



GUAM VISITORS BUREAU CITIZEN-CENTRIC REPORT (CCR) FISCAL YEAR 2010



OUR VISION

“A healthy, vibrant, and growing visitor industry generating business opportunities and employment for all residents, protecting the island’s heritage, cultural values and natural resources, and making positive contribution to the community’s quality of life.”

Enabling Statutes & Funding

The Guam Visitors bureau is a public, non-stock and non-profit corporation. It is a unique organization where its members and the people of Guam share an interest in the island’s tourist industry.

GVB is governed by a 13-member Board of Directors. They oversee the overall operations of the Bureau to insure that we meet our goals and objectives.

GVB is funded by the Tourist Attraction Fund and membership dues (less than 1% of total funding).

There are ten guiding principles that lead our strategic direction:

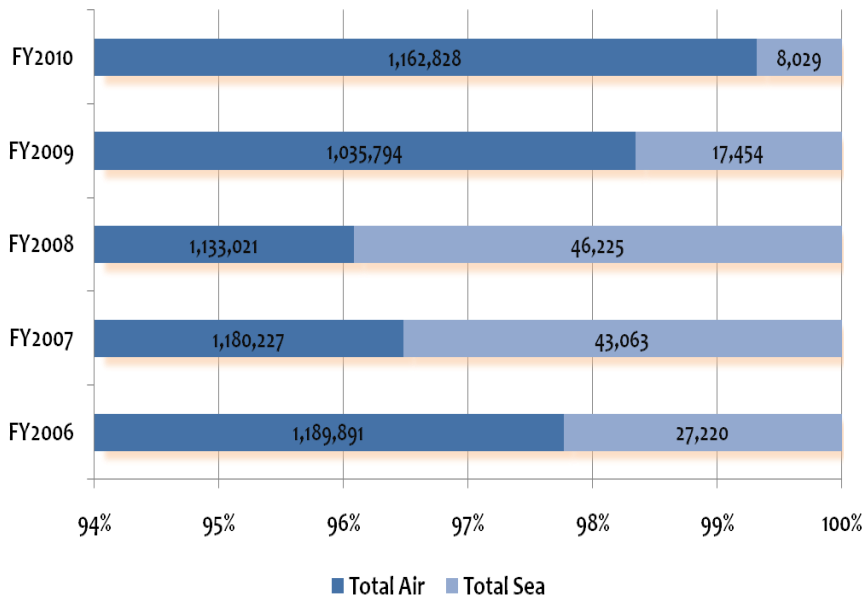
1. Maximize arrivals
2. Focus marketing efforts on Japan, Korea and Business Travelers
3. Grow small & emerging markets
4. Improve destination with new attractions, events, & improvements
5. Maintain a moderate growth rate
6. Focus on our Spanish-Chamorro cultural heritage to promote Guam’s unique image
7. Secure guaranteed funding
8. Explore ways to improve GVB operations
9. Encourage the community to participate
10. Promote Guam’s regional location in Micronesia

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PERFORMANCE



Guam finished the year very strong with the best September arrivals in the last five years. A total of 1,170,857 visitors came to Guam in FY 2010, up +11.2% over 2009, and exceeded expectations despite the weak global economy and continuing economic and political uncertainties in Japan.

Airlift capacity and frequency from Japan increased +12% in total seats before the October 2010 forced bankruptcy announcement of Japan Airlines, which subsequently led to the carrier's suspension of Osaka service, a reduction of Tokyo flights, and down gauging of their daily jumbo service to a smaller B-757 aircraft. Continental's resumption of Osaka service, additional flights by Delta Airlines, and charters at Haneda all contributed to the increase in Japan's seat inventory, as did Skymark Airlines' Haneda charters in the summer and Korean Air's incremental impact at both Osaka and Tokyo.

FINANCIAL REPORT

An 11% hotel occupancy tax funds the Bureau's operations as authorized through the Legislature's annual budget appropriations. In fiscal year 2010, Public Law 30-55 appropriated \$13.1 million for GVB operations and special projects. Although the Bureau received its full allotment in fiscal year 2008, this was not the same for fiscal year 2009 as the Bureau only recognized \$10.7M. This equates to 88% of the fiscal year appropriation for operations of \$12.2M.

Bureau management and staff maintained a financially conservative philosophy in managing its expenditures to avoid statutory penalties associated with expenditures beyond allotments. Buoyant arrivals enabled us to fully fund the projects planned during the year, while staying within budget. At \$8 million, marketing represented the largest expenditure category in 2010, with Japan and Korea consuming the largest share combined (\$7.1 million). At \$1,542,224 GVB personnel salaries and benefits accounted for 11% of all expenditures and professional services; 57%, or \$7.9 million mostly for contracted advertising and marketing vendors in Japan, Korea, Taiwan, Hong Kong/China, and the Philippines.

Our purchasing power in source markets was seriously impacted by the yen's +17% rise since 2008, thereby limiting our advertising and public relations expenditures, especially in Japan. The Bureau's foreign exchange account ended with a loss of \$55,843.48, and more than twice the \$24,872 amount recorded last year because of the stronger yen impact.

Off island travel expenses for sales, marketing and promotional events, which accounted for 3% of expenditures, increased +26% over last year to \$451,233 in 2010, but still -6% below the \$477,309 spent two years prior.

About \$900,000 (6%) was spent on signature events such as the Guam Micronesia Island Fair (GMIF), Guam Ko'Ko' Road Race, GHRA New Year's fireworks, Ladies Pro Am Golf Tournament, and a number of cultural or community events such as Historic Inalahan and the Miss Universe and Miss Earth pageants, in addition to group travel campaigns.

INDEPENDENT AUDIT: An independent audit, performed by Deloitte & Touche, resulted in the GVB receiving an unqualified (clean) audit opinion. The Office of Public Accountability released the audited financial report dated January 27, 2011 and can be found on the OPA's website, www.guamopa.com

	2010	2009
Revenues:		
In-kind contributions from members and others	988,083	715,216
Consumption tax refund	210,376	226,608
Memberships	52,700	41,969
Total revenues	1,251,159	983,793
Less:		
Bad Debts	-	95,000
Net Revenues	1,251,159	888,793
Expenses:		
Professional services	8,903,368	7,985,697
Personnel	1,542,224	1,448,263
Promotional in-kind contributions	988,083	715,216
Travel	451,233	359,155
Pass-thru appropriations	391,395	340,467
Rent/lease	283,172	279,881
Community Programs	282,600	743,750
Grants	275,585	133,750
Materials and supplies	184,357	49,931
Utilities	186,606	190,764
Depreciation	113,975	90,919
Equipment	72,723	33,329
Advertising	69,009	31,860
Repair and maintenance	51,107	258,031
Insurance	21,500	19,978
Miscellaneous	977,464	893,133
Total operating expenses	14,794,401	13,574,124
Operating revenues net of operating expenses	(13,543,242)	(12,685,331)
Nonoperating revenues (expenses):		
Grants-in-aid from Government of Guam	13,537,490	13,112,019
Other nonoperating income (expense), net	189,936	96,869
Interest income	10,748	25,811
Total nonoperating revenues, net	13,738,174	13,234,699
Change in net assets	194,932	549,368
Net assets at beginning of year	12,494,242	11,944,874
Net assets at end of year	12,689,174	12,494,242

FUTURE OUTLOOK

Guam is well positioned to see continuing improvement in 2011's visitor arrivals, assuming no catastrophic events occur. However, our original 2011 forecasts for arrivals and hotel occupancy taxes (FY 2010 Annual Report) have been negated by the March 11, 2011 earthquake in Japan and the subsequent tsunami devastation along Japan's northeastern coast. Guam did not suffer physical damage from either the tsunami or radiation fallout. However, our proximity to East Asia and the tsunami damages to Hawaii and North America created negative perceptions to our detriment.

There is also concern over the full impact of JAL's 66% fewer seats instituted in October 2010 as part of the carrier's bankruptcy recovery plan. Fortunately, however we can expect more seasonally operated charters originating from the new Haneda International Airport under Japan's new open skies policy.

Korea's continuing improvement is likely to be supported by both KE's seasonal charters and Jin Air, the latter to see year on year passenger comparables normalize following the carrier's late April first anniversary of service. The Korean won had remained fairly stable in the ¥1170 ~ ¥1200 range throughout most of 2010. Recent expectations of repatriated export income are strengthening the won and should also sustain the Won's stability in the near term. And since the shock to financial markets from north Korea's recent shelling of Yeonpyeong island has been mostly absorbed, according to Finance Minister Yoon Hyun, Korean travel to Guam appear not to be adversely affected.

Air service to our smaller regional markets is expected to remain stable, with Hong Kong arrivals outperforming them and demand expected to pick up in that market, as will charter-driven visitors from the tri-polar source markets of Beijing in the north, Shanghai in the east, and Guandong/Shengyang in the south of China.

History has shown resiliency in Guam's Tourism industry and believe that significant recovery will come as early as the 4th quarter. Based on this even, we forecast flat arrivals to last year and hotel tax revenues between \$20 million and \$21 million.

The Bureau's focus for 2011 will continue to be on key markets, development of the China opportunity, improvements in our destination product, and vigorous support of our community outreach and brand building initiatives. Key metrics in the new 2010 Japan marketing contract relate to improvements in market share, repeat visits, average lengths of stay, local spending, and affluent visitor mix.

