GUAM VISITORS BUREAU

2008 ANNUAL REPORT

GUAM

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Felix P. Camacho
Governor

Michael W. Cruz, M.D.
Lieutenant Governor

A MESSAGE FROM THE GOVERNOR AND LIEUTENANT GOVERNOR OF GUAM

Buenas yan saludas! The Guam Visitors Bureau continues to seek ways to grow and diversify visitor arrivals by developing more reasons for tourists to visit, adding value for returning visitors, attracting new visitors from various markets, and providing a destination experience second to none. Throughout FY08 GVB, its industry partners, and the Administration promoted Guam's unique culture and natural beauty to its markets.

As part of their Five Year Strategic Plan, GVB has focused on improving Guam's product and "getting back to basics" to offer travelers a true experience of our history and culture. The most encouraging facet of their efforts is the full inclusion of the community into the industry. We look forward in 2009 to the unveiling of this aspect of the plan, and its full implementation in the years to come.

There are opportunities on the horizon for the development of China as a significant market for Guam's tourist industry, and this Administration will do all it can to ensure that these opportunities are aggresively pursued.

I'd like to personally thank the Board of Directors, the Management and Staff, and the people of Guam for their continuing support of Guam's most vital and important industry.

Un Dangkulo na Si Yu'os Ma'ase.

Sinseru yan Magåhet,

FELIX P. CAMACHO
I Maga' Låhen Guåhan
Governor of Guam

MICHAEL W. CRUZ, M.D.
I Segundo Na Maga' Låhen Guåhan
Lieutenant Governor of Guam

Senator James V. Espaldon
I Mina' Bente Nuebi Na Liheslaturan Guåhan
Twenty-Ninth Guam Legislature
Chairman • Committee on Judiciary, Natural Resources, Infrastructure and Cultural Affairs
Chairman (Acting) • Committee on Tourism, Maritime, Military, Veterans and Foreign Affairs

Message from the Chairman
29th Guam Legislature Committee on Tourism

HAFA ADAI!

The year 2008 was a mixed bag for Guam's visitor industry. Oil prices rose to a high of $147/barrel in mid-year before sliding back to below $70/barrel by year's end. Airlines were particularly hit hard as the fuel component of the ticket could no longer go unadjusted. Fuel surcharges began to appear and increase, prompting many potential visitors to reassess their travel plans to destinations closer to home with lower fuel surcharges. The operations of many Guam businesses were also impacted as the rising oil prices impacted the bunker oil used by GPA to generate electricity resulting in higher power bills; the price at the pump jumped to nearly $5/gallon, affecting all consumers; and, most commodities increased in cost due to the passing along of fuel costs from shippers to the consumers.

Visitor arrivals mirrored in reverse the rising oil prices lagging behind by as much as 10% YOY in all markets, before settling down to a more palatable 6%-7% decline. Projections still had Guam tracking to surpass 1 million visitor arrivals, but concern has now shifted to the type of visitor selecting Guam.

In the midst of these challenges, GVB opted to re-brand Guam in the hopes of revitalizing a stagnant tourism sector and distinguishing it from the other "beach destinations". The initial stages of this effort have been completed and it is expected that the branding campaign will be in full swing by early 2009. Industry efforts to re-badge and renovate properties, led by the Ken Corporation and other investment groups, are nearing completion and should complement GVB's efforts to strike a new image for Guam.

Much time and attention has also been spent on influencing the U.S. Department of Homeland Security to draft rules and regulations that would allow Guam to welcome visitors from the People's Republic of China and Russia via a modified Visa Waiver Program. Guam's potential hosting of the Board of Directors meeting of the National Tour Association in the spring of 2009 presents unique opportunities to showcase Guam's offerings to the China market, while putting it on the map with many U.S. tour wholesalers.

While 2008 left much to be desired, the coming year is ripe with the possibilities of rebounding visitor arrival numbers, a new and improved visitor plant, the opening of new brand name food and beverage outlets, and a greater awareness of, and appreciation for, the benefits brought about by Guam's visitor industry by our local people.

To the staff, management, volunteer committee members, and Board of Directors of the Guam Visitors Bureau, on behalf of I Mina' Bente Nuebi na Liheslaturan Guåhan please accept our sincerest appreciation for all of your hard work in 2008, and we wish you every success in 2009!

Senseramente,

JAMES V. ESPALDON
Chairman

A Message From
David B. Tydingco
Chairman of the Board

Hafa Adai!

The GVB Staff, Board of Directors, and I are pleased to present the Annual Report for fiscal year 2008. I would like to commend the staff, management, Board of Directors, and the industry for their hard work, commitment, dedication and support to the island's visitor industry.

This past year, GVB continued executing the initiatives presented in the 5-Year Strategic Plan, and never lost focus of its mission of marketing Guam overseas. We met with many influential people in China as we continue to pursue a visa waiver for Guam, and worked to tap into this increasing affluent population looking for exotic places to visit.

We began this year with the Guam Micronesia Island Fair and Ko'Ko' Road Race, showcasing Guam's vibrant culture and securing Guam as an international sports destination with participation from countries such as Japan, Korea, Philippines, Australia and elsewhere. As part of our efforts to raise the bar on Guam's position overseas with the beauty of its culture, nature and people, the GVB supported the return of the Miss Guam Universe Pageant. Additionally, the momentum is growing exponentially for the opening of the much-anticipated Guam Museum, proudly supported by the Bureau and its industry partners including Japan Airlines.

Going forward, the Bureau continues to aggressively promote Guam in our core markets as well as emerging markets particularly with the visa waiver program with China and Russia. We will continue to work closely with our Northern Marianas neighbors and the islands of Micronesia to collectively market the region, perhaps using Guam as a waypoint.

We look forward to the continued support of the community in making our visitor industry a success, and thank all for their participation in 2008.

Put Respetu,

David Tydingco
Chairman of the Board, Guam Visitors Bureau

Letter to Stakeholders

Gerald S.A. Perez, General Manager

Dear Members and Stakeholders:

I am pleased to report on the performance of your Guam Visitors Bureau for the fiscal year ended September 30, 2008. As a public, non-stock and non-profit membership corporation, the Bureau is a unique organization in which its members and the people of Guam share an interest.

ADMINISTRATIVE HIGHLIGHTS

Our China and Destination Branding initiatives headlined the Bureau's priorities in 2008. Guam will be a step closer to tapping the lucrative Chinese leisure group market if the Department of Homeland Security gives a favorable ruling to include China in a unified visa waiver program for Guam and the CNMI as authorized in Public Law 110-229. This decision was pending at year end, but anticipated before the Bush Administration expires in January 2009. The first phase of our branding initiative was completed during the year and essentially entailed the procurement of professional services, market research, brand positioning of Guam, and the creative effort to arrive at a unified brand image. A launch date is scheduled for January 28, 2009.

Total visitors to Guam dropped -3.6% from 1,223,290 in 2007 to 1,179,246 this year. The deteriorating travel and tourism environment in FY2008 accelerated toward the last half of the year, and resulted in a -10.5% decrease in hotel occupancy taxes from $20,952,407 last year to $18,757,048 in 2008. Going into 2009, we foresee continuing difficulty in both our Japan and Korean markets, at least until late in the year (or in 2010) when the "tonic effects" of market cleansing returns to normalcy and the global economy recovers from the contagion of past financial excesses.

Fiscal Year 2008 was a time to "power up" our marketing effort because intra regional arrivals in Asia had not only recovered from SARS and "normalized" from the tsunami's aftermath (which benefited Guam), but also because emerging regional destinations were pulling our share of market for Japanese and Korean overseas travelers. Unfortunately, the Bureau's $13.3 million approved budget (P.L. 29-19) was -2% below last year, leaving very little opportunity to increase investments in marketing and destination improvement initiatives. The good news, however, was that the Legislature left spending discretion to the Board, a departure in policy from previous years. This change can be attributed to the Bureau's demonstrated financial responsibility and corroboration by independent auditors.

After deducting $7.4 million for debt service on the infrastructure bonds, and appropriations to other activities, the lion's share of the Bureau's $13.3 million operating budget went to marketing (64%), followed by destination development and management functions (20%) which include various cultural and special events. The rest of the budget (16%) went to personnel salaries, building maintenance and other administrative expenses.

The Bureau continues to provide regional leadership by its strong interaction with Micronesian and Asian indus-

try leaders. Chairman Dave Tydingco and I were each invited speakers at international conferences in Macau and Hanoi, both events having to do with regional marketing and destination development. Pilar Laguana, our marketing manager, serves on the PATA Micronesia Chapter board, lending leadership support to the region's political leaders. We were also honored by my election to serve on the eleven member PATA Board Executive Committee. These involvement facilitate wider diversity and industry contacts that serve to elevate Guam's posture in international tourism, grow emerging market opportunities, and solidify our regional leadership role.

Deputy General Manager, Mary Torres, provided good staff support and stewardship of the Bureau's destination development and brand building initiatives in a reduced budget environment (56% of 2007 funding). And her team leveraged $200,000 in public funds to deliver more than double the event value of this year's combined Ko'Ko' International race and Guam Micronesian Island Fair, both events ushered in this year at the close of FY2008. Rose Cunliffe and her accounting team provided the guidance that earned the Bureau a clean audit in 2007 and in meeting legislated financial reporting requirements throughout 2008. Debi Phillips and her research team supervised and successfully transitioned all stakeholders into using a new customs form. This will enhance the depth and content of visitor information gathered and will prove invaluable in understanding our customers, targeting segments of interest, and investing limited marketing funds more efficiently.

MARKETING HIGHLIGHTS

Rising energy costs, the global credit crunch, and financial collapse of the U.S. housing market negatively impacted Guam's visitor industry in 2008. Monthly arrivals, which for most of the year averaged -2% below 2007, accelerated to double digit losses from Japan and Korea (90% of total visitors) during the last quarter. The deepening global recession, and application of high fuel surcharges to air travel, exacerbated an already difficult international travel environment.

Japan arrivals alone declined -5.1% from last year to 884,907, a percentage drop in line with the -5.4% decline in Japan's outbound travelers. This number is lower than in 2004 when the island was still recovering from two super typhoons, coping with global military conflicts and dealing with the SARS epidemic in Asia. Despite this decline, however, we were able to grow our market share +.03% to 5.39% or an additional 4,938 visitors ($5.2 million local economic gain) from Japan's 16,459,637 overseas travelers. Demographically, the number of Japanese visitors to Guam (36%) with incomes of more than 7 million yen remained essentially flat (-1%) to last year, as were the 15% of visitors with incomes of less than 3 million yen (+1%). Island spending per visitor improved +3%, but well short of matching a +10% stronger yen to the dollar.

Korean arrivals were also off -5.5% from last year, declining to 116,041 visitors, and underperformed the country's -1.2% trend in outbound travel. Unlike Japan, however, we also lost further share of market by another -.04 percentage point or 5,168 fewer visitors from Korea's 12,921,026 overseas departures ($4.4 million economic loss). This year, the Bureau did not renew its public relations contract with Edelman, opting instead to retain a sales agent (GSA) who will focus on distribution channels to drive visits and integrate PR support into sales promotion activities.

Taiwan arrivals also decreased -6.1% to 21,237 visitors this year. On the positive side, 7% of our arrivals mix grew +10% and include visitors from the Philippines (+31%), U.S. (+8%), Micronesia (+8%), and Australia (+6.3%). Although small in number at 1,672 visitors, China's +21% growth came in part from the first charter flown during the Chinese New Year in February.

The island's first direct China flight was an organized charter that the Bureau jointly sponsored with Continental Airlines. About 145 Chinese visitors from Shanghai made this historic flight, and a similar number of GVB members and their families visited Shanghai to learn more about this potentially lucrative new market.

DESTINATION MANAGEMENT HIGHLIGHTS

The island's room inventory shrank slightly (-2%) in 2008 due to planned renovations. The renovated Aurora Hotel Resort (formerly Okura Hotel) and upgraded Country Club of the Pacific were both scheduled to open in early FY2009.

A rapid rise in oil prices resulted not only in higher cost of travel but in some air service realignments. Direct air service to Bali and Hong Kong were suspended, but are of marginal impact to total visitor arrivals. Air seats in the Korean market also shrank from reduced frequency and capacity, and ANA announced termination of their Osaka service. On the positive side, twice weekly service to Taiwan remained unchanged, but the upgrade in equipment (from B737 to A320) contributed to both product and capacity improvements.

Despite a 44% drop in their budget, the Destinations Development and Maintenance team was able to leverage $200,000 into an edited and more focused series of grants designed to galvanize community involvement and support in meeting the Bureau's marketing and brand building objectives. This year the Bureau intensified its focus on shoring up selected events for international marketing opportunities and providing technical support and (or) seed money to incubate and grow promising events for the future.

As a public service to residents and visitors alike, the Bureau also facilitated an advanced training session for Guam maritime first responders. Four Hawaii Personal Water Craft (PWC) instructors, and the Chief of Honolulu County's Lifeguard Service, were brought to Guam to train and assist local search and rescue personnel achieve the U.S. Life Saving Association (USLA) Agency certification.

Budgetary limitations continue to impair the Bureau's ability to adequately maintain its beach cleaning, Tumon Bay landscape, and island road maintenance contracts. Going into 2009, the Bureau will be forced to scope down the island road maintenance contract since the Department of Public Works is no longer able to financially support this activity.

FINANCIAL HIGHLIGHTS

Funding for the Bureau's operation come from the 11% hotel occupancy tax as authorized in the annual GovGuam Executive Budget. This year the legislature appropriated $13.3 million (P.L. 29-19). Although sporadically received, and difficult to gauge each time, the Bureau did get its full allotment for the first time in several years. However, untimely receipts and the Bureau's compliance with allotment planning restrictions in the budget law have resulted in some $750,000 of lapsed funds. These funds could have been spent on "shorted" marketing and destination improvement expenditures held back because of chronic uncertainty in the amounts to be received and dates of cash receipts. Membership dues, in-kind contributions, and foreign exchange transactions represent other sources of revenue, accounting for $430,000 or 3% of total income.

Actual marketing expenditures this year alone were at 7% and 27% below the approved budgets for Japan and Korea, respectively ($700,000). At year-end, the Bureau is exploring administrative or legislative remedies that would enable use of these lapses.

OUTLOOK

Overall arrivals in the Asia Pacific region declined in 2008 and prospects for 2009 remain bleak. And while a stronger yen and the drop in fuel surcharges are positive factors for Japan's outbound travel market in 2009, a key factor offsetting them is the negative economic environment. Not since the SARS epidemic of 2003 has the number of Japanese overseas travelers dipped below 17 million. Departures of 16.4 million this year are expected to grow marginally at best in 2009, but still under 17 million despite a major push by Japan's travel trade to push this number to 20 million by 2010.

Trends expected next year include shorter visits, more value conscious sensitivity, and cut back in business incentive trips. Guam is geographically positioned, however, to harvest the short trip opportunity and marketing plans for 2009 are being made accordingly. Korea and Taiwan basically mirror travel environment conditions in Japan, all of them dominated by the U.S. led downturn in the global economy.

The Bureau's priorities in 2009 will be to focus on our key markets, develop the China opportunity, improve destination product, and intensify our community outreach and brand building initiatives.

ACKNOWLEDGEMENTS
I take this opportunity to thank the Bureau's Staff and Management for the time taken to tend to the business of tourism, a 24/7 enterprise generating $1.3 billion in the local economy. Thirty-five overseas events were executed this year (half the number done last year) in addition to monthly seminars and sales calls in our various markets. For this effort, I truly appreciate their family's understanding, support and sacrifice.

I am also indebted to the support of Senator James Espaldon, Chairman of the Legislature's Tourism Committee, whose participation in our various events is very much appreciated. And I especially thank all GVB members who have contributed generously whenever called for assistance and other "in-kind" contributions. Most especially, I thank the various committee members and directors, chaired by David Tydingco, for their advice, unyielding support and encouragement even during the most difficult times. Their involvement in GVB has been time consuming, unpaid, and gratefully acknowledged.

Finally, I thank Governor Felix Camacho and Lt. Governor Mike Cruz, for their active involvement in the industry, and without whose advocacy the results achieved this past year would not have been possible.

Sincerely,

Gerald S.A. Perez
General Manager

The Guam Museum vision is to build a world-class facility that is a home for artifacts and historic documents; a dynamic cultural destination that reflects a sense of Guam and the Chamorro culture; and stimulates community ownership, pride and involvement.

Support the Guam Museum Foundation, Inc.

www.guammuseum.com

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GUAM MUSEUM FOUNDATION INCORPORATED

Gerald S.A. Perez
General Manager

Mary C. Torres
Deputy General Manager

DESTINATION DEVELOPMENT & MAINTENANCE
June Sugawara, Mary Camacho, Sonja Lujan-Sellers, Doris Ada, Amy Pangelinan, Felix Reyes

RESEARCH
Celia Dydasco, Deborah Phillips, Ana Cid

ACCOUNTING
Juanita Aguon, Pedro Tajalle, Juvee Pangelinan, Rose Cunliffe

MARKETING
Kraig Camacho, Pilar Laguana, Felix Reyes, Joseph Okada, Gina Kono, Nadine Leon Guerrero, Regina Nedlic

ADMINISTRATION
Miranda Munoz, Jay San Nicolas, Dina Rose Hernandez, Emily Quinata

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Vice Chairman
Legislative Appointee

David B. Tydingco
Chairman of the Board
Governor Appointee

T. "Jerry" J.M. Calvo
Secretary/Treasurer
Legislative Appointee

Jim Beighley
GVB Membership
Elected

Judy Flores
Governor
Appointee

Marie Guerrero
12th Member,
Voted by the Board

Vice Mayor
Robert Hofmann
Mayors Council/
Governor Appointee

Bartley A. Jackson
GVB Membership
Elected

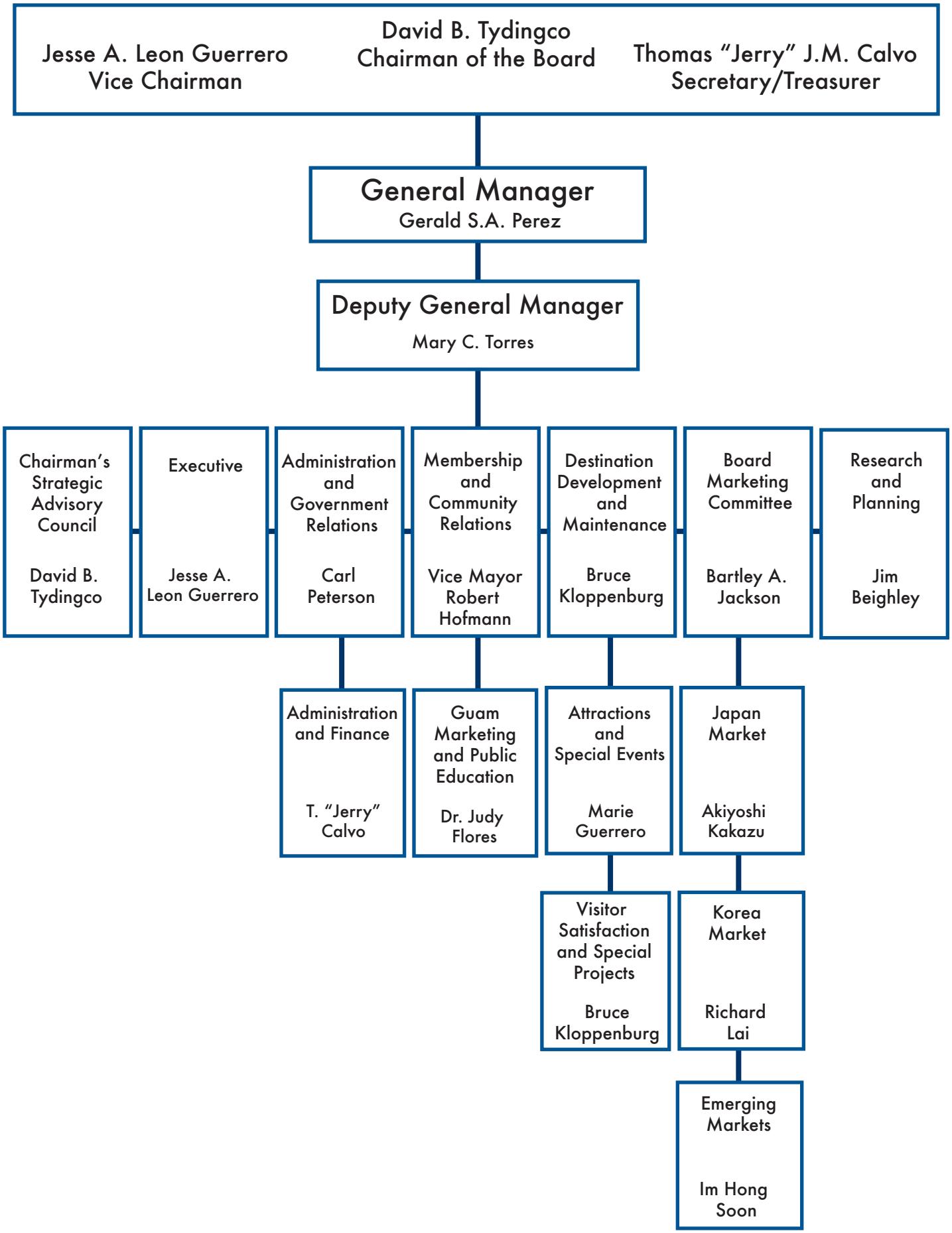
Akiyoshi Kakazu
GVB Membership
Elected

Bruce Kloppenburg
Legislative Appointee
Alternate Member

Richard Lai
Governor
Appointee

Carl Peterson
GVB Membership
Elected

Im Hong Soon
Governor
Appointee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Vice Chairman
David B. Tydingco
Chairman of the Board
Thomas "Jerry" J.M. Calvo
Secretary/Treasurer
General Manager
Gerald S.A. Perez
Deputy General Manager
Mary C. Torres
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Dr. Judy Flores
Attractions and Special Events
Marie Guerrero
Japan Market
Akiyoshi Kakazu
Visitor Satisfaction and Special Projects
Bruce Kloppenburg
Korea Market
Richard Lai
Emerging Markets
Im Hong Soon

Get Involved with Guam's No.1 Industry

Become a Member Today!

Benefits of a GVB Membership

- Opportunities to participate in the development and growth of Guam's #1 industry
- Voting rights to select representatives to the GVB Board of Directors
- Greeting services for visiting dignitaries/groups
- Possible exposure to travel writers and visiting dignitaries/groups
- Exposure on the GVB website and some promotional materials and publications
- Opportunities to co-op in marketing programs
- Quarterly general membership meetings
- Representations in governments, business, and the community
- Display company brochures at GVB offices
- Dissemination of member information at international forums

For more information Log on to www.visitguam.org or call the GVB office at (671) 646-5278

Sharing Guam's Story with the World

The GVB Marketing Department and Board Marketing Committee (BMC), responsible for the strategic planning of all markets, faced dramatic challenges during FY2008. The Japanese market witnessed increased costs for travel through soaring fuel surcharges (FSC) added to the price of airfare. Overall consumers cut down on non-essential spending in most of Guam's target markets, including corporate and business travel budgets. Airlines reduced routes and changed aircrafts to newer more fuel-efficient airplanes that have fewer seats.

The devaluation of the Korean Won to the US Dollar also contributed to lower arrival numbers to Guam during the latter part of the year, which resulted in double-digit declines during the final three months of the fiscal year. Japan, Taiwan and Hong Kong also experienced decreased arrivals resulting in a decline of overall arrivals by 4.3% in FY2008.

In spite of these set backs, the Marketing Department continued to focus on promoting Guam as a world class destination, focusing heavily on emerging markets, like China, Australia, and the Philippines, and utilizing the internet to promote Guam through contests, joint promotions, and downloadable, digitized collateral materials.

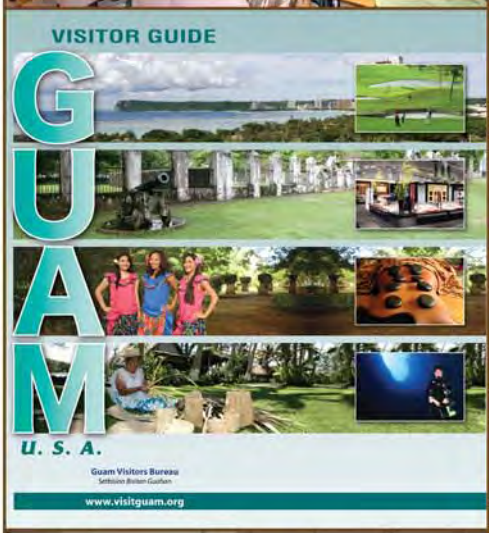
The bureau worked closely with Continental Micronesia, who celebrated 40 years of service to Guam in FY2008. The bureau hosted a special dinner reception at the Government House acknowledge Continental Micronesia's dedication, service, and longevity on Guam as well as to thank the airline for supporting GVB's promotional and familiarization needs. In FY2008, Continental supported GVB in hosting dozens of FAM Tours for travel agents, wholesalers, and media.

The Marketing Department also introduced an electronic, monthly newsletter called "E'estoria," which features travel industry news, promotions, special events, product developments, a monthly calendar of Guam events, and an interactive section offering free travel tools for agents. E'estoria is distributed via email to more than 800 subscribers, with more signing up each month.

Japan

FY2008 saw the first decreases in Japan Outbound Travel (JOT) since FY2003, with inbound numbers from Japan the lowest since 9/11, SARs and the Iraqi War.

The Japan visitor profile continued to hold steady with regards to income, although there was a significant shift in age groups. With concerns about missing retirement funds, those in the age group of 50+ dropped sharply from 17% in FY2007 to 7% in FY2008.



Japan

Comparing October 2006 - June 2007 to October 2007 - June 2008 there was a decrease of -2.4%. When the new FSC came into effect, Guam saw a decrease of -13.1% (July - September 2007 vs. July - September 2008). As of September 2008 the FSC for flights to Guam was approximately US$200.00 in addition to airfare. As the FSC continues to increase, we can anticipate the JOT to continue to decline according to the Association of National Tourist Offices and Representatives (ANTOR) Japan.

In the month of October, the Guam Visitors Bureau sponsored the 20th annual Guam Micronesia Island Fair and the 2nd annual Guam Ko'Ko' Road Race. This marked the first year that the Guam Ko'Ko' Road Race was marketed in Japan resulting in 123 runners traveling to our island to participate. With great support from Continental Airlines and Japan Airlines, all nine ports with direct flights to Guam had runners representing their region. Next year, we anticipate this number to double as the GKRR is heavily promoted nationwide.

Expanding on the FY2007's theme of learning more about our island, the latest advertising message in Japan is "Touch The Guam". Advertising campaigns were designed to teach potential visitors more about our island outside of the normal tourist attractions. Premier ballerina dancer Tamiyo Kosukari and Olympic swimmer Mikato Kotani were chosen to present Guam's culture and nature respectively. TV commercials depicting our celebrity ambassadors interacting with local dancers and hiking through Guam's boonies were broadcast in the major cities of Tokyo, Osaka and Nagoya.

In the spring, Guam introduced Sakana-kun as the island's ambassador in Japan. Sakana-kun, Japan's most televised and famous fish expert, hosted seminars on Guam to teach visitors about our ocean and the abundance of sea life. In order for visitors to participate they had to secure tickets to Guam to see Sakana-kun up close and personal. Promoted primarily on the internet, a wide variety of activities were highlighted.

Originally developed as a three-month project, the Sakana-kun Summer Promotion was expanded to a six-month Sakana-kun Summer Promotion, lasting from April to September, with pre-promotion occurring two months earlier than originally planned. Revising the Sakana-kun Summer Promotion for an earlier launching and longer duration was in response to dismal arrival projections early in the year. The bureau's ability to respond and adapt to the changing market was one quality that resulted in GVB's recognition as a leader in tourism promotion in Japan.

The government of Japan, through the Tourism Nation Promotion Act, launched the Visit World Campaign in May, a program to encourage the expansion of two-way tourism between Japan and the world. The Visit World Campaign identified GVB as one of nine National Tourism Offices (NTO) considered to be excellent examples of how destination

Japan
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promotion should be conducted in Japan. The Japan Association of Travel Agents (JATA) cited GVB as an example for other NTOs to emulate.

In June 2008, Governor Felix P. Camacho and a GVB delegation held a reception in Tokyo to announce popular Japanese movie star and performer Hiroshi Tachi as the island's newest representative in Japan and bestowed him with the title of Ambassador at Large for Guam. Tachi is a frequent visitor to Guam, traveling to the island often with his family. His genuine appreciation for Guam as a destination made him a highly valuable asset for GVB in Japan. In July, plans were announced to film Tachi's next movie on Guam.

In 2008, Guam Live Presentations (GLPs), featuring performances by Chamorro cultural performance groups and live music with Jesse & Ruby, were held through out the year in key cities like Sapporo, Osaka, Hiroshima, Okayama, and others. As an example of how many people are reached during a GLP, during the May Flower Festival held in Hiroshima, the average attendance was 500,000 people each day.

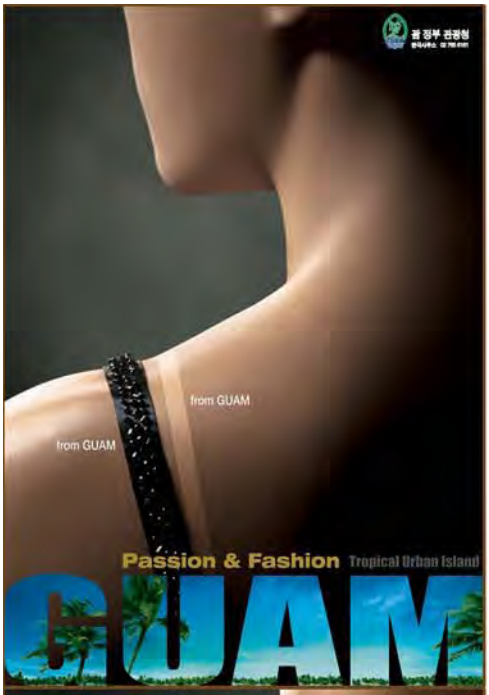
In July, the Japan Travel Bureau released its 2008 Most Desired Destinations report, ranking the countries Japanese travelers prefer to visit. Guam placed in the top 20 for the third year in a row, moving up eleven places to an overall ranking of 8th.

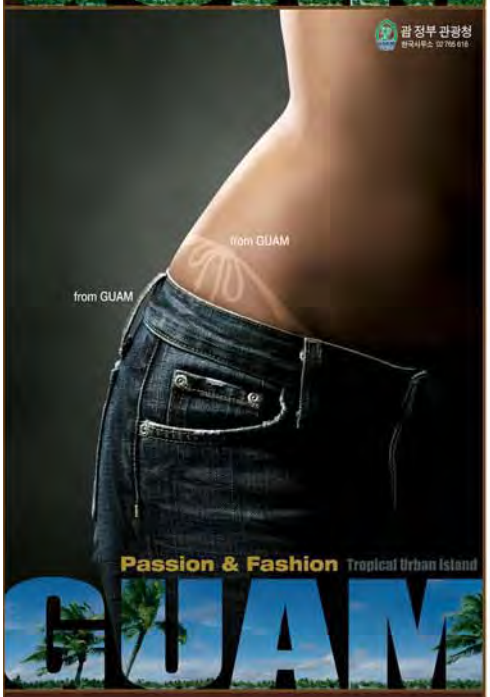
The Japan Association of Travel Agents - World Travel Fair was held in September, with Guam joining 134 other countries and regions, who promoted their destinations to over 109,000 attendees. During the JATA World Travel Fair, Guam presented the new Miss Guam Universe Show. The ladies entertained the crowd with cultural dances, photo shoots and two participated in the San Ai Swimsuit Fashion show.

Despite Guam's continued presence in Japan, the island still faces the challenge of rising fuel costs and a troubled international economy. The Japan Marketing division is prepared to face FY2009 with renewed vigor and plans to introduce exciting new strategies for securing Guam's share of the lucrative Japan visitor market.

Korea

Guam's second largest tourism market held steady with arrivals down slightly from projected 2008 totals, due in part to innovative advertising. The marketing approach in Korea is different than other markets, as the average Korean traveler finds a savvier, more cosmopolitan approach very appealing. GVB's 2008 advertising





Korea
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campaign, created by Leo Burnett Korea and titled, "Passion & Fashion Guam," was awarded the CE Gold Award at the 2008 Creativity Annual Awards and also won the 2008 Korean Advertising Awards.

GVB participated in one of Korea's most recognized events, WEDDEX, an annual wedding trade fair. Miss Guam Tourism Tiffany DeGracia participated in a fashion show during the event, modeling traditional Korean and contemporary wedding dresses. In a WEDDEX survey conducted during the fair, Guam was ranked 8th as a honeymoon destination out of 15 countries.

During participation in the 21st annual Korea World Travel Fair (KOTFA), Guam received two awards, one for "Best Folklore" and the other, "Best Publicity." The GVB delegation was accompanied by a second delegation representing Guam's fine resorts, the Outrigger Guam Resort, Pacific Islands Club, Hilton Guam Resort & Spa and Guam Leo Palace Resort. The cultural dancers also performed with Jesse & Ruby at the nearby Hyundai Department Store, one of Korea's affluent districts in Seoul.

In February, Henry Lee, TLK Marketing Co., Ltd., was officially appointed GVB's General Sales Agent (GSA), in charge of marketing and sales campaigns for Korea. One of the projects introduced by the new GSA was the hosting of special welcoming courtesies to incentive groups arriving on Guam. Cultural performers and greeters welcome the visitors and host them to a special reception, insuring they experience the best in Guam hospitality.

In March, an incentive promotion titled "Guam Spring Contest" was introduced for travel agents. A $3,000 prize was awarded for the highest increased numbers and another for highest percentage increase over the previous year's arrival bookings. The promotion lasted through June, launched in conjunction with the Korea Roadshow, a GVB delegation that traveled to Korea to assist in conducting a series of training workshops in Seoul, Busan, and Daegu, for travel agents selling Guam packages. The Korea Roadshow also paid courtesy visits with Busan city officials and industry representatives. The cultural performers conducted two Guam Live Presentations at the Hyundai Department store during the Korea Roadshow.

GVB participated in a Guam Food Festival promotion with Mode Tour and in April, assisted Korean film company, KBS, in creating an environmental documentary about Guam. GVB launched its redesigned website for the Korea market. The website was supported with online contests, promoting the new site and engaging potential visitors in interactive opportunities. Promotions like the "Win Your Summer Experiences in Guam" contest encouraged participants to write a description of their ideal Guam vacation and the winning entrant received free tickets to Guam.

Korea
(continued)

In addition to innovative campaigns and a continued presence in Korea, GVB continued its focus on sports tourism. The island has welcomed internationally recognized sports teams from Korea for several years, who conduct Spring Training camps on Guam. Teams like the Samsung Lions Professional Baseball Team, the Incheon United Soccer Club, and the Kia Tigers Professional Baseball team take advantage of Guam's location and warm weather, often traveling with their families. Guam was also the location of a special trip awarded to Korea's championship winning baseball team, the Wyverns, for taking first place in the league.

China

In February 2008, Guam greeted 143 passengers onboard Continental Airlines' Inaugural Charter Flight from China, scheduled to coincide with celebration of the Chinese New Year. The successful charter set a positive tone for GVB's efforts to target this lucrative market. In December, Guam was featured on a Chinese TV show called "Getaway." Originally scheduled for one episode, the crew was so excited with their footage that they produced a second program about Guam. The show airs on both International and North American channels in China with an estimated exposure value for Guam of $4.5 million.

Guam maintained a visual presence in China by participating in trade shows like the 1st Beijing Expat Show in April and working closely with the U.S. Embassy to take advantage of all opportunities for exposure as part of the United States. In May, Guam was featured as one of the premiere U.S. destinations on a promotional DVD created by the U.S. Commercial Service as part of a campaign to increase the number of visitors to the U.S. from China. The DVD aired in the waiting room of the U.S. Embassy in Beijing where people apply for visas.

In August, the Guam Territorial Band was invited to play at the 2008 Beijing Olympics Opening Ceremony and GVB provided literature promoting Guam for participants to distribute during the Games.

By Executive Order, Governor Felix Camacho established the Guam China Development Council to foster tourism opportunities with China and designated the Guam Visitors Bureau as lead agency and point of contact for the Council. In September, the Guam Visitors Bureau issued a Request for Proposals (RFP) to secure the services of a General Sales Agent (GSA) to represent Guam in China's leisure destination market. The winning applicant will be responsible for marketing the island through various channels, collaborating with industry stakeholders to produce targeted goals, and providing market intelligence for GVB's use.

Taiwan

The Taiwan Market decreased by -6.1% in FY2008, in spite of key marketing strategies and exploration of new avenues of promotion for Guam. GVB Taiwan partnered with China Airlines to offer American Club Taiwan members a three Guam Getaways from March 26 ~ 30, 2008, "The Guam Getaway" was promoted online at participant's websites, a direct mail campaign, and monthly American Club Taiwan magazine.

GVB introduced several interactive online promotions aimed at specific visitor segments, such as an interactive diving e-brochure. The interactive e-brochure was designed with video, pictures, a diving map of Guam's best dive sites, and an accompanying interactive game based on local myth of a big fish that ate parts of Guam. 6,286 people participated in the diving online game over a two month period and the number of visits to the GVB Taiwan website increased from 14,500 hits in May to 63,494 by June.

In September, GVB introduced the Family Bloggers contest to build awareness of Guam as a family destination. Visiting families were encouraged to blog their experiences and design a "dream family trip." Winners of the competition won a free trip to Guam. Nearly 200 couples entered GVB's group wedding promotion, with another 3,896 participating by posting messages online. The GVB Taiwan website received a total of 152,849 hits during the contest.

As part of the FY2008 marketing plan for Taiwan, GVB also worked diligently to strengthen relationships with key stakeholders in Taiwan. GVB Taiwan made regular visits with airline executives servicing Guam and also participated in seminars and workshops. Thousands of Taiwanese travel agents were educated about Guam's numerous offerings to prompt their continuing promotion of the island as a world-class destination.

North America

The North America market showed an increase in arrival numbers in FY2008, due in part to the ongoing US military build up and construction and trades people arriving on Guam to work on related housing and infrastructure projects. In FY2008, the bureau focused purely on strategic advertising opportunities, FAM tours, and participation in well-established trade shows, such as the Dive Equipment and Marketing Association's 2007 DEMA Show; the Los Angeles Times Travel Show and Adventures in Travel Expo 2008, of which GVB is a sponsoring partner; the Travel Industry Association's annual Pow Wow 2008, and the Scuba Show 2008.

North America
(continued)

GVB was a Platinum Sponsor of the 10th Annual Tan Chong Padula Humanitarian Awards received a commemorative plaque for the bureau's continuous support of the chairitable organization.

Strategic advertising opportunities included the Discover America – USA Travel Guide, the Pacific Stars & Stripes' annual magazines including the Annual Manual, Destination Paradise and Best of the Pacific. GVB secured Guam's inclusion on the DiscoverAmerica.com website; became a member of the National Tourism Association to benefit from the US MOU with China, and converted its most popular brochure in to an e-brochure sent via email to 25,000 domestic travel agencies and posted online at ModernAgent.com

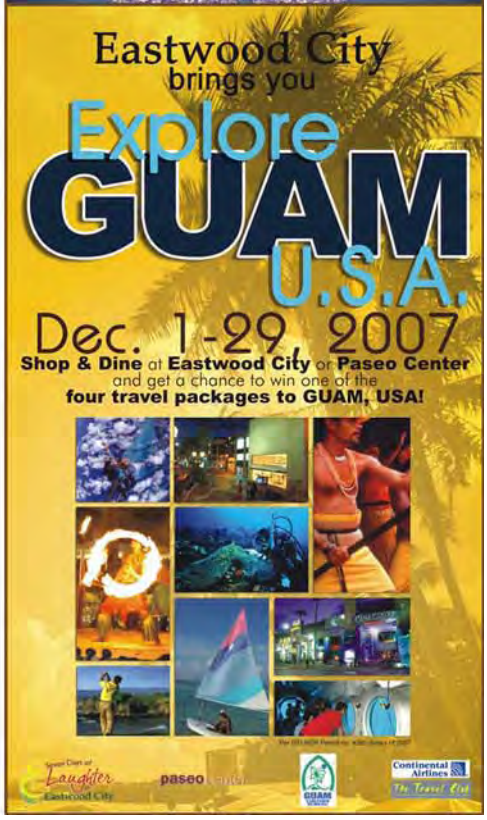
Media FAM Tours were an effective marketing tool for GVB's North America division throughout FY2008. In October 2007 with the support of Continental Airlines, the bureau hosted three journalists who came out to cover the Guam Micronesia Island Fair, Guam Ko'ko' Road Race, and the beauty and culture of Guam.

Continental Airlines sponsored another FAM tour of group of nine (9) travel agents from Hawaii in February and in March, Mr. Leif Pettersen, a travel writer hired by Global Traveler Magazine visited the island to write about Guam's luxury and high-end offerings. In September, Diane LeBow and John Montgomery toured Guam to conduct research for a story to be published by Creators News Syndicate, formerly Copley News Service, with more than 250 national newspapers utilizing its services.

The Philippines

The Philippines market showed an increase in arrivals of 30.6% in FY2008, over the previous year. Through promotions like Explore Guam USA, a GVB and Eastwood City joint promotion that was co-sponsored by Continental Airlines and the Travel Club (Samsonite Luggage) in December 2007, the bureau was able to maintain its arrival projections. A large delegation of media from the Philippines participated it the 2007 Global Media Corps, traveling to Guam to cover the Guam Micronesia Island Fair and Guam Ko'ko' Road Race. Media exposure generated from both TV and print media was valued at US$60,000 for Guam.

In February 2008, GVB participated in a series of promotions sponsored by airlines servicing Guam, beginning as an exhibitor at Continental's Product Update, which was presented to an invited group of Philippine-based travel agents. GVB also exhibited at the Philippine



The Philippines (continued)

Airlines Travel Fest 2008, held the same month, to make an hour-long presentation about Guam to AITA members. These two events were followed by GVB's participation in the Philippine Travel Agents Association's Travel Tour Expo 2008 (PTTA TTE), which attracted 59,000 attendees and was held at the SMX Mall of Asia. During the two-day show, the GVB delegation presented the Hafa Adai Show twice daily at the event's center stage and GVB booth. The Guam booth was awarded 1st place in the Most Popular Booth (International Pavilion) category and 3rd place in the Most Popular Booth (Domestic Pavilion) category.

In May, GVB provided Guam collateral materials, like factsheets, coffee mugs, and umbrellas, to the National Association of Independent-Philippines Association's "Team Kapamilya, Pasyal Na! Kapamilya sa Turismo." Over 700 employees of ABS CBN, one of the most popular television networks in the Philippines, and its affiliated companies gave out the materials to participants. The event was covered by ABS CBN's early morning program, Magandang Umaga Pilipinas (or Good morning Philippines) and during afternoon programming.

The Hafa Adai Guam Celebrity Golf Invitation 2008 was held in June at the Onward Talofofo Golf Club and featured professional golfers from the Philippines. Another large delegation of Philippine media provided coverage for this annual event, garnering positive publicity for Guam as a prime golf destination in the Philippines.

GVB Philippines promoted Guam and the 2008 Guam Ko'ko' Road Race at the North Face 100K Ultra Marathon, one of the Philippines' most prestigious athletic events. The first place winner of the marathon, Pepito Deapera, later traveled to Guam to participate in the Guam Ko'ko' Road Race. GVB also participated in the Citibank Citigold promotion to showcase Guam as a premium destination to Citibank's top 400 clients. Through participation in these type events, the Philippine market share for Guam increased during FY2008.

Australia

From January through December 2008, GVB jointly sponsored a billboard in Cairns, Australia that was posted along one of the country's main thoroughfares, which was seen on average by approximately 38,000 vehicles per day. The other sponsors of the billboard were the Palau Visitors Authority and GVB's longtime partner, Continental Airlines.

GVB participated again with Continental Airlines for their annual Roadshow in July '08. Continental sponsors this annual event to feature

Australia
(continued)

Guam and Micronesia to potential Australian travelers from the North Queensland region. The Continental Roadshow held NTO presentations and table top sessions in Townsville, Brisbane, and Cairns.

GVB hosted a FAM tour from Australia for the Allways Dive Expedition. The group included six travel agents who focused exclusively on Guam's diving amenities. Participation in joint promotions and sponsoring of FAM tours kept interest in Guam and Micronesia growing and the FY2008 arrival numbers from Australia showed an astounding increase of 38.1% over last year.

The Pacific

Visitor arrivals from the Pacific islands were lower than expected, due in no small part to the economic challenges facing the region in FY2008. Annual promotions, like Bisita Marianas, were cancelled this year as businesses, particularly in the CNMI, were unable to participate due to budget constraints. The highest arrival numbers from the region were in October 2007 and considered to be a direct result of delegations and athletes traveling to Guam to participate in the 20th Guam Micronesia Island Fair and 2007 Guam Ko'ko' Road Race.

For the remainder of FY2008, GVB's main focus in the region was with projects involving the Pacific Asia Travel Association (PATA). GVB is an active member of both the international PATA organization and the PATA Micronesia Chapter. In April, GVB was recognized during a special ceremony for PATA members who have belonged to the organization in good standing for over 50 years. GVB General Manager Gerald S. A. Perez was also elected to the Board Executive Committee in FY2008.

The bureau took part in the Asia Dive Expo that was held in Singapore at the Suntec Convention Center. This trade show catered specifically to dive enthusiasts and Guam was able to showcase the many amazing dive sites in our waters. GVB also participated in the PATA Travel Mart, held in Hyderbad, India during September of this year. The Guam delegation conducted 77 one-on-one presentations with international travel wholesalers and media during the three-day trade show.

Also in September, the bureau participated in the Malaysian Association of Tour and Travel Agents's annual MATTA Travel Fair in Kuala Lumpur, Malaysia. GVB exhibited along with Abadi, who is Continental Airline's GSA in Malaysia, and six other retail agents.