and sustainable retail offering is **supported by the local demand** and, given Guernsey's relative small population and high seasonality in visitor numbers, it is **unlikely to be economic to become a major attraction**
- We note that any **future harbour development** is likely to include a retail element which provides an opportunity to broaden the offering

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

The wellness offering is not prominent enough to become an attraction and developments sit mainly with the private sector

Tourism Product Offering: Wellness

Examples of offering in Guernsey

- Spas, wellness retreats (Bella Luce, OGH etc.)

Assessment of product offering in Guernsey

- Guernsey's wellness proposition is adequate for the current target market, however it is **not one of the main offerings** on the Island
- **The number of spa retreats is relatively small** and most of the wellness services are packaged as the **adjacent rather than main offering** of the accommodation provider
- The wellness package proposition is limited with a few hotels (e.g. OGH, St Pier Park) trying to tap into the market
- The investment in facilities is **sub-scale** at the moment and lacks both the facilities and the breadth of services to make Guernsey a **wellness destination**

Relevance to target market

- Whilst the population is ageing and the demand for wellness services is increasing, Guernsey's offering is too limited to compete with major wellness destinations
- Only 18% of the people were inspired by the wellness proposition when coming to Guernsey according to the Profile Form Report 2016

Development priority

- The wellness proposition development is subject to the **accommodation sector assessing the feasibility and investing in the offering**. In this context government intervention would most likely be around change of use policy and planning rules, covered elsewhere in this report
- Aspects of wellness are partially covered by the enhancement of soft activities such as walking

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

The entertainment offering in Guernsey is very limited and primarily serves the resident population

Tourism Product Offering: Entertainment

Examples of offering in Guernsey

- Cinema, Theatre, FECs (e.g. Oatlands, ST Pier Park Golf Range)

Assessment of product offering in Guernsey

- The current proposition is limited to 2 cinema venues, 2 theatres and small scale family entertainment centres which **mainly target residents**
- Guernsey does not have a large scale entertainment venue such as a theme park, casino, large night club etc.
- A family entertainment center is being built in a mixed use development (Oatlands), which will be a good addition to the things to do in Guernsey, but does not seem to be sufficient scale to attract tourists as a standalone offering

Relevance to target market

- Entertainment is an important offering for peak season family holidays. However, it is not the primary offering that appeals to Baby Boomer market and needs to be of a significant scale to be the main attractor (e.g. theme park, world class casino)

Development priority

- In order to enhance the entertainment proposition in a way that would significantly impact tourism trends (e.g. a big amusement park), there is a requirement for big investment and effort (e.g. revising planning regulations). The current infrastructure and population in Guernsey would not be able to support an initiative of this scale
- Creating more entertainment venues alone in the harbour, though it will activate the area and transform the development into a mix-use location, is unlikely to constitute a main visitor attraction without other supporting components
- Other developments should be encouraged, but they will primarily be dependent on resident demand

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

Guernsey's opportunities to become a strong MICE destination are limited, given connectivity issues and lack of space

Tourism Product Offering: MICE

Examples of offering in Guernsey

- Facilities within Hotels, Stand-alone conference and exhibition centers

Assessment of product offering in Guernsey

- The current proposition is **limited and sits mainly with the accommodation providers**, none of which have a strong business offering
- The MICE facilities on the Island are currently quite modest, **sufficient only for the existing/local business environment** and lack the scale to become a driver of business tourism
- Currently Guernsey **lacks the features of a competitive MICE** proposition, especially given the relatively high costs of travel required to attract foreign business tourists

Relevance to target market — N/A

- MICE is a relevant offering to the business market, and not Guernsey's target market (50+ leisure segments)

Development priority

- Even with better facilities, Guernsey may struggle to become a competitive MICE destination given the Island's **connectivity issues and lack of space**
- Comprehensive MICE offerings are usually supported by considerable **local/regional demand** which Guernsey may struggle to deliver consistently

Source: Stakeholder interviews, States of Guernsey, PwC Analysis

Assessment of tourist accommodation offering

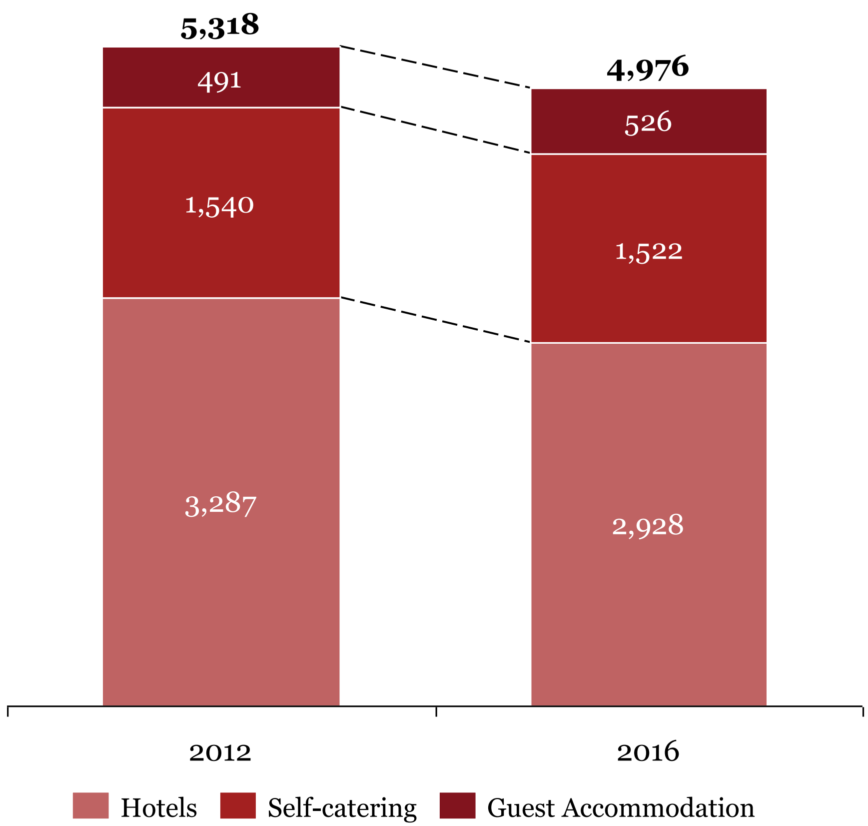
Accommodation and planning policy

There is a wide mix of accommodation on the Island with some good recent development. However much of the old stock has been under invested, with falling occupancy and closures, particularly of coastal hotels. The short season, and falling numbers within this, is making many more coastal properties unviable, while tight planning laws are discouraging new investment. We note that despite this there are pinch points in peak season but there is a lack of flexible 'swing' rooms enabled by offerings such as Airbnb

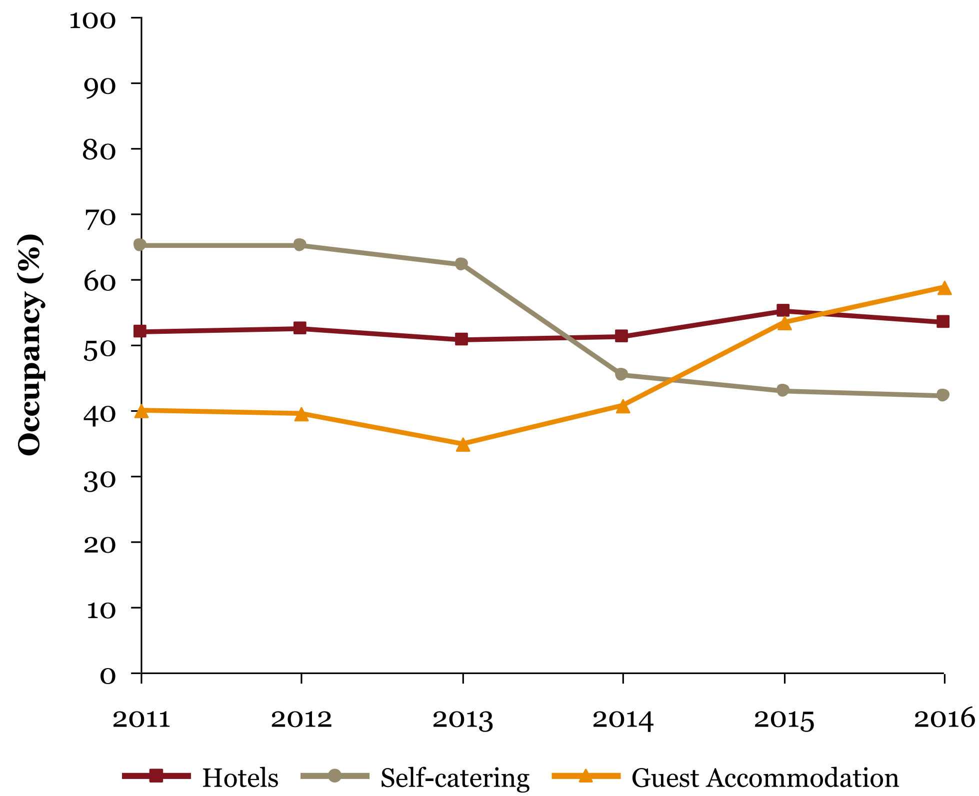
Performance	Guernsey's accommodation performance is **overall weak**, with declining number of beds and stagnating occupancy rates. Capacity is claimed to be constrained during a few peak months particularly for charters, which is problematic given the current **limited swing flexibility** that would have historically been offered by guest houses and B&Bs, of which there are few
Range & Quality	While the mix of hotels and self catering by star rating **appears appropriate** and similar to other destinations, this can be **misleading as not a good judge of quality** and feedback. Our own observation is that many of the hotels are not of a quality to meet the target markets' more modern expectations. We also note the restrictions placed on Airbnb type letting which we think should be relaxed. This will provide more flexibility as well as being attractive to all market segments including the 50+ segment
Future offering	The Island would need more **high quality boutique hotels** as well as **quality budget** hotels. An attractive angle for the target market are 'heritage hotels' which provide an immersive and unique experience and a revenue source on unused assets. The wellness offering with Spas and fitness classes is under developed and we encourage hotels to better leverage activities on the Island such as walking in 'health & wellness' packages
Liberating planning	We recognise the concern over reforming **the Change of Use** rules leading to a **rapid decline** in bed stock. We do though believe that this needs a detailed study of options before allowing **market forces to be allowed** to play out to ensure that there is a reorientation of stock volume and quality to enable viability in the current market. Accommodation will need to be attractive to both businesses and upmarket tourists to extend the season. We also think that a number of the States' assets **could be successfully redeveloped** into a hospitality offering as seen in other markets including Jersey

Guernsey has been faced with a declining number of beds and stagnating occupancy rates

Guernsey's accommodation stock[1], 2012/2016 (# beds)



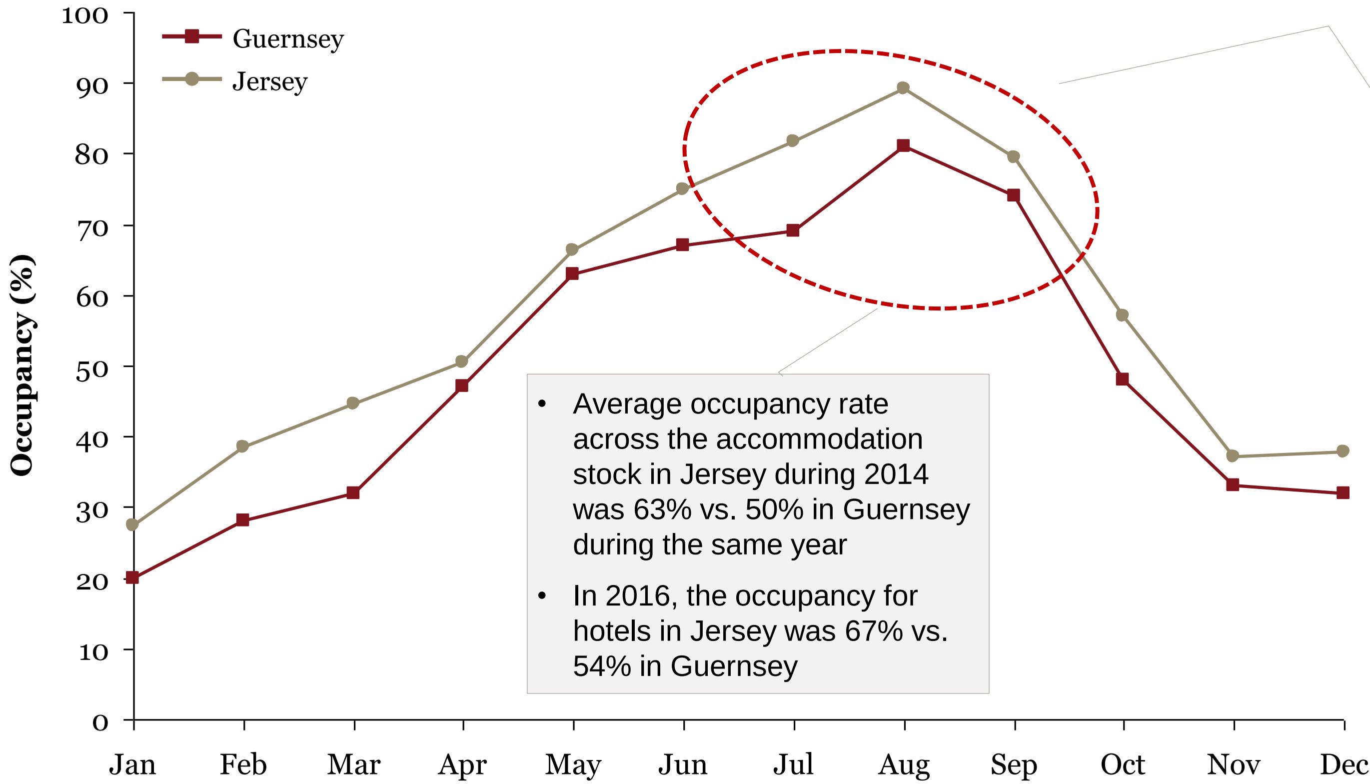
Average occupancy rate in Guernsey by type of accommodation, 2011-2016 (%)



Note: [1] Excludes campsites, hostels, serviced apartments, and home lets
Source: Government Information

Capacity is constrained during the few peak months, which is problematic given the current limited swing flexibility

Average occupancy rates in Guernsey and Jersey across the accommodation industry, 2014



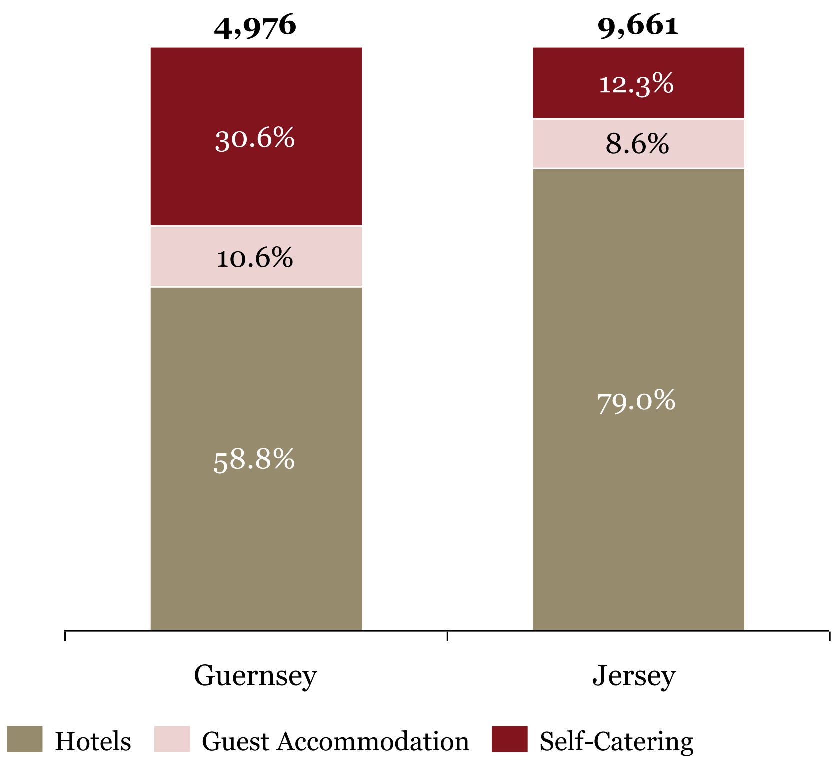
- Average occupancy rate across the accommodation stock in Jersey during 2014 was 63% vs. 50% in Guernsey during the same year
- In 2016, the occupancy for hotels in Jersey was 67% vs. 54% in Guernsey

- Tour operators complain that during peak months there are often no available rooms
- Currently, there seems to be little swing flexibility to absorb the peaks and consideration needs to be given to allowing platforms such as Airbnb and OnefineStay to expand their periods of availability
- Likewise consideration needs to be given to more people being able to rent out their property for a longer period of time

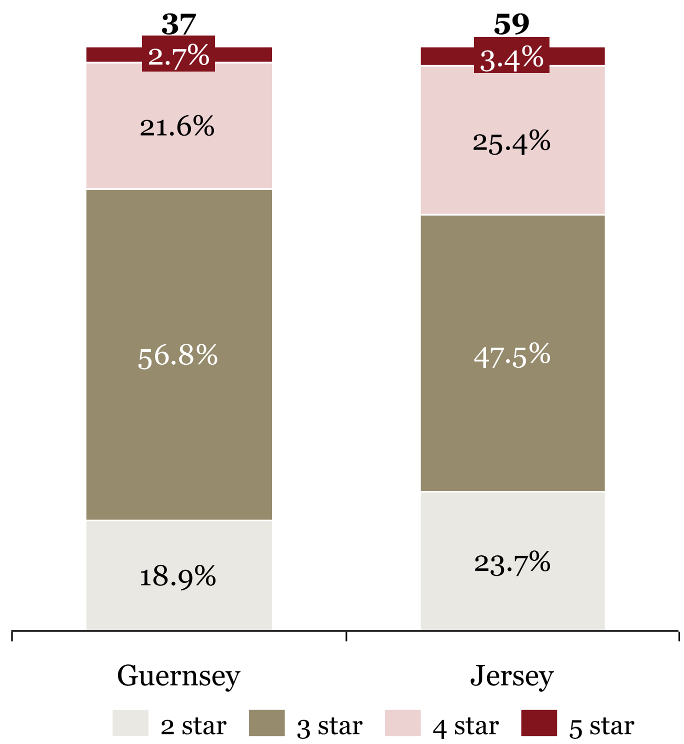
Based on all available rooms and beds in 2014
Source: Jersey Destination Plan, Client Information

While the mix of hotels by star rating appears appropriate and similar to other destinations, this can be misleading…

Breakdown of accommodation stock[1] by type, 2016



Breakdown of hotel stock by star rating, 2016



Note: [1] Excludes campsites, hostels, serviced apartments, and home lets
Source: Jersey Destination Plan, Client Information

…and our observation and received feedback suggests that the accommodation stock is not of a sufficient quality to meet target market expectations

Feedback/assessment of the accommodation stock in Guernsey:

Much of the accommodation, particularly in the 2-3 star categories, is not of a quality to meet target market expectations

- The lack of growth in visitors discourages investment which in turn has reduced the attractiveness of the accommodation product
- There seems to be too much coastal capacity with a number of accommodation establishments closing, and a number with an outdated offering
- Guernsey will need more high quality upscale accommodation with a broader range and more modern design if it is to better attract the slightly younger, wealthier customer segments
- We would encourage expanding the wellness offering with SPAs and classes and for hotels and self-catering establishments to better leverage the Island activities, such as walking, in a 'health & wellness' package. This however will require private sector investment

There is a burgeoning market for staying in unique and quirky accommodations

- An attractive angle for the target market are 'heritage hotels' and 'heritage self-catering establishments' which provide an immersive and unique experience for visitors and a revenue source on unused assets (e.g. State owned assets such as coastal towers) Jersey has been successful at converting its heritage into self-catering facilities
- There is a burgeoning market for staying in unique and quirky accommodation, and we recommend exploration of opportunities for partnership with private sector developers and operators to develop these (e.g. Sennen bunker in Cornwall)

There maybe an opportunity for high quality boutique hotels and quality budget hotels

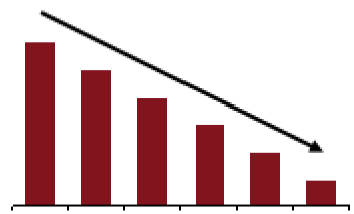
- We believe the Island needs more high quality boutique hotels and quality budget hotels to address the requirements of the target market
- Red Carnation is a good example of the power of being connected into a network and there may be value in association with the 'independent' brands of the large groups e.g. Autograph Collection that offers access to a largely US customer base

We believe the States need to take a lead in unblocking the current position and setting a framework for the sector

The case for the liberalisation of the accommodation sector

- Feedback from interviews shows that many owners are ageing and **want to divest**
- While there are other people interested in investing in the hospitality sector, current planning process and change of use rules are making the **accommodation sector in particular 'uninvestable'** as developers do not want to expose themselves to the risk of being trapped in a failing venture with **no exit options**

Potential implications



- There is **a risk of a rapid reduction in rooms** if the restrictions are removed completely, but on balance we believe this needs to be positively and actively managed to **reshape the bed stock** in line with market trends and make it attractive to investors

Recommendation

- With such mixed views on accommodation structure, conflicting opinion on data and the linkage of accommodation to the agreed strategic focus, we recommend **a more detailed study** in which different scenarios are developed
- We believe the States need to take a lead in **unblocking the current position** and setting a framework for the sector

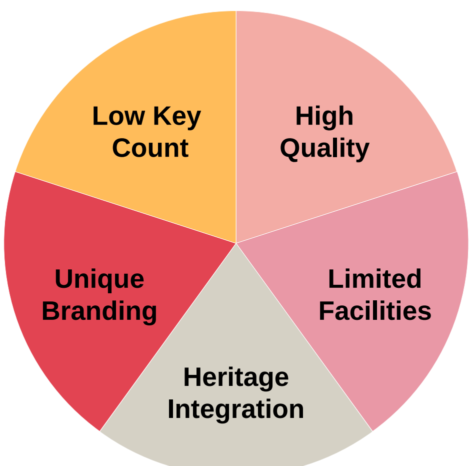
Source: Stakeholder interviews, States of Guernsey, PwC Analysis

A boutique heritage hotel in Guernsey could bring the convenience of on-site lodging, an immersive experience for visitors and a revenue source

Heritage hotels are lodging establishments created within historic areas and incorporating the culture of these settings into the hotels. While there is not yet a worldwide standard that heritage hotels must adhere to in order to call themselves heritage hotels, many countries and regions have independent registries with requirements and hotel sub classifications, an example of which can be seen to the right

7 unique and well known heritage hotels have been profiled to shed light on the key characteristics of these properties, including history integration, size, star rating and ancillary facilities

Though heritage hotels differ greatly in historical context, some common qualities are often found among properties



Heritage Hotel Example Subcategories:

Heritage
- Built prior to 1950
- Minimum 5 rooms (10 beds)
- Features and ambiance reflect concept of heritage
- Traditional cuisine offered

Heritage Classic
- Built prior to 1950
- Minimum 15 rooms (30 beds)
- Features and ambiance reflect concept of heritage
- At least 1 defined sporting facility
- Traditional cuisine plus 4-5 offerings close to continental cuisine

Heritage Grand
- Built prior to 1950
- Minimum 15 rooms (30 beds)
- Features and ambiance reflect concept of heritage with superior décor
- 50% of rooms air conditioned
- At least 2 defined sporting facility
- Traditional cuisine plus full continental cuisine offered

Source: Market Representatives, Hotel and Restaurant Association of North India, PwC Analysis

Heritage sites could also be converted into unique self-catering accommodation, similar to examples in Jersey

Example of heritage assets converted into self-catering accommodation in Jersey

Fort Leicester

- 19th century fort
- Sits above the harbour of Bouley Bay
- Offers access to a private garden and terrace
- Sleeps 8
- From £23pp/night

Elizabeth Castle

- Castle apartment
- Sits one mile off the coast of St Helier
- Surrounded by the sea twice a day
- Sleeps 6
- From £32pp/night

Kempt Tower

- The historic Martello Tower
- Restored with all modern conveniences and fully equipped
- Sleeps 12
- From £15pp/night

Seymour Tower

- Sits two miles offshore
- Surrounded by sea twice a day
- Opportunities to explore Jersey's marine wilderness at low tide
- Sleeps 7
- From £350/night

La Crete Fort

- Situated on Jersey's north coast
- Surrounded on three sides by the sea
- Sleeps 5
- From £31pp/night

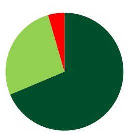
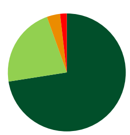
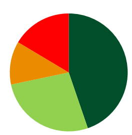
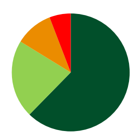
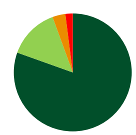
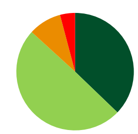
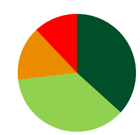
Radio Tower

- Set on a cliff top overlooking Corbière lighthouse
- Built over six floors, the establishment offers a 360-degree view
- Sleeps 7
- From £32pp/night

Source: Jersey Heritage, pricing in November 2017

We profile the following 7 hotels as they are unique and creative examples of heritage hotels in North America, Europe and India

Example of heritage assets converted into hotels

	 Cuevas Al Abanico	 Cappadocia Cave Suites	 La Purificadora	 Quinta Real Zacatecas	 Mandarin Oriental Prague	 Langholmen Hotel	 Neemrana Fort-Palace
Original Use	Morisco homes	Cave family homes	Water purification facility	Bull fighting ring	Cistercian monastery	Prison	Fort & palace
Keys	5	36	26	49	99	103	50
Star Rating	2-star	4-star	4-star	4-star	5-star	3 1/2-star	4-star
Facilities Offered	None	3 f&b outlets	3 f&b outlets, spa, fitness centre, pool	2 f&b outlets	1 f&b outlet, spa, fitness centre	1 f&b outlet	3 f&b outlets, spa, fitness centre, pool
Trip advisor Reviews	 (93 reviews)	 (963 reviews)	 (349 reviews)	 (301 reviews)	 (1405 reviews)	 (225 reviews)	 (1,975 reviews)

Excellent Good Average Poor

Source: Market Representatives, Trip Advisor, PwC Analysis

Funding and structure mechanisms

Funding and structure mechanisms

Our Priority areas will require significant funds, though the business cases for these 'infrastructure' investments will be underpinned by the leasing of real estate components supporting the broader business and residential economies. We highlight that there are a number of **public/private funding mechanisms** and **operating and management structures** for State assets that can be applied to share the risks and benefits and promote more **entrepreneurial innovation** in the sector. We recommend a review of the planning processes and the population management policies

Large Infrastructure	Developing the **harbour estate and Castle Cornet** into more fully serviced income generating leisure facilities will require **multi million** funding. Port and Heritage site development and regeneration has been **successfully achieved** in other places such as Plymouth and Portsmouth with **PPP** (partnerships between public authorities, who own/lease the sites, and private developers, financiers and operators)
Heritage and Museums	Similar PPP models can be applied for **the potential redevelopment of the States' heritage properties** into hospitality businesses. E.g. conversion of towers into small living units, restaurants, coffee shops. We agree with many commentators that Government is **not always the best operator** of leisure assets. We believe there is an opportunity to both inspire more innovation in presentation and use of assets and **unlock domestic donations** through the creation of a '**charitable foundation**' to include a number of key assets. This has been used in the UK with the successful creation of **Historic Royal Palaces,** including the Tower of London
Supporting Entrepreneurs	We note that much of the gap in the visitor experience is **the lack of small hospitality and leisure enterprises** providing interesting activities; being off the beach, at sea or within the Island. This could be due to the difficulty of getting planning, funding and business support. Other countries have created **public funds** specifically designed to provide low cost funding and support to entrepreneurs which could be adopted by the State. We also note that lottery funds could be applied to tourism products and facilities
Policy	We have noted the issues with **planning and change of use** and recommend a detailed study **into the economics** of the accommodation sector today in order to develop impact scenarios. There may be options to **secure undertakings** from developers to either contribute 'value' for change of use or to redevelop accommodation elsewhere. We also advise a review of the impact of **population management** policies on the sector to better understand whether it is the policies or exchange rate causing more harm to the sector

There are multiple types of funding mechanisms with various levels of government contribution and risk sharing

Types of funding mechanisms

Degree of private sector risk

Privatization	**The asset is fully owned and run by the private sector**
Buy-build-operate (BBO)	Transfer of the asset to a private/quasi-public entity, usually under contract that the assets are upgraded and run for a specified period of time
Build-own-operate (BOO)	The private sector finances, builds, owns and operates the asset in perpetuity
Build-own-operate-transfer (BOOT)	The private entity receives a franchise to finance, build and operate the asset for a specified period of time after which ownership is transferred back to the public sector
Build-lease-operate-transfer (BOT)	The private entity receives a franchise to finance, design, build and operate the asset for a leased period, against payment of rent
Lease-develop-operate	The private entity receives a franchise to develop and operate the asset over a period of time but has no ownership rights and pays rent
Design-build-operate	The private entity designs and builds the development to meet public sector specifications and receives the right to operate it for a period of time
Finance only	A private entity, usually a financial services company, funds the project directly or uses various mechanisms such as a long term lease or bond issue
Operation/maintenance/service/license	The private entity operates, maintains and services the asset usually for a specified period of time
Design-build (DB)	The private entity designs and builds the development to meet public sector specifications on a fixed price, turn-key basis
Crown corporation/agency/charity	The asset is most often owned by the state but operated and managed by a quasi-independent authority which is also responsible for the assets financial matters
Government	**The asset is solely the Government's/public sector's responsibility**

Degree of private sector involvement

Source: Getty Conservation Institute, PwC analysis

The most common mechanisms for cultural/heritage developments maintain state ownership but outsource management

Government | Crown corporation/ agency/ charity | Design-build (DB) | Operation/ maintenance/ service/ license | Finance only | Design-build-operate | Lease-develop-operate | Build-lease-operate-transfer (BOT) | Build-own-operate-transfer (BOOT) | Buy-build-operate (BBO) | Privatization

Cultural/ heritage activation

Historic Royal Palaces (visitor attraction) London, UK

e.g. Union Station, (tourist attraction) Washington D.C., USA

e.g. Western Gate (hotel) Alba Iulia, Romania

e.g. Paradores (Castle-hotels) Spain

Museums

V&A (museum) London, UK

Science Museum (museum) London, UK

9/11 Memorial Museum New York, USA

eNational Military Museum (museum) Soest, Netherlands

Harbour development

e.g. Darling Harbour (harbour) Sydney, Australia

e.g. Greystones (harbour) Wicklow, Ireland

e.g. Chatham Docks (harbour) Kent, UK

Source: Publicly available sources, Getty Conservation Institute, IFC

Oxford Castle is an example of a successful heritage site regeneration through public-private partnership

Overview

- The Oxford Castle Heritage Site is a 5-acre redevelopment occupying the remains of Oxford Castle, previously owned by the Home Office and used as a prison
- The 10-year project regenerated the site into a mixed-use development comprising an art gallery, hotel, heritage attraction, and F&B options. The total project cost is estimated at £44.5mn (c.£1,765/m^2) and was completed in 2006

Objectives of the regeneration

1. Restore and conserve the heritage assets
2. Maximise public access to and through the site
3. For whole site to be developed, managed and recognised as a single entity
4. Encompass sustainable commercial use and a full interpretation of the site's history and heritage
5. Deliver at minimum risk and cost to council tax payers

1996
Oxford Prison closes for the last time

1997
Oxfordshire County Council purchases freehold of the castle site from the Home Office for £90,500

1997-2001
Oxfordshire County Council funds the upkeep of the empty prison by renting it out to film and television

1997-2001
Oxfordshire County Council established a partnership with the private sector, SEEDA, Oxford Preservation Trust, the Heritage Lottery Fund and English Heritage

1998
Plans put out for public consultation

2001
Planning permission and grant-funding are put in place; demolition and restoration starts

Sep 2005
Last intensive phase of construction commences

Nov 2005
First businesses open, including restaurants and the Malmaison Hotel

2006
"Unlocked" (the heritage visitor attraction) opens; Oxford Castle Education Centre opens

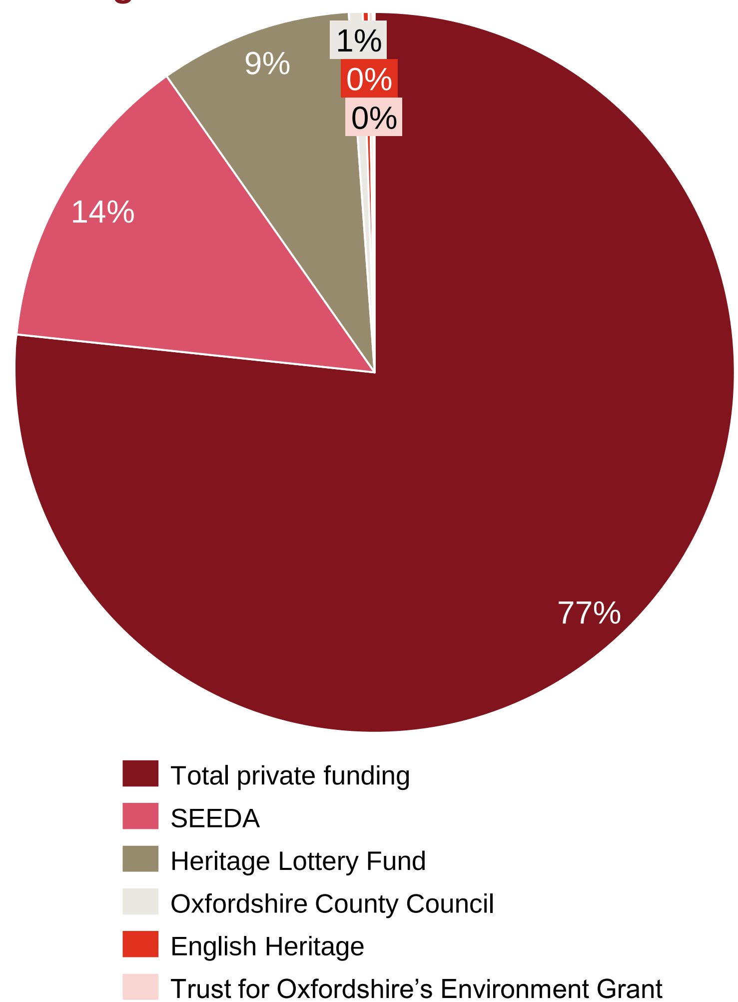
Source: The Prince's Regeneration Trust, PwC Analysis

Total funding for the project was £44.5m, with a private-public funding ratio of 3.3 to 1.0

Funding Mechanism

- Due to the historic nature of the buildings and the planning restrictions for the listed buildings, the **expected development value of the site fell below** the estimated development costs
- To make the development viable, public sector support was required. The project was funded in partnership by the **private sector and public grants**, which minimised impact on council tax payers
- The developer, Trevor Osborne Group, set up Oxford Castle Ltd who were given a **200-year lease** by the Council, subject to restoration and new build works
- The Oxford Preservation Trust obtained a **match-funding grant** for restoration works from the Heritage Lottery Fund. This **resulted in a partnership** between the landowners (the Council), the developer (Oxford Castle Ltd) and the Oxford Preservation Trust
- Grant funding was also obtained from SEEDA, English Heritage and Trust for Oxfordshire's Environment
- **Part of the site was leased back** to the Council who in turn leased it to the Oxford Preservation Trust to run the visitor attraction, Learning Centre, and the public space and maintain the quality of these components
- The **Trust's involvement in managing** these aspects ensured that high quality would be maintained

Funding Breakdown



Source: The Prince's Regeneration Trust, PwC Analysis

Oxfordshire County Council's objectives were achieved and the regeneration resulted in numerous benefits

80% ***Occupancy rates***

Visitor attraction provides a full interpretation of the site's history and heritage

200+ jobs created

20+ year leases

Sustainable commercial use through long-term leases

2007 RICS Awards

Recognised in 12 awards including RICS Project of the Year 2007

Source: The Prince's Regeneration Trust, PwC Analysis

Historic Royal Palaces is an example of the successful creation of a quasi state owned charity that is financially independent

Secretary of State

Department for Digital, Culture Media & Sport

HM Government

- Responsible for **managing the unoccupied Royal Palaces** (owned by The Queen and the Northern Ireland Government), but it **outsources it to the charity**
- Together with The Queen, responsible for **appointing the charity's Board of Trustees**

Royal charter body with charitable status

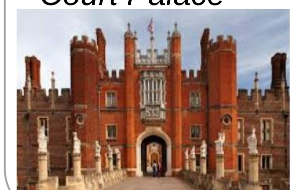
Historic Royal Palaces

- **Contracted to manage the royal assets**
- Est. in 1989 as an executive agency and changed its status in 1998 to a charity
- **Financially independent**
- Revenue streams include **admission and retail revenues, events, sponsorships and donations, membership fees etc.**

Assets

Tower of London

Hampton Court Palace



Banqueting House

Kensington Palace

Kew Palace

Hillsborough Castle

Source: Publicly available sources, Historic Royal Palaces annual report, The National Archives

Governments have created independent funds and lotteries to stimulate innovation and promote entrepreneurship

Examples of Government Funds

Industry, Tourism and Investment Sector Support (SEED)

Total Value: Unspecified

- The Government of Northwest Territories, Canada set up a fund available **for local businesses across 4 sectors (incl. tourism**) in order to provide **incentives for capital expansion**
- The money is used to **offset loan interest** associated with new capital purchases for the expansion of local enterprises
- Successful application requirements include a 20-30% equity threshold depending on region, proof that the business is within the approved sectors, full/approved loan description and contract etc.

The Heritage Lottery Fund (HLF)

Total Value: ~£300m (depending on National Lottery Income)

- The HLF is a non-departmental public body which provides grants to **not-for-profit organisations** in order **to support heritage projects in the UK**
- There are multiple programmes organisations can apply for and awarded funding varies between **£3000 and £5m**
- Examples of high profile heritage grant recipients include: Stonehenge visitor centre (£10m), refurbishment of Kelvingrove Art Gallery and Museum (£13m) and restoration of St George's Market in Belfast (£2m)
- The HLF estimates that every £1m of funding awarded leads to an increase in tourism revenues of £4.2m over 10 years

Start-Up Nation

Total Value: ~€372m

- The Romanian Government together with the European Union launched an annual funding programme for **newly established businesses** that meet certain criteria (such as creating at least 2 jobs with indeterminate length contracts) in order to **stimulate the economy and encourage entrepreneurship**
- The awards are non-refundable grants worth **up to €44,000** and cover the full investment in the projects
- In 2017 over 9,000 startups have been financed and the initiative is expected to create **c.20,000 jobs each year**

Source: Government of Northwest Territories, HLF, Publicly available sources

Appendix

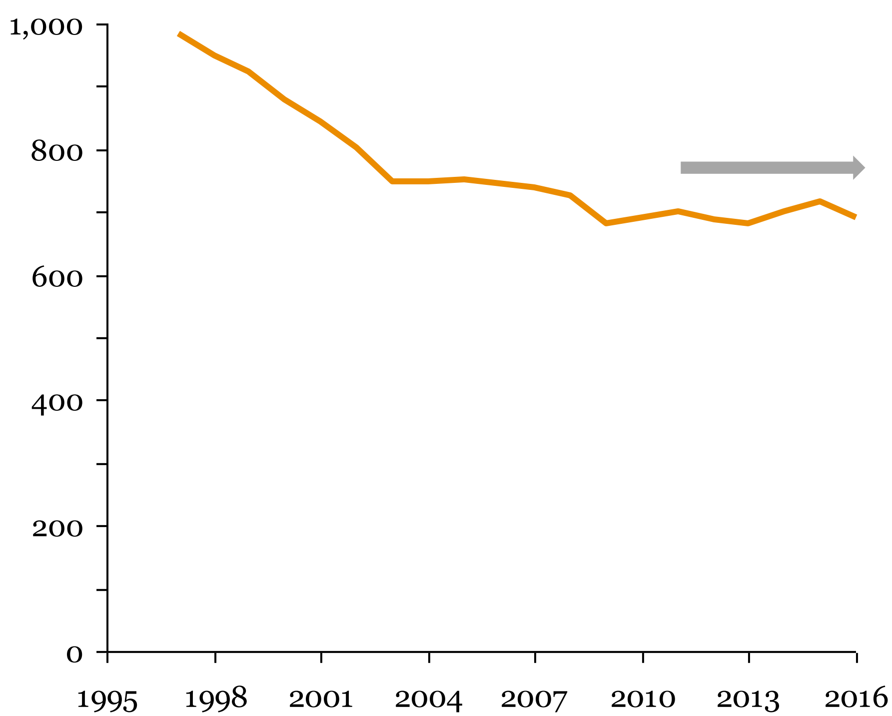
Benchmarks and case studies

Jersey

Jersey has been successful in stabilising its declining tourist figures through several initiatives

Historical number of visitors to Jersey*, in ‘000s

1997-2016



Key Initiatives

2007

Connectivity Development
The start of the relationship between Ports of Jersey and EasyJet

2014

Introduction of EasyJet flights between London Gatwick and Jersey

2015

Destination Development
Jersey destination plan launched in order to set the guidelines for creating, packaging and delivering compelling experiences

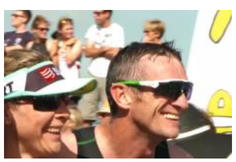
2016

Image / Brand Development
#theislandbreak brand launched.
The rebranding project, including adverts, website and brand image, cost **£166,000**.
Adverts were shown on TV channels (e.g. ITV, Channel 4), on-demand websites and other video sites, including YouTube

Note: *The methodology for capturing visitor data in Jersey changed in 2016 and may have an impact on trend
Source: Visit Jersey Destination Plan, Visit Jersey Business Plan, Visit Jersey Annual Report 2016, Government of Jersey, Jersey Evening Post

Jersey has a similar tourism product offering to Guernsey, although the events and entertainment offering is more developed

Illustrative

		Examples of offering in Jersey	Assessment of offering in comparison to Guernsey
Sun and Sand		12 major beaches and other smaller bays e.g. St. Aubin, Portelet Bay, Beauport Bay, St. Brelade's Bay	• **Similar** proposition to Guernsey, with several beaches offering ancillary facilities such as F&B and designated free parking • Extensive marketing around the water sport/beach activity offering
Culture/ Heritage		• Elizabeth Castle • Hamptonne • Le Moulin de Quetivel • Mont Orgueil etc.	• **Similar** offering to Guernsey in terms of types of attractions; however, some heritage sites are **better activated and maintained** (e.g. few assets used as accommodation, castles well maintained)
Occupation/ Military attractions		• Jersey War Tunnels • Bunkers • Towers and Forts	• Several forts and towers converted into accommodation • The tunnels host a range of exhibitions and activities (e.g.Escape Room)
Events		• Sport events (e.g. Triathlon) • Flower events • Heritage Festival • Tennerfest	• Offering similar to Guernsey, apart from the Jersey Triathlon • Regular family-oriented small events (e.g. Discovery Days, Living History)
Entertainment		• Jersey Zoo • Tamba Gaming Arcade • aMaizin! Adventure Park • Adventure Centre	• Wider entertainment offering, mainly catering for families

Note: Assessment is not exhaustive
Source: Publicly available sources, Visit Jersey, BBC

Visit Jersey launched a Destination marketing plan aimed at increasing the number of visitors by 2.2% p.a.

Visit Jersey's Mission, Ambition and Priorities

Mission

- To promote tourism to and within Jersey in an innovative, economic and efficient way thus delivering on our vision of a vibrant sustainable tourism industry

Ambition

- To welcome 1 million visitors spending £500 million by 2030

Priorities

- Inspire visitors from overseas to visit and explore Jersey
- Maximise public investment through partner engagement
- Advise government and the industry on tourism issues, particularly those affecting our competitiveness and productivity

Market Development
Agree & target best prospects to increase volume and value of visitors

Image Development
Develop, promote and deliver "reasons to visit" Jersey and distribute content

Destination Development
Create, package and deliver compelling experiences

Access Development
Make it easier to get to and around Jersey

Selected Visit Jersey Performance Indicators/Targets

	2015 (Actual)	2020 (Target)
Total visitors (CAGR)	718,000	800,000 (+2.2% pa)
Visitor spend (nominal)	£243m	£310m
Average spend per visitor	£338	£388
Staying leisure visitors	347,000	389,000
First time holiday visitors	48%	50%
Occupancy	90%	89%
NPS	67%*	69% (2 pp pa)

Note: Actual NPS data is for 2016
Source: Jersey 2017 Business Plan, Jersey Destination Plan, PwC Analysis

Visit Jersey has a marketing budget for 2017 of c.£5m, and objectives include collaboration with industry partners

2017 Marketing Budget for Visit Jersey

Total Grant	**£5,100,000** *(c. £7.4 per visitor)**
Total Staff Costs	£995,000
Research & Intelligence	£360,000
Product	£220,000
Marketing	£2,360,000
Trade Development incl. co-operatives	£550,000
Tourist Information Centre	£250,000
Events Jersey	£200,000
Total Premises Costs	£55,000
Total Administrative Expenses	£110,000

Visit Jersey 2017 Objectives

1. Continue to roll out **#theislandbreak Jersey brand**
2. Promote Jersey as an **year-round holiday destination**
3. Work with **industry partners, government and their agencies**, to develop the Jersey product, increase productivity and attract incremental growth in visitor numbers and spend
4. Provide **leadership** for business visits and events-led tourism
5. Ensure the successful Introduction of a **new What's On guide and Map**
6. Raise the profile of tourism; **provide insights and leadership for the industry on policy matters**
7. Champion the **Economic Impact Study**
8. Support businesses to **raise their productivity** and improve performance

Note: * Estimate based on 2016 visitor numbers
Source: Jersey 2017 Business Plan, Jersey Destination Plan, PwC Analysis

Harbour redevelopment

Ports have historically been industrial areas, but many have been successfully developed into key residential and tourist destinations






	Belfast Harbour *Belfast, N. Ireland*	**Gunwharf Quays** *Portsmouth, UK*	**Chatham Dockyard** *Kent, UK*	**Salford Quays** *Manchester, UK*	**Nyhavn** *Copenhagen, Denmark*	**Ibiza Port** *Ibiza, Spain*
Overview	Successful regeneration around Titanic shipyard	Regenerated ex-naval base with strong community impact	Successful harbour front with adjacent ongoing redevelopment	Public-private funded regeneration of Manchester Docks	17th century canal and long-time tourist hotspot	Bustling island port city in Mediterranean
Key Attraction	Titanic shipyard	Spinnaker Tower (observation tower)	Chatham Historic Dockyard	Imperial War Museum	Historic townhouses and ships	Nightlife
Events	Variety of events including sport events and exhibitions	Hosts international sailing events	Upcoming exhibition and event space (EventCity)	Lowry Centre	Open-air events (market-style)	Events hosted in the numerous high profile nightclubs
Lodging	Premier Inn, Marriott (upcoming), Boutique Hotels	Holiday Inn Express, Boutique Hotels	Travelodge, Boutique Hotels	Marriott, Travelodge, Holiday Inn, Ibis, Premier Inn, Copthorne	Best Western, Boutique Hotels	Hilton, Playasol, THB, Boutique Hotels, Private Villas
Other Components	Retail, Leisure, F&B, Heritage, Commercial, Residential	Retail, Leisure, F&B, Heritage, Commercial, Residential	Retail, F&B, Heritage, Commercial, Residential	Retail, Leisure, F&B, Heritage, Commercial, Residential	Retail, Leisure, F&B, Heritage	Retail, Leisure, F&B, Heritage
Key Success Factors	• £2bn of Gross Development Value (1992-2011) • c.150,000 cruise visitors per year • 15,000 office jobs in City Quays upon completion (estimated)	• £27m rent revenue and £200m+ valuation for Gunwharf Quays shopping complex in 2017 • 5m visitors to shopping complex during first year of opening (2001)	• 3,500 new jobs expected upon completion in 2023 • Aims to create 900m of new waterfront, 400,000 sqft of commercial space, 125,000 sqft of retail and leisure	• Unemployment fell from 8.7% to 4.5% between 1996 and 2006 • 718 businesses employing c.21,600 people in 2017	• Aesthetically attractive • Popular appeal to residents and visitors of Copenhagen	• Attracts top-end entertainment and music industry icons, with a unique entertainment proposition
Investment	£500m – £1bn	c.£500m	c.£650m - £1bn	c.£900m - £1bn	N/A	N/A

Source: Public Information, PwC Analysis

Successful harbour redevelopment projects are well-planned and well-funded mixed-use developments

Mix-use developments

- Successful harbour / waterfront developments tend to have multiple components in close proximity to each other, such as leisure attractions, hotels, retail, F&B and cultural attractions

Economic and Social Balance

- Large scale redevelopment projects need to be well planned in order to meet the needs of the resident community as well as the tourist segment
- The successful development is both economic and socially balanced

Government support and policy

- Large scale redevelopment projects tend to have government support through funding and /or favourable policies

Residential Component

- Residential components ensure the development is activated all year round, and tend to enhance its the commercial viability (e.g. upfront cashflow from the off-plan sales)

Coherent Master Plan

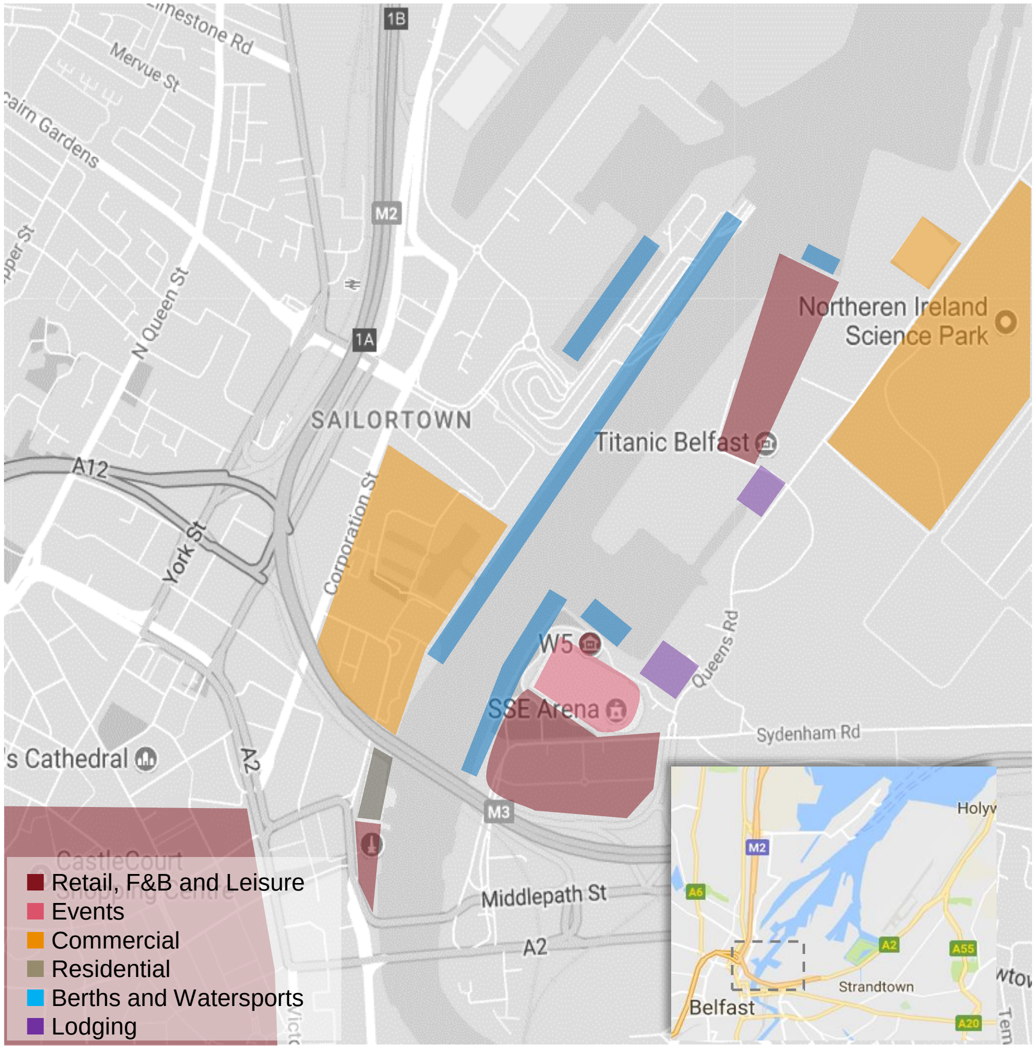
- Successful harbour projects tend to be phased and based on a long term development plan which supports regeneration
- Phased developments progressively activate and expand the area

Public-private Partnership (PPP)

- The majority of successful harbour redevelopment projects have been funded through a PPP framework which is based on risk-cost-and-reward-sharing

Source: Public Information, PwC Analysis

The Belfast Harbour in Northern Ireland is an ongoing harbour redevelopment project



Source: Public Information, Belfast Harbour Corporate Plans, Titanic Quarter, PwC Analysis

Overview

Belfast Harbour is a Trust Port operating commercially with strong public interests. It has three main real estate projects: 1) City Quays mixed-use project, 2) Titanic Quarter mixed-use project including a visitor centre, 3) Sydenham Business Park

Investment

- £250m City Quays development scheme (phased over 2014-2020)
- £97m Titanic Centre visitor attraction, part-funded by Belfast Harbour profits (Complete)
- £11m HMS Caroline restoration, awarded by Heritage Lottery Fund (Complete)
- £73m invested in Northern Ireland Science Park as at 2012

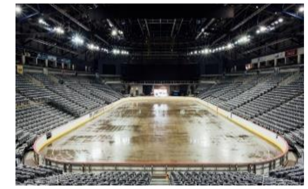
Key Success Factors

- Belfast Harbour land development transactions have delivered more than £2bn of Gross Development Value over 1992-2011 across 10m square feet of built space
- Titanic Belfast attracted more than 800,000 visitors to the area in its first year in 2012
- 150,000 cruise ship visitors per year
- 700 tenants employing over 23,000 people in 2017
- City Quays is expected to support 15,000 jobs upon completion in 2020, and 2,000 construction related jobs during development

The harbour area has an enhanced offering including events, retail and leisure, museums and hotels

Events

- Titanic Exhibition centre offers event organisers 5,000 sq m of flexible purpose-built space
- SSE Arena has become a premier entertainment in Northern Ireland and has a packed calendar (11,000 capacity)



Retail & Leisure

- Increasingly popular with cruise liners (150k cruise visitors in 2016, 25% yoy growth)
- Odyssey Cinemas and Bowl, W5 Science and Discovery museum
- Titanic Quarter features visitor tours by tram, Segway, boat, and foot
- Large Castle Court shopping centre, numerous restaurants, bars and eateries
- Watersports include Cable and Wake Wakeboarding

Commercial

- 70% of all Northern Ireland's sea trade passes through port
- Regenerated harbour estate has over 700 tenants employing 23,000 people
- Home to Northern Ireland Science Park; wider estate houses Bombardier, Harland & Wolff
- City Quays 1 and 2 increased Grade A office space by 200 sq.m (600 sq.m by 2020), let by professional services like Baker and McKenzie, and ICT firms

Heritage

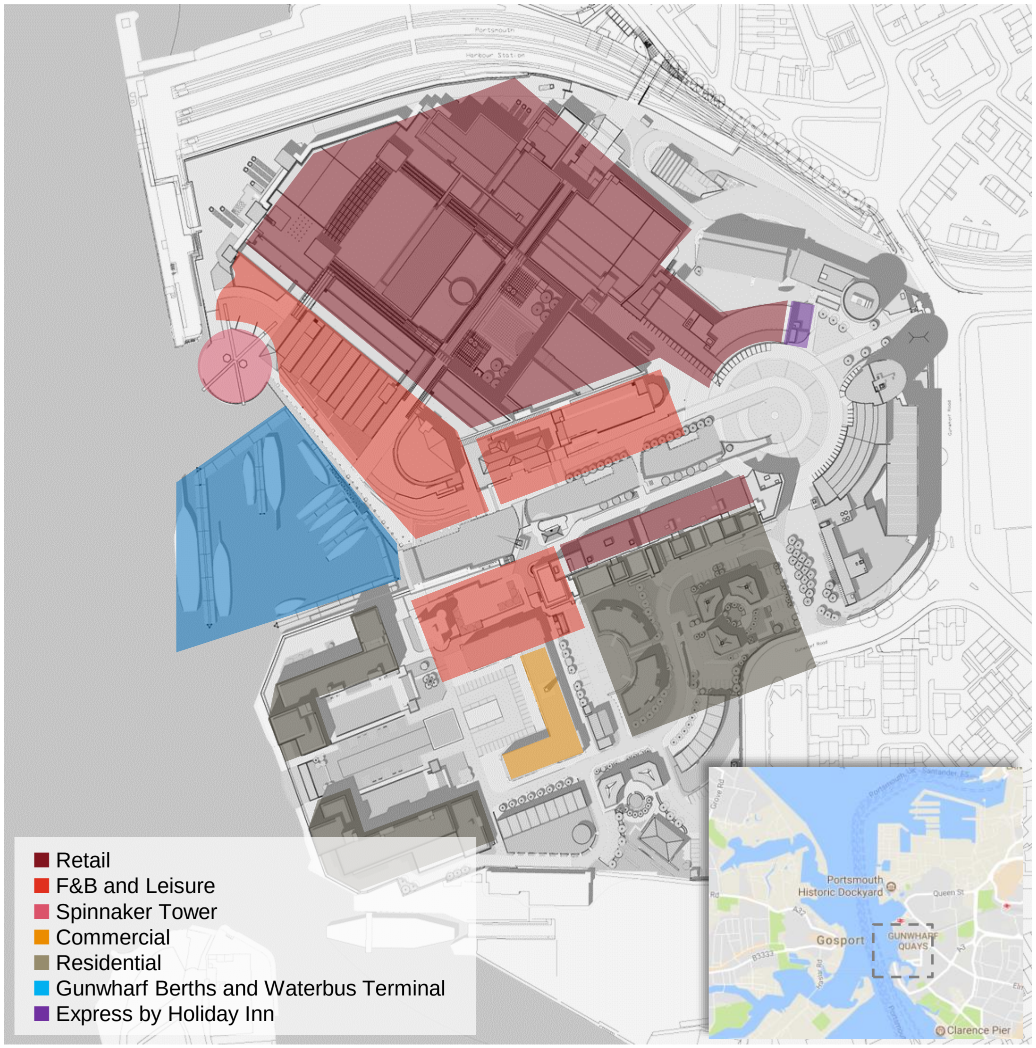
- Titanic Belfast: Museum with Interactive galleries explaining story of the Titanic
- SS Nomadic: Last remaining White Star Line vessel
- HMS Caroline: WWI survivor ship from the Battle of Jutland
- Thompson Dry Dock: Scheduled Historic Monument completely unchanged since 1911

Lodging

- 4* Titanic Hotel (119 rooms): Boutique luxury hotel converted from B+ listed 1880s shipbuilding office
- 4* AC Hotel (188 rooms) by Marriott Belfast will open in early 2018
- 3* Premier Inn

Source: Public Information, Belfast Harbour Corporate Plans, Titanic Quarter, PwC Analysis

Gunwharf Quays in Portsmouth is a mixed-use development, attractive both for locals and visitors



Overview

Gunwharf Quays, formerly HMS Vernon, was a naval ordnance yard from the late 17th century until 1995. Today, it is a developed retail and residential space in a conservation area

Berkeley Group and Land Securities developed 13.3 hectares of land in a £200m joint venture. The main retail and leisure area opened in 2001

Investment

- £200m joint project for 13.3ha development including Gunwharf Quays shopping centre
- £35m for Spinnaker Tower (of which £11m was public funding)

Key Success Factors

- £200m+ valuation of Gunwharf Quays shopping centre (top-10 asset by value in Landsec portfolio)
- £27m+ annualised net rent from Gunwharf Quays shopping centre
- Over 5m visitors to Gunwharf Quays shopping centre in first year (2001)
- Activated the area around harbour, e.g. street markets, festivals and performances scheduled all year round

Source: Public Information, National Archives, Gunwharf Quays, Berkeley Group Annual Reports, Land Securities Annual Reports, PwC Analysis

The events held and the retail and leisure proposition make the harbour appealing to visitors

Events & Sports

- Gunwharf Quays Marina holds the Yacht Harbour Association's "4 Gold Anchors" award, and hosts national and international sailing events
- Family boat hires with electric miniature ships; high-speed RIB powerboat trips out around the Solent Forts or across to the Isle-of-Wight
- Public spaces hold up to 50 events a year

Retail & Leisure

- 14-screen Vue cinema, 26-lane Bowlplex Bowling Alley, Aspex art gallery, Grosvenor casino with bar and restaurant, a Holiday Inn Express and a Tiger Tiger nightclub
- 95 designer boutique outlet shops, 37 bars and restaurants, and independent retailers
- Niche retail offer in factory outlet stores rather than traditional high street stores
- Spinnaker observation tower with events and abseiling activities

Commercial

- 27,000 ft of new office space
- Total jobs supported on-site and off-site over 2,500 (1,650 in retail and 900 indirect)

Heritage

- HMS Nelson and figurehead from the original HMS Vernon
- Millennium Walkway along water edge crosses key cultural points
- Historical buildings: Ordnance Yard administration block, Vulcan Building, Former gatehouse and perimeter wall, Former Royal Marine Infirmary

Lodging

- 3* Holiday Inn Express (130 rooms)
- The Ship Leopard Hotel (Boutique hotel in Grade II listed Georgian building)
- Boutique hotels like Royal Maritime Club, Keppels Head and Lady Hamilton

Source: Public Information, National Archives, Gunwharf Quays, Berkeley Group Annual Reports, Land Securities Annual Reports, PwC Analysis

Chatham Dockyard in Kent has a successful mix-use habour front site which will be complemented by additional planned redevelopments

Overview

Chatham Dockyard was a Royal Navy Dockyard until 1984. Today, there is a comprehensive mixed-use development around the area offering retail, leisure, heritage, and a marina

In 2006, Peel Group (private real estate group) acquired a 75ha site in an adjacent site. This £650m mixed-use project, Chatham Waters, commenced in 2014 and aims to regenerate the area over a period up to 2023

Investment

- £650m private sector investment by The Peel Group, partly forward funded with Legal & General, a British multinational financial services company

Key Success Factors (Expected)

- Expected to create 3,500 new job opportunities upon completion in 2023
- The masterplan includes 950 dwellings, 400,000 sqft of commercial space, 125,000 sqft of waterfront retail and leisure space by 2023

Source: Public Information, Chatham Waters, Peel Group, PwC Analysis

The current facilities create an appealing proposition, which will be further enhanced by a wider commercial offering

Events

- Upcoming new exhibition and event space (EventCity); first EventCity in Manchester had a very successful first year holding consumer shows, trade fairs, and entertainment events including Manchester X Factor Auditions

Retail & Leisure

- Dockside Outlet Centre offers over 40 discount retailers, M&S Outlet Store
- Flipout Trampoline Park which also hosts school holiday events for children
- Odeon Cinema with 9 screens
- Copper Rivet Distillery offers both opportunities for shopping and visiting
- Chatham Maritime Marina is a large dedicated boatyard for yachts

Commercial

- Upcoming 7 office buildings with 400,000 sq ft over 3 to 7 floors
- Flexible-use including specialised educational facilities or medical related uses
- Landscaped environment, views across central boulevard and over the River Medway
- Buildings can be designed to suit an occupier or delivered in 'shell and core' condition

Heritage

- Chatham Historic Dockyard showcases how maritime ships were designed and built; offers guided tours, live demonstrations, displays and exhibits
- Dickens World attraction based around life and work of Charles Dickens

Lodging

- 3* Travelodge (90 rooms)
- 3* Premier Inn (80 rooms)
- Boutique hotels like Officer's Hill, King George V, King Charles

Source: Public Information, Chatham Waters, Peel Group, PwC Analysis

Culture and Heritage

Most successful global heritage destinations are well-supported by tourism facilities such as food & beverage, retail and events

	 **Castle Cornet**	 **Alnwick Castle**	 **Windsor Castle**	 **Göreme Open Air Museum**	 **Plimoth Plantation**
Known For	Role in 1338 French Invasion, English Civil War	Featured as Hogwarts in Harry Potter films	World's oldest and longest occupied castle	Complex of ancient cave churches	Recreation of English Colonists in America
Annual Visitors	65,000	250,000	1,356,000	950,000	500,000
Entrance Fee	Adults £10.50 Concession £3	Adults £26.10 Concession £22.20	Adults £19.20 Concession £17.50	£7	£20
On-Site Facilities and activities	• **Limited F&B and retail offering** • Some organised events including weddings, but **no regular events**	• **Good F&B, retail and Events** offering • Wide range of **family-friendly activities and a regular schedule of events** • Extensive **venue hire** opportunities with bespoke catering, especially for weddings	• **Extensive retail** offering and good F&B • **Family activities and events** every Saturday and in school holidays • Self-guided audio tour and children's **audio tour** • A variety of interactive experiences	• **Heritage cave hotels** • **Exploratory experience** • Private tours	• Permanent exhibits enhanced with special events, public programs and workshops • **Engaging and experiential** outdoor and indoor learning environment

Successful heritage sites benchmarked offer more extensive F&B, retail and organised experiences compared to Castle Cornet
Such features encourage longer dwell time by tourists and turn a heritage site into a destination, rather than a single attraction

Source: Market Representatives, Government Statistics Centres, VisitBritain, PwC Analysis

Case Studies (1/2)

Case Study: Alnwick Castle – Alnwick, UK

Annual Visitors	Visitor Growth	Distinctions	Entry Fee
250,000	N/A	Grade I Listed Building	£26.10

Overview

- Seat of the Duke of Northumberland, built following the Norman conquest
- Renovated and remodeled a number of times, known for lavishly decorated state rooms
- Public interest spiked after it was featured as Hogwarts in the **Harry Potter films**
- Attraction is adjacent to an elaborate garden with one of the largest treehouses in the world

Visitor Experience

- Wide range of **immersive and family-friendly activities** (e.g. dressing up in medieval costumes, traditional games in square, Harry Pottery style quests)
- Regular schedule of **events** (eg. broomstick training, after dark tours, bank holiday events, interactive workshops)
- Extensive **venue hire** opportunities with bespoke catering, especially for weddings

Onsite Facilities

Food & Beverage	Hotels	Retail	Events
Selection of restaurants	Not available on-site	Gift shop on premises	Immersive and interactive events

Case Study: Windsor Castle – Windsor, UK

Annual Visitors	Visitor Growth	Distinctions	Entry Fee
1,356,000	6%	National Heritage List for England	£19.20

Overview

- **Oldest and largest occupied castle in the world**
- Royal residence at Windsor in Berkshire
- Notable for being steeped in royal history and antique furnishings
- State Apartments pay homage to the differing tastes of the royal occupants from lavish furnishings and treasures from the Royal Collection

Visitor Experience

- **Family activities** and events every Saturday and in school holidays
- Self-guided audio tour that lasts around 2 hours (free for pass holders)
- **Family audio tour** is available for children in English
- Other interactive highlights include the Changing of the Guards, Queen Mary's dollhouse with miniature 1:12 scale

Onsite Facilities

Food & Beverage	Hotels	Retail	Events
Selection of restaurants	Not available on-site	Gift shop on premises	Family activities and events

Source: Market Representatives, ALVA, Royal Borough of Windsor and Maidenhead, Royal Collection Trust, PwC Analysis

Case Studies (2/2)

Case Study: Goreme Open Air Museum – Goreme, Turkey

Annual Visitors	Visitor Growth	Distinctions	Entry Fee
950,000	10%	UNESCO	£7

Overview

- Located in the historic region of Cappadocia in the province of Nevsehir, Turkey
- Resembles a vast monastic complex composed of scores of refectory monasteries
- Monasteries are side-by-side, each with its own church
- Most of the churches in Goreme Open Air Museum belong to the 10th, 11th and 12th centuries.

Visitor Experience

- **Novelty** value of such a unique proposition makes this attraction naturally engaging
- **Large collection of churches** with distinct characteristics makes touring the complex an exploratory experience
- The walls of each church are decorated by highly visual and intricate motifs which differ by church
- Private tours available onsite

Onsite Facilities

Food & Beverage	Hotels	Retail	Events
Café on premises	Heritage cave hotels and regular hotels off-site	Gift shop on premises	None

Case Study: Plimoth Plantation – Plymouth, Massachusetts USA

Annual Visitors	Visitor Growth	Distinctions	Entry Fee
500,000	N/A	None	£20

Overview

- Living history museum in Plimoth, Massachusetts, USA
- Recreates the original settlement of Plymouth Colony with character actors playing 17th English Colonists offering a unique American cultural and historical immersion
- Prime attractions include the restored Mayflower II, the English Village and the Grist Mill
- Popular as an **educational experience**, hosting school field trips

Visitor Experience

- **Engaging and experiential** outdoor and indoor learning environment on its main campus and at the State Pier on Plymouth's waterfront
- Permanent exhibits tell the complex and interwoven stories of two distinct cultures - English and Native
- Main exhibits are enhanced with several special events, public programs and workshops

Onsite Facilities

Food & Beverage	Hotels	Retail	Events
Café serving regional food	Not available on-site	Gift shop on premises	Educational workshops and programmes

Source: Market Representatives, Plimouth Plantation, PwC Analysis

Contract

Contract (1/6)

States of Guernsey

PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Glategny Esplanade,
St. Peter Port, Guernsey
GY1 4ND

DN296598 Strategic Review of Guernsey's Tourism Product Offering

5 October 2017

Dear Sirs,

1. Contract for the provision of consultancy services by **PricewaterhouseCoopers CI LLP, Royal Bank Place, 1 Glategny Esplanade, St. Peter Port, Guernsey, GY1 4ND** as Supplier to the States of Guernsey acting by and through the **Committee for Economic Development , Raymond Falla House, Longue Rue, St Martin, Guernsey, GY4 6HG** (the "Customer") pursuant to the ConsultGSY Framework Agreement (Reference: ConsultGSY – Lock01) dated 29/06/17 between the States of Guernsey acting by and through the Policy & Resources Committee (referred to as the Authority) and the Supplier.

   We refer to the above-mentioned ConsultGSY Framework Agreement (the "Framework Agreement"). For the purposes of this Letter of Appointment:

   - capitalised terms and expressions used in this Letter of Appointment have the same meanings given to them in or pursuant to the Call-Off Terms attached to this Letter of Appointment unless the context otherwise requires;
   - references to Appendices are references to the appendices to this Letter of Appointment; and
   - the Appendices shall form part of this Letter of Appointment.

2. This Letter of Appointment constitutes an Order for the provision by you to us of the Contract Services (specified in Appendix 1) from the Effective Date (specified in Appendix 1) on the basis of the Day Rates / Contract Charges (set out in Appendix 2) and, save as varied and / or supplemented pursuant to the provisions (set out in Appendix 3) in accordance with the Call-Off Terms.
3. This Order is placed under tender reference **DN296598.**
4. The Supplier's Representative with overall responsibility for the supply of the Contract Services is **Evelyn Brady** and the Key Personnel assigned to the supply of the Contract Services are **Philip Shepherd** and **Josette Ghorra,**

5. The Customer's Representative for the purpose of the Contract is **Mike Hopkins, Director of Marketing & Tourism,** and any disputes in relation to the Contract shall be escalated to **Philip Hugo, Senior Procurement Officer.**
6. The Base Locations from which the Contract Services will be performed is Guernsey and London.
7. INTENTIONALLY BLANK
8. INTENTIONALLY BLANK
9. For the purposes of the Contract, the address of each Party is:

   - for the Customer:

     The Committee for Economic Development, Raymond Falla House, Longue Rue, St Martin, Guernsey, GY4 6HG

     For the attention of: Mike Hopkins

     Tel: +44 7781 234567
     Email: mike.hopkins@gov.gg

   - for the Supplier:

     PricewaterhouseCoopers CI LLP, 1 Glategny Esplanade, St. Peter Port, Guernsey GY1 4ND

     For the attention of: Evelyn Brady, Partner

     Office: 44 (0) 1481 752013

     Email: evelyn.brady@pwc.gg

Please would you return the attached duplicate of this Letter of Appointment with the acknowledgement signed by the appropriate authorised Director / Manager within your organisation.

You should be aware that by signing and returning this Letter of Appointment you will have entered into a legally binding contract with us to supply the Contract Services specified in Appendix 1 and represent and warrant that you have carried out a conflict check in relation to such contract that revealed no conflicts of interest.

For and on behalf of PricewaterhouseCoopers CI LLP,

Signed: Date: 5 Oct 2017

Name: EVELYN BRADY Status: PARTNER.

Contract (2/6)

Yours faithfully

For and on behalf of the States of Guernsey acting by and through the **Committee for Economic Development**

I hereby confirm receipt of the above Letter of Appointment and the agreement of **PricewaterhouseCoopers CI LLP** to provide to the States of Guernsey acting by and through the Committee for Economic Development the Contract Services as specified in the Letter of Appointment in accordance with its terms.

Signed: Date:

Name: Status:

Appendix 1 to Letter of Appointment
Contract Services

1. TERM
1.1 Effective Date
1.1.1 This Contract shall commence on **5th October 2017**.
1.2 Expiry Date
1.2.1 This Contract shall expire on **30th November 2017** unless terminated earlier pursuant to this Contract.

2. SERVICES REQUIREMENTS

2.1 Services Required

The Tourism Industry is identified in the 2014 Strategic Economic Development Framework as the third most important market for investment and a key objective of the Economic Development Framework under "Developing our existing economic sectors" is to grow the tourism market. It is estimated to have made a direct contribution to Guernsey GDP of £68.6M and a combined direct and indirect contribution of £150.9M.

Moreover, tourism is a critical contributor to the hospitality industry, as well as a substantial contributor to the retail, personal services and the recreation sectors and is fundamental to the ongoing sustainability of Guernsey's transport infrastructure and the provision of air and sea links to the UK and beyond.

The Guernsey Tourism Strategic Plan 2015-2025, a plan developed by government in collaboration with the tourism industry, includes an aspiration / objective to grow visitor number / value to the Island by approximately 3% per year. The five supporting and overarching strategic aims of the Guernsey Tourism Strategic Plan are to:

1. "Evaluate new and stronger route connections to the island (UK and Europe)"
2. "Strengthen the island's product offering and develop marketing and messaging that is consistent and compelling"
3. "Develop an exceptional visitor experience"
4. "Develop a positive environment for growth and investment"
5. "Develop marketing and messaging that is consistent and compelling"

Visitor growth since 2015 has not achieved the 3% growth objectives. The visitor numbers to Guernsey have suffered due, in the main, a decline in visitors travelling by sea. A troublesome two years, due to technical and operational issues, following the launch of a single new high speed ferry by Condor, replacing two high speed crafts which used to service the island, contributed to the loss in confidence in Condor and a significant decline in both day and overnight visit passengers. Visitors by air have been pretty static, however Guernsey has suffered due to a perceived lack of competitive fares to the island, especially compared with fares to Jersey. Jersey benefit from a significant amount of air passenger traffic travelling to the island on routes operated by low cost carrier EasyJet. Due to the shorter length of Guernsey's runway, Guernsey airport is unable to accommodate the narrow body

Contract (3/6)

jets typically operated by low cost carriers.

Annual market research surveys carried out by YouGov on behalf of VisitGuernsey, highlight the main reason for potential visitors not travelling to Guernsey being the perceived high cost of travelling to and staying in Guernsey, and the perceived lack of things to do when in Guernsey.

The Committee for Economic Development has been instructed by the States Assembly to bring a review of the Guernsey Tourism Strategy to the Assembly for consideration in the 1st quarter of 2018. The Committee for Economic Development will be taking a Green Paper to the States Assembly to set out the Committee's vision for the economy in December 2017. The paper will include details of the Committees vision for the development of the visitor economy and the Hospitality and Tourism sector. A timetable for the review of the Tourism Strategy has been agreed with industry, and work on the review has commenced.

Objectives
Scope of the project

The current strategy's number one strategic is to: 'Evaluate new and stronger route connections to the island (UK and Europe)'. This is still considered to be a priority aim, however a strategic review of Guernsey's infrastructure, which includes transport links, is already being carried out by the Committee for Economic Development and the Policy and Resources Committee.

Whilst consideration needs to be given to the current transport link constraints and challenges, and future aims for transport links, this project needs to be focused on defining the detailed strategy required to deliver Strategic Aims 2 -4:

2. "Strengthen the island's product offering and develop marketing and messaging that is consistent and compelling"
3. "Develop an exceptional visitor experience"
4. "Develop a positive environment for growth and investment"

Whilst the action plans included in the current strategy document (which were approved by the previous Commerce and Employment Department board), will help evolve and incrementally improve the current product offering, the Committee is clear that they are not ambitious or far reaching enough to help deliver the objectives for growth. The Committee is of the belief that appetite for private investment has not been forthcoming, or has been stifled, due to a perception that the States is unwilling to be an investment partner and take a share of the risk, and that the States has placed legislation and policy barriers in the way.

The Committee believes investment is now urgently required to improve the quality and breadth of the islands product offering and the overall visitor experience once on the island, to help provide real competitive differentiation, to meet the needs and expectations of its target visitor markets, now and for the future, and to ultimately help stimulate strong positive growth for the sector.

The islands product offering comprises:

- Accommodation offering (hotels, self-catering, guest houses, camping etc.)
- Attractions (museums, heritage sites, galleries, parks, gardens etc.)
- Entertainment (Cinema, Theatre, clubs etc.),
- Indoor / outdoor activities (Beaches, cliff walking, Cycling, golf, swimming, sailing and other water based activity, health and wellbeing activity, bowling, go-karting etc.)
- Events (Festivals, fairs, shows, island celebrations, sporting events e.g. Liberation day, etc.)
- Hospitality (Restaurants, pubs, bars, café's, kiosks, etc.)
- Guides and tours (Walking, cycling, boating, coach etc.)
- Sister Bailiwick islands (Lihou, Herm, Sark, Alderney)
- Retail offering (Main centres and out of town)
- Customer service

The Committee wants the States to consider supporting public / private investment opportunities and to make States assets available, where appropriate and possible, to help stimulate positive investment in the sector. The Chamber of Commerce Hospitality and Tourism sub group, who represent the tourism sector, is fully supportive of this aim.

This project will therefore focus on the specific product offering development needs and opportunities for Guernsey, and the policies, processes and investment mechanisms necessary to make potential opportunities identified a reality.

Deliverables

1. To conduct a full review of the current product offering Guernsey promotes to its visitor market. This audit should consider:

a. Guernsey's current and future target visitor markets and its ability to meet the product expectations and needs of those markets

b. Benchmarking Guernsey's product offering and visitor experience with key competitor destinations

c. Providing a 'Gap analysis' of current offering Versus target market needs and expectations and Guernsey's desired competitive positioning

2. To identify through key stakeholder consultations:

a. Product and visitor experience development proposals and opportunities to help achieve Guernsey's tourism strategic aims

b. Investment mechanism proposals

c. Government support required

d. Industry support required

e. Perceived barriers to the delivery of required product development

3. To deliver a Product and Visitor Experience Development Strategy including:

a. 'Achievable' product and visitor experience development proposals

b. Proposal Implications including:

i. Guernsey target markets

ii. Guernsey infrastructure

iii. Investment required and investment approach

iv. Government Policy and Legislation

v. Industry implications

vi. Timeframes

vii. Other critical success factors

Key scope assumptions

- The review of the market segments and benchmark destinations will be limited to publicly available data and information in our own databases. Whilst PwC will apply its best efforts in compiling the information, it stresses caution in availability of information and its interpretation. PwC will benchmark Guernsey's product offering and visitor experience with a selected number of comparable destinations (2-4), depending on availability of data and comparability to Guernsey.
- The team will be primarily based in the UK. PwC have budgeted for a maximum of 21 nights in Guernsey to conduct interviews, kick off meeting, mid-point workshop and a final meeting.
- PwC will conduct up to 20 stakeholder interviews, subject to these being scheduled within 3 weeks of the project kick off, and conducting the majority by phone. The interviews will be set up by the Committee for Economic Development.
- PwC will rely on the Committee for Economic Development to provide all the relevant information on tourism and product performance relating to Guernsey. PwC will not

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independently validate this data, and will not conduct independent quantitative analysis to fill any gaps or conduct any consumer surveys.

- Supply and demand assessments are highly depended on availability of market data and certain assumptions need to be made on anecdotal information. PwC do not hold any warranty towards the accuracy of these assumptions, nor to the extent to which the projections will accord with actual results.
- Whilst PwC will make high level estimates of the financial costs of initiatives and the qualitative benefits, we will not prepare detailed financial projections for each initiative. This would be the subject of more detailed feasibility studies.
- PwC's scope of work does not include master planning of attractions or other leisure facilities, developing transport solutions, review and analysis of infrastructure, developing environmental and demographic studies, preparation of visitor flow patterns, or any other scope of a detailed design, transport or technical nature.
- Any construction and development costs used in the analysis will be high level based on benchmarks if available or data provided by the States of Guernsey. Detailed costing would be subject to more detailed feasibility studies.
- Given the breadth and number of potential stakeholders, support will be provided by the Committee for Economic Development to collate and rationalise comments from stakeholders on the draft report(s) before providing to PwC for revision.
- As the duration of the contract period is short, we expect no more than 3 drafts to be issued for comment prior to issuing a final report to the Committee for Economic Development.
- Any support with adapting and editing the final report following its submission, and/or any support with presenting the findings to audiences beyond the Committee for Economic Development is considered outside the scope of this contract and will be subject to a new contract or a contract extension to be mutually agreed.

3. PERFORMANCE OF THE SERVICES AND DELIVERABLES

3.1 Implementation Plan and Milestones (including dates for completion)

(i) The Implementation Plan as at the Effective Date is set out below:

Milestone	Deliverables (bulleted list showing all Deliverables (and associated tasks) required for each Milestone)	Duration (Working Days)	Milestone Date	Customer Responsibilities (if applicable)
1	**Provision of final report**		We will use all reasonable endeavours to provide the services in accordance with the agreed timetable of on or before **6 Nov 2017**	

(ii) If so required by the Customer, the Supplier shall produce a further version of the Implementation Plan (based on the above plan) in such further detail as the Customer may reasonably require. The Supplier shall ensure that each version of the Implementation Plan is subject to approval. The Supplier shall ensure that the Implementation Plan is maintained and updated on a regular basis as may be necessary to reflect the then current state of the implementation of the Services.

(iii) The Customer shall have the right to require the Supplier to include any reasonable changes or provisions in each version of the Implementation Plan.

(iv) The Supplier shall perform its obligations so as to achieve each Milestone by the Milestone Date.

(v) Changes to the Milestones shall only be made in accordance with the variation procedure and provided that the Supplier shall not attempt to postpone any of the Milestones using the variation procedure or otherwise (except in the event of a Customer default which affects the Supplier's ability to achieve a Milestone by the relevant Milestone Date).

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3.2 Performance Monitoring

The Supplier is to provide the Customer's Representative with reasonable assurance within 1 working day of each Milestone Date that the applicable Milestone has been completed.

The Supplier is to report immediately any concerns, risks to the project being delivered successfully or recommended variations to the Customer's Representative.

The Suppliers' Representative, or nominated deputy from the PricewaterhouseCoopers CI LLP project team is to attend contract monitoring meetings and provide progress updates with the Customer's Representative at the Customer's Offices at the following stages whilst on-island

1. **Kick-Off Meeting**
2. **Interim update meetings and calls**
3. **Key Stakeholder interviews & other interviews**
4. **Guided tour of current product offering including attractions, hotels, self-catering, guest accommodation etc**
5. **Prior to the presentation of the final report**

The Supplier is to make themselves available for telephone updates with the Customer's Representative each day during normal working hours

4. SECURITY

4.1 Security Requirements (including details of the outline security management plan and policy)

These provisions, Schedule 1 and clause 6.1 shall not apply.

Appendix 2 to Letter of Appointment
Contract Charges

Charging mechanism, price and Day Rates	**Fixed Price** The fees for this contract are £85,000 inclusive of all costs and overheads. This is made up of - Total at discounted rate (50%) 55 days (385 hours) x £221 = £85,000. Expenses will be allowed on top of the contract fee based up to the following – Capped at £8500 excluding VAT based on a maximum of 9 return flights to Guernsey and 21 bed nights
Invoicing arrangements	The fees will be made payable subject to an invoice being received, as follows: •Payment 1: £25,500 - payable on signature of engagement letter: 30% of total fees •Payment 2: £34,000 - end of week 3: 40% of total fees •Payment 3: £25,500 - upon submission of our report: 30% of total fees The Supplier is to invoice upon completion of the stages above and valid invoices will be paid within 30 days.
Performance-related payment	Not applicable
Travel and Subsistence	Capped at £8500 excluding VAT based on a maximum of 9 return flights to Guernsey and 21 bed nights. Expenses will include such items flights, ferry, hotel accommodation, transfers and a per diem of £65 for subsistance and other sundries. It will also include PwC's fixed charge of £350 for access to its subscribed for public databases. Receipts or evidence of spend to be provided other than for the subsistence allowance for which evidence of nights in Guernsey will be provided.

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Appendix 3 to Letter of Appointment
Variations and/or supplements to the Call-Off Terms

The aggregate liability of the either Party in respect of all claims made by or in respect of the other Party arising in respect of this Agreement whether arising from tort (including negligence), breach of contract or otherwise under or in connection with this Agreement shall in no event exceed the total fees received by the Consultant under this Agreement.

The following information shall be deemed Commercially Sensitive Information or Confidential Information for the purposes of the Code of Practice on Access to Public Information:

- any information relating to the Supplier's fee rates, its methodology for providing the services in question and any personal data provided by the Supplier including the CVs of the Staff engaged in the provision of the Services;
- Any information falling within the definition of "Supplier's Confidential Information".

Appendix 4 to Letter of Appointment
Supplier's Statement of Work

1. This Appendix 4 is taken from the Supplier's Statement of Work dated 13/09/2017 and describes how the Supplier proposes to provide the Contract Services plus additional work as follows:

   Philip Shepherd confirmed 15th September 2017: – We can accommodate the additional 10 interviews (20 in total) subject to being able to conduct these by phone and them being set up by your team. The interviews will need to be set up with the allotted window within the table as we don't want the interviews delay the project delivery. As my team will be dedicated full time we can be flexible but recognise that some interviewees may not be available or may not want to contribute. Perhaps to give both of us some flexibility we can say in the contract .....'up to 20 interviews that can be arranged by week 3 in the project time table..' This scope of work has been reflected in the Key Scope Assumptions.

2. All references to **PricewaterhouseCoopers CI LLP** within this Schedule including, but not limited to, references to its full or abbreviated legal title as well as any references to the "contractor", "supplier", "service provider", "us" and/or "we", shall be construed and interpreted as a reference to the Supplier.

3. Nothing contained in this Appendix 4 shall diminish or limit the Supplier's obligations under this Framework Agreement or any other provisions of this Letter of Appointment.

PwC
Proposal_Guernsey_