



SAINT LUCIA HOSPITALITY & TOURISM ASSOCIATION

24th February 2021

By Email: pm.sec@govt.lc

Honorable Prime Minister Allen Michael Chastanet
Minister for Finance, Economic Affairs, Job Creation,
External Affairs and the Public Service
5th Floor
Graham Louisy Administrative Building
Waterfront
Castries
St Lucia

Dear Honorable Prime Minister,

Over the past eleven months the SLHTA members from the Duty Free Retail Sector engaged with the management teams of SLASPA and Invest Saint Lucia in their capacity as landlords on the plight of the duty-free shops and other businesses based at La Place Carenage and Pointe Seraphine.

Like most, the duty-free sector had unrealistically assessed that COVID-19 would be short-lived and that business would resume in the short term. However, by October 2020 what should have been the normal start of a new cruise season was a brutal reality check that brought into clear focus the sector's worse fears.

To their credit, both SLASPA and Invest St Lucia (ISL) in their capacity as landlords reacted to the early effects of the pandemic and issued full rental waivers for a two-month period. Since then, tenants have continuously and as a collective engaged with both agencies through the SLHTA in an effort to arrive at a position on the rental obligation subsequent to those waivers. Landlords confirm that they are well aware of the situation that the duty-free stores of the cruise port find themselves in, although the position to date is seemingly not reflective of the same.

Cruise passengers for years 2018 and 2019 averaged at about 1.2m, the greater portion of which came through the winter months. Despite the seasonality of cruising, the businesses at the port have over the years managed resources sufficiently well to meet obligations such as rental in the summer months when passenger traffic reduces to a very small fraction of the winter period.

COVID-19 caught the sector at the start of what would have been the best month for the season. Losing out on that opportunity in March 2020 had a severe impact on the sectors ability to amass those reserves that would have been needed to meet compulsory expenditure in the months that followed as they had so often done.

The current information when analyzed suggests strongly albeit not definite, that duty-free stores and other port-based businesses may next resume business in noticeable measure by November 2021. It is worth noting that by then the sector would have been in a desperate state for a period of twenty months; an almost two-year period before it will be possible to experience any measure of impactful business. Further, once that season concludes in April of 2022, the sector will again find itself with no cruise traffic as the ship which would have serviced the normal 1-week call has been sold from the Carnival fleet and nothing has been put in its place. Cumulatively, the sector is faced with a 30-month trajectory during which only 6 months of viable trading will be possible. These are facts as we know them to be and as confirmed by the ground representatives for the cruise lines.

Honorable Prime Minister, the sector feels it necessary at this time to respond to the idea that they are not doing enough to help themselves and meet their commitments. Their actions historically provide evidence to quite the opposite, having partnered on every requested occasion with landlords and agencies such as Events and Export St. Lucia to put on activities at either of the two properties. Privately, they have come together as tenants and hosted numerous events aimed at engagement with the local demographic.

In September 2019, the tenants of Pointe Seraphine approached the management of the complex with an idea aimed at attracting customer traffic other than cruise to the complex. They had long accepted that the concept of being duty-free on its own was no longer a sufficient lure to Pointe Seraphine. They needed an idea that was unique and made Pointe Seraphine a central point of traffic for locals and visitors alike. At the time the tenants pitched the idea to Pointe Seraphine management offering to contribute to the cost of this project, so they were elated to find out later that ISL had not only found merit in the proposal but had committed to footing the entire bill for the project. This project, The St. Lucia Mural is already accomplishing its purpose serving as an iconic background to so many trending social media posts and marketing projects, although sadly the tenants have received little credit for their part in what will eventually be a must visit spot in St. Lucia.

To suggest that as a sector they have not tried is misleading. They have been trying as a sector long before this pandemic hit navigating through many hinderances. There is seemingly a reality that is being overlooked, which is, that Pointe Seraphine and La Place Carenage were both projects initiated to benefit and serve cruise traffic. The most recent investment by SLASPA on the Pointe Seraphine berth is further evidence to that. There may be room for debate, but for most businesses it is safe to conclude that annually 98% of all activity at either of those properties is derived from cruise. Ferry transfers, food and beverage, taxis, vendors, tour operators and duty-free shops all survive on those cruise ships.

Suggesting that they should be able to turn the entire duty-free concept into something different and viable and see any measure of respectable return mid-pandemic is to say the least impractical.

Both agencies have asked that tenants commit to rental at a rate of 40% in the case of ISL and 30% for SLASPA for the outstanding months to date. There are several reasons why this ask is oppressive and sets the stage for a massive business failure for tenants.

- From a position of cash-flow, this ask is neither feasible or sustainable. If it were feasible, how long does the landlord imagine that tenants would be able to sustain these payments? The basis for this request must consider source of revenue. How practical is it to plan for receivables when the source is dry?
- From a position of conditions, SLASPA in its capacity as the primary agency for negotiating cruise calls have indicated that it is difficult to forecast when they will see a return to some normalcy in port calls. All reliable information suggests that whilst there is robust interest in cruising and summer bookings are confirmed for 2021, it is highly unlikely that this will be our reality. It is unrealistic to suggest that rent is expected to be paid on what we hope will happen. Hope cannot be our primary strategy.
- From a position on the vaccine rollout, the timelines on tourism return is heavily influenced by vaccine rollouts and effectiveness in the source markets. In both the UK and the US the suggested dates by which those countries will see noteworthy progress has moved from March and April into the summer months.

Tenants had asked from very early on that landlords take a long-term position on the situation. They take on fully that there must be some measure of compromise and that paying nothing over such an extended period is not in the interest of either group. As tenants, they have a vested interest in ensuring that both these facilities remain secure and in good order. However, the lack of viable trading conditions does not allow for tenants to meet the ask at the rate of 40% and 30% respectively.

Most tenants have faithfully and diligently executed the terms of their leases including that of rental commitments for the better part of 20 years or more prior to this pandemic. Despite the dire circumstances they are prepared to put their collective shoulders to the wheel. They want to hunker down and save their business along with as many jobs as they possibly can, but one can appreciate there must be a resolution that can work for all in order for this to be possible.

To this end, tenants have put forward proposals that they believe align with a strategy not solely for viability but for survival. As proposed very early on, tenants ask that landlords manage this as the long-term situation it has developed into for the period March 2020 to October 2021 in the first instance considering all of the following:

1. Full waiver of rental for the unsettled months between March to December 2020. Tenants thank and graciously accept the 2-month waiver issued, and ask that this be extended to the remaining 8-month period for which there were no cruise calls.
2. 90% waiver of rental from January 2021 through to October 2021 for Pointe Seraphine and November 2021 for La Place Carenage or through to the return of viable cruise business whichever manifests first. Exception to be made for small single enterprises, with no other form of income other than the port; for those small enterprises we request a continued full wavier from January 2021 forward.
3. Initiate a joint taskforce comprised of sector and landlord representatives, to explore and propose ideas on:
 - a. The Tourist (Duty-Free Shopping System) Act. What if any ideas can be pursued to alter regulations to allow for local trading, conditional to the businesses of these two facilities over a defined period of time?
 - b. Rental rate structure over the next three seasons with a view to recovery and rebuilding from both ends.
 - c. Continuous review of conditions with a view to revise agreements should circumstances change either way.

14th March 2020 was the last date on which St. Lucia received a cruise ship. We are about to conclude a twelve-month cycle within which there has been no business. We acknowledge some business for the few days prior to Christmas however insufficient for the few members that were able to open. As a sector there is little more they can do without support. Without significant and quick support initiatives, many of them will not make it beyond March 2021. They have had to make significant and painful sacrifices to make it to this point and there is literally nothing left to give.

The SLHTA seeks on their behalf, a single response from both agencies recognizing that the conditions of business or lack there-of is equal and we ask that this proposal is treated with the highest priority with a view to conclude prior to the end of March 2021.

The SLHTA members of this sector appeals to the honorable Prime Minister for his intervention as well as a direct audience with the investors to discuss this situation. The SLHTA looks forward to this engagement between members and yourself at the soonest opportune time.

We thank you for your urgent attention to this appeal.

Yours sincerely



KAROLIN TROUBETZKOY
SLHTA President

CC: Honorable Minister Stephenson King – Minister for Infrastructure, Ports, Energy and Labour
Honorable Minister Dominic Fedee - Minister in the Office of the Prime Minister with
responsibility for Tourism, Information and Broadcasting
Honorable Minister Bradley Felix - Minister with responsibility for Commerce, Industry,
Investment, Enterprise Development and Consumer Affairs
Mr Daren Cenac - SLASPA General Manager
Mr. Pinkly Francis - ISL Chairman
Mr. Roderick Cherry, CEO – Invest Saint Lucia
Mr. Jeremiah Edward, Senior Manager- Finance & Administration – Invest Saint Lucia
Mr. Earland Labadie, General Manager – Duty-Free Pointe Seraphine