



Ministerial Statement to the House of Assembly

America's Cup Bermuda 2017
by
Dr. the Hon. E. Grant Gibbons, JP, MP
Minister of Education and Economic Development

Friday, 5th December, 2014

Mr. Speaker, I am honoured to rise today to formally report that Bermuda has been selected as the host venue for the 35th America's Cup in 2017. Our selection is a tremendous vote of confidence in Bermuda's capabilities to deliver a spectacular global sporting event, and every Bermudian should be excited and proud. America's Cup Bermuda 2017 offers all Bermudians an unparalleled opportunity to shine on the world stage and demonstrate the industriousness, the ingenuity and the warm hospitality for which we have always been known.

Mr. Speaker, America's Cup Bermuda 2017 represents a transformative moment in our island's history. The short- and long-term benefits to our economy, our reputation and our sense of national pride cannot be overstated. But America's Cup Bermuda 2017 is a moment that must be seized. We will need all hands on deck to realize the full potential of this extraordinary event and to meet the high expectations and standards of excellence set by the America's Cup Event Authority. From this moment on, every Bermudian will be part of the team that takes full advantage of the incredible opportunity before us. It will require a great effort, but the rewards will be significant.

Mr. Speaker, as we move into the next phase of planning for America's Cup Bermuda 2017, this Government commits to ensuring that all Bermudians have an opportunity to be included and involved. The smiles on the faces of Bermuda's schoolchildren as they welcomed the Cup to Bermuda and the enthusiasm of the crowds on Front Street as the Cup was presented to the people were good indications of a desire to be part of this new chapter in our history. We know that the complete success of this event depends on the full embrace of our community.

This Government also commits to ensuring that all Bermudians understand how the positive benefits of America's Cup Bermuda 2017 will be experienced throughout the community. It is easy to believe that the positive impact of this event will be limited to a few. We know that is not the case, but it is our responsibility to communicate and demonstrate clearly why and how every Bermudian will benefit.

Mr. Speaker, so what is the America's Cup? What does it represent? First, it is the most recognized global sporting event after the Olympics and the World Cup. Its history dates to 1851, when the New York Yacht Club won the 100 Guinea Cup in England on the schooner America and the team returned home to New York as heroes. They donated the trophy to the New York Yacht Club under a Deed of Gift, which stated that the trophy was to be "a perpetual challenge cup for friendly competition between nations." Thus was born the America's Cup, named after the winning schooner America, as opposed to the country.

The America's Cup is a difficult trophy to win. In the more than 160 years since the first race, only four nations have won what is often called the oldest trophy in international sport. For perspective, consider that there had been nine contests for the America's Cup before the first modern Olympic Games were held in 1896. And now Bermuda will become part of this illustrious sporting history.

Mr. Speaker, the America's Cup Event Authority has scheduled a series of racing events in Bermuda. These include the America's Cup World Series, from October 16 - 18, 2015; Youth America's Cup in 2017; America's Cup Challenger Playoffs 2017; America's Cup Concert Series 2017; America's Cup Super-Yacht Regatta 2017; and, of course, the Finals, the America's Cup Match in June, 2017.

Other World Series events will be held around the world in 2015, in which Bermuda will be identified prominently as the host venue for the final match in 2017. There are now six teams participating, including USA Team Oracle, Great Britain, Italy, New Zealand, France and Sweden. Last Tuesday, the America's Cup Event Authority announced that additional teams may join the roster.

The America's Cup racing events will take place in the Great Sound, while the Royal Naval Dockyard, under the auspices of West End Development Corporation, will be the site of the America's Cup Village and the location of the team bases for the major events leading up to and including the finals. As already announced, the Hamilton waterfront will be the site for the World Series Event in October 2015, and more details will be forthcoming on this in due course.

Mr. Speaker, we have recognized from the outset that unlike other host venues, we cannot accommodate hundreds of thousands of spectators, given Bermuda's scale and limited capacity, but we have been assured that our attractive time zone for global TV broadcasts, our warm hospitality and the spectacular setting in the Great Sound will adequately compensate for our size.

Mr. Speaker, Bermuda will begin to see tangible evidence of the America's Cup in the New Year. Members of the America's Cup Event Authority will begin to move to Bermuda with their families early in 2015. We will see Team Oracle USA move to Bermuda in the spring, and their spectacular 45-foot catamarans will be sailing in the Great Sound by early summer. We will see more teams come, some to permanently base themselves here, others to visit and experience the sailing conditions. By the end of 2016, we hope to see the first of the new AC 62's-the new boat for the finals-here in Bermuda. Work to create the America's Cup Village at the Royal Naval Dockyard will be ongoing.

Mr. Speaker, Bermuda's hosting of the 35th America's Cup will bring with it a substantial economic stimulus, including jobs and investment that will begin in 2015 and build to the events in 2017 and beyond. All sectors of Bermuda's economy will be positively impacted: tourism; hotels, restaurants and hospitality-related services; transport, including taxis, ferries, buses; construction; wholesale and retail; security; marine services, shipping and forwarding; telecommunications; service industries; small businesses; and real estate. We believe the 35th America's Cup will also have a positive impact on Bermuda as a jurisdiction for international business. Additionally, the global exposure generated for Bermuda will have a significant and sustained impact on tourism, resulting in a significant boost for air arrivals and on-island expenditure for years to come.

It is expected that the America's Cup events will help catalyze the development of new hotel and hospitality products and promote reinvestment and revitalization of existing properties. We have already witnessed a \$1 million commitment to refurbish suites at the Hamilton Princess. And purpose built infrastructure, at the Royal Naval Dockyard and elsewhere around the island, will enhance our tourism product well beyond the America's Cup Final in 2017.

Mr. Speaker, based on available economic impact studies of former host venues, including San Francisco, Valencia, Spain, and Auckland, New Zealand, we conservatively estimate that Bermuda will benefit from additional on-island spending of approximately \$250 million from hosting the event. The additional spending is anticipated to come from the operations of the America's Cup Event Authority on island, the teams taking part over the next three years, spending by sponsors on hospitality and associated activities, additional visitors, media, regatta officials, super-yacht visits, and event-related Government spending.

Conservative estimates suggest that Government alone will receive additional gross revenues of \$14 million from taxes and duties, which will help offset the operational and infrastructure expenses involved in hosting the event.

Mr. Speaker, costs associated with hosting the 35th America's Cup fall into two categories:

- Investment in Bermuda infrastructure and services over the next three years, and
- Sponsorship of the event as part of Bermuda's bid package.

Government funding for both of these categories will involve money that will be spent in Bermuda as part of our agreement with the America's Cup Event Authority and will provide a stimulus to Bermuda's economy.

Although the Royal Naval Dockyard complex has a well-established infrastructure and existing hospitality and marine services, additional investment in infrastructure and facilities will be required to host the teams, support facilities, operations, media, sponsors, and visitors expected over the next three years. We will create an impressive America's Cup Village.

The capital costs for Government associated with site preparation, enhancements to buildings and docks, moorings, utilities and services are estimated to be about \$14 million over three years. In addition, expenses related to the operation of the America's Cup Village, including additional utility usage, sanitation, parking, professional fees, project management and demolition have been budgeted at \$11 million over three years. For both capital and operational expenses, the majority of the spending will occur in 2016 and 2017.

The South Basin Marina project, which is an existing joint venture between West End Development Corporation and Cross Island Development, will provide necessary additional space and will be completed prior to the 2017 events.

Other additional operating expenses that the Government will bear include the costs associated with establishing and staffing an administrative team, to be known as the America's Cup Bermuda (ACBDA) team, to work alongside the America's Cup Event Authority. Costs for transport (additional ferry and bus services), security, emergency services, insurance, and legal costs have been budgeted at \$12 million over the next three years. We will also set up a facility under the America's Cup Bermuda team to welcome volunteers and those who wish to help in these events over the next three years.

Mr. Speaker, I would like to re-emphasize that Government spending on infrastructure, preparation and operational expenses will provide a significant economic stimulus and additional job creation.

Mr. Speaker, it was clear at an early point in the bid process that in order to be seriously considered as a potential venue, Bermuda would need to commit a credible amount as a sponsor to hosting the event, and our initial bid included a commitment to spend \$5 million per year over three years. Our agreement with the America's Cup Event Authority, therefore, includes a sponsorship fee of \$1 million in 2014, \$4 million in 2015 and \$5 million in each of 2016 and 2017. By agreement, these funds will be provided in Bermuda Dollars and will be spent in Bermuda.

The Government has provided additional sponsorship, specifically, a guarantee of \$25 million to the America's Cup Event Authority against commercial sponsorship by companies and organizations that wish to gain marketing and hospitality benefits from the events. The guarantee will not be assessed until August 2017, and commercial sponsorships facilitated by Bermuda in cooperation with the America's Cup Event Authority between now and 2017 will count against the \$25 million guarantee. More precisely, and in line with customary practice in the event industry, 30 percent of new commercial sponsorship funds received between now and then will be deducted from the \$25 million.

Based on our experience to date, we believe that the recent announcement of the Bermuda venue by the America's Cup Event Authority and the anticipated announcement of the broadcast rights will help to solidify commercial sponsorship arrangements that are currently under discussion, and introduce new ones. By agreement, the guarantee will also be reduced by revenue sharing opportunities for Bermuda from all general admission tickets, concert tickets and public-spectator tickets for the America's Cup events in Bermuda.

By way of comparison, Valencia is reported to have provided sponsorship of some \$51 million during the 2007 America's Cup, and Singapore is understood to provide a sponsorship of \$100 million per year to host Formula One races.

In simple terms, **Mr. Speaker,** Bermuda is making a substantial investment with clear indications of a substantial return on that investment, in order to benefit every Bermudian for the foreseeable future.

Mr. Speaker, the America's Cup Event Authority and Oracle Team USA have acknowledged the Government's intention to create jobs and opportunities for Bermudians during the events and have committed to employing Bermudians and Bermuda companies during their stay.

In addition to sailing programmes and other opportunities for young Bermudians, the America's Cup Event Authority will be announcing an educational STEM programme (for Science, Technology, Engineering and Maths) that will incorporate some of the technical and engineering principles used in their racing designs; this will be available to Bermuda's students and will help foster interest in science and maths in our schools.

Mr. Speaker, in the Throne Speech the Government committed to an America's Cup Act 2014 that will help facilitate the hosting of the event in Bermuda. The legislation, which will be introduced on December 12th will outline the various duty and other tax provisions that will be provided to the America's Cup Event Authority, team members and other groups and individuals closely connected with the event. The Act will also make provision for various permissions to be granted during the events on an expedited basis, while ensuring appropriate accountability and oversight to this Honourable House. Although it is broader reaching due to the complexity of the 35th America's Cup, the new legislation will reflect some of the same principles used in the Hotel Concession Act to stimulate new hotel investment.

In future communications to the House and during the Budget session, I will set out the provisions for the creation of the America's Cup Bermuda team that will work closely with the America's Cup Event Authority to ensure efficient accommodation for the racing teams in Bermuda, the facilitation of events and the timely development of infrastructure and site arrangements.

Mr. Speaker, I would like to close by expressing my profound thanks to all those individuals who have been an integral part of the America's Cup Bermuda Team, including a number of professionals who have generously offered pro-bono services to help achieve our success. They are:

America's Cup Bermuda Team

Adam Barboza - Bermuda Tourism Authority
Alan Burland
Andrew Cox
Somers Cooper
Peter Durhager
Victoria Isley - Bermuda Tourism Authority
Greg Muir - KPMG
Jasmine Smith - Bermuda Government
Elizabeth Ward
Michael Winfield - Bermuda Tourism Authority
Duncan Card
Ian Stone
Michelle Stone

In addition, I am grateful for the extensive support that the Bermuda Team received from Cathryn Balfour-Swain and Greg Howard in the Attorney General's Chambers.

Mr. Speaker, I conclude by saying that I believe the America's Cup will provide an enormous opportunity for Bermuda to showcase our island to the world, to rejuvenate tourism and to provide extensive and sustained economic benefits to this community. But to reap the benefits, we must deliver, and that will require the collaboration and active involvement of all Bermudians.

Thank you, **Mr. Speaker.**

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