



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters

Ministerial Statement

To the House of Assembly

By

The Hon. David Burt, JP, MP

Premier and Minister of Finance

Bermuda Infrastructure Fund

Date: 17th November, 2017

Mr. Speaker, I rise today to advise Honourable Members of the establishment of the Bermuda Infrastructure Fund.

Honourable Members will recall that Government's vision, expressed in our election platform titled "An Agenda for a Better and Fairer Bermuda," was to implement the "National Infrastructure Strategy Plan." The purpose of this Plan is to identify important improvements and repairs to Bermuda's infrastructure that will not only enhance the overall quality of life but will also create business opportunities for construction companies and jobs for Bermudian construction workers.

Mr. Speaker, Bermuda is a global leader in insurance. Bermuda based insurance and reinsurance companies have significant assets, these assets are

put aside to pay claims when they arise. The vast majority of these assets are invested outside Bermuda. If only a small portion of these funds were invested domestically in the Bermuda economy that would result in significant investments. This would be a very significant inward flow of capital into our economy leading to investments that will create jobs and stimulate economic growth.

Mr. Speaker, the Bermuda Infrastructure Fund concept was brought to the previous Government by a few key senior executives of Bermuda's reinsurance industry. These companies have consistently been committed to Bermuda, and they wanted to help ensure that Bermuda was able to return to a path of economic growth, creating prosperity for Bermudians. The recent statistics shows that 2016 was the 7th year of economic contraction in the last 8 years, which shows the urgency that must be placed on economic growth as our future depends on being able to grow our economy and create jobs for Bermudians.

The originators of the fund idea, realising that they do not have the in-house expertise in infrastructure investment necessary to manage the fund professionally, approached Fortress Investment Group who agreed to act as manager. Fortress Investment Group LLC is a leading, highly diversified global investment management firm. Fortress applies its deep experience and specialized expertise across a range of investment strategies - private equity, credit, liquid markets and traditional asset management - on behalf of over 1,600 institutional investors and private clients worldwide.

Mr. Speaker, the former Minister of Finance did not support this fund as there was a disagreement on the management fee that was to be paid to the fund managers. This disagreement prevented the fund from becoming a reality. Upon taking office the concept was presented to this Government, and following a period of negotiation we were able to arrive at a suitable agreement to proceed which granted the Government a seat on the board in exchange for a guarantee of the minimum management fee. The Government believes that is in the best interest of Bermuda and Bermudians who are looking for jobs to have International Business invest their funds locally to help stimulate Bermuda's economy. Given the confidence we have in the future of Bermuda and our desire to support infrastructure development, The Government has agreed to support the establishment of the Bermuda Infrastructure Fund.

Mr. Speaker Key features of the Fund are as follows:

- The Fund is being formed primarily to make investments in Bermuda-based infrastructure assets and opportunities
- The General Partner will be Fortress Bermuda Infrastructure Fund GP LLC & The Manager will be Fortress Bermuda Infrastructure Fund Advisors LLC
- The Fund is seeking a minimum of \$100 million in commitments from Bermuda-based insurance companies
- Management Fees are payable semi-annually in advance, in an amount equal to .75% (1.5% annually) of capital invested. The minimum fee is \$1 million per year

- In the event that the Management Fee is less than \$500,000 in a semi-annual period the Government must pay the difference. The amount paid by Government will represent an interest in the Fund.
- Government will be liable to pay the initial management fee of \$500,000 and will be liable to pay some fees as long as the amount invested by the fund is below \$66.7 million
- The General Partner will establish an Advisory Board composed of representatives of certain limited partners and a Government representative.
- The Fund may borrow funds to facilitate investments or otherwise in connection with the Fund's business

Mr. Speaker, there are many potential investment opportunities for the Bermuda Infrastructure Fund to consider. Some examples are as follows:

- Upgrades to Bermuda's Energy Infrastructure
- Sewage Treatment
- New port facilities at Marginal Wharf
- Redevelopment of the Hamilton Waterfront
- Construction of mixed use Residential & Commercial buildings in the City of Hamilton

Mr. Speaker, Honourable members are advised that there is no budget allocation for the Management Fees that have to be funded by Government for this proposal; therefore unless savings can be found from current allocations, a supplementary estimate will be required. It is important to

remember that Government will receive an equity stake in the fund for any payments made which will rank equally with other investors.

Mr. Speaker, in closing, the offer to establish this fund is a vote of confidence in Bermuda and a vote of confidence in the cooperative approach to governance that this new Government has taken. In the words of the former Premier, the Hon. W. Alexander Scott, “Bermuda works best when we work together”. This government is committed to working together with all partners that are interested in genuine collaboration to grow Bermuda’s economy and create jobs in Bermuda that Bermudians can and will fill.

Thank you, Mr. Speaker