



# **MINISTRY OF TRANSPORT**

**The Hon. Neville S. Tyrrell, JP MP**  
Minister of Transport

## **MINISTERIAL STATEMENT**

**SUBJECT:            Airport Project Agreement &  
                         Regulated Revenues**

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24 July 2020

**Mr Speaker**, today I am bringing to the attention of the House the impact on the people of Bermuda of the Project Agreement for the L.F. Wade International Airport Redevelopment scheme in this time of the coronavirus pandemic.

**Mr Speaker**, the House will recall that at the last election this Government pledged to review that Project Agreement to see if Bermuda could get a better deal.

As we stated categorically at the time, the review was necessary because of the lack of transparency, the lack of consultation on the Airport Redevelopment Project by the previous Government, the lack of competitive procurement and real concerns regarding the transfer off-island of revenues from the airport.

**Mr Speaker,** as many will now know, the review uncovered some unwelcome facts, not least of which concerns the revenue structure of the deal.

In addition to the Government no longer sharing in the revenues generated by the airport, the Project Agreement enshrines an obligation on the Government of Bermuda to provide support to the Bermuda Skyport Corporation Limited (“Skyport”) in certain circumstances.

**Mr Speaker,** to fully understand the situation we find ourselves in, it is important to know the Project Agreement provides for Skyport to receive a Guaranteed Minimum Regulated Revenue. This Minimum Revenue is backstopped by the Government of Bermuda.

The onset of Covid-19 was likely to trigger the Limited Government Support provisions of the Project Agreement, and earlier this month it

did. When regularly scheduled commercial flights were necessarily stopped in March due to the global pandemic, there was an immediate drop in revenue to Skyport.

Skyport duly delivered the required “Revenue Guarantee Certificate” to the Airport Authority within ten (10) days of the end of the second quarter of the calendar year (1 April to 30 June).

This certified the Actual Regulated Revenue received by Skyport during the second quarter fell short of the Guaranteed Minimum Regulated Revenue for the quarter as set out in the Project Agreement. As a result, the Airport Authority is obliged to transfer funds to cover the shortfall.

This means the Bermuda Airport Authority must transfer five million, seven hundred and seventy thousand, nine hundred and ninety-five dollars and fifty-four cents (US\$5,770,995.54) to the Guaranteed

Revenue Reserve Account, which is managed by Skyport at the Bank of New York Mellon, and that was done this week.

However, in doing so, the Government has had to authorize an additional grant to the Airport Authority to enable it to meet its obligation.

Make no mistake: this hurts. Bermuda's economy has taken a significant 'hit' as a result of the coronavirus. There are many people unemployed or underemployed, businesses are unable to generate sufficient revenue to cover their costs, there are limited air leisure visitors and no cruise ship calls at all.

This Government has pledged that no person will go hungry. And, instead of caring for our local community, which is in desperate need, the Government is having to put money towards an airport redevelopment project we were assured was structured in a way that transferred the development risks away from the people of Bermuda, ensuring the

redevelopment was financed through airport revenues. However, as it turns out, if the revenues are not coming in then restitution lies with the Bermuda Government.

**Mr Speaker,** although commercial flights resumed at the beginning of July, it will take time to build up to the air arrival numbers we enjoyed previously. Therefore, the Government assumes it will be forced to provide the Airport Authority with additional supplementary funds at quarterly intervals this year. And, yes, this will impact the support and services we are able to deliver to our people.

**Mr Speaker,** it is hard to avoid thinking about just what could be done for the people of Bermuda if we were to inject \$5.7M elsewhere. For that sum of money, we could:

- start much needed capital upgrades at the National Sports Center, or

- enhance food security, providing sites for new types of farming, such as vertical farming, aquaculture and mariculture, or,
- we could respond positively to the needs of charities especially those providing for families in need as a result of Covi19.

Some may ask, “Well, why don’t you just terminate the Agreement?”

First of all, as we have indicated in the past, the Project Agreement is not easily terminated, and the negative consequences of doing so, although legally possible, would have severe ramifications for Bermuda’s reputation to the extent that it would be irresponsible to pursue it at this time.

Others may say, “Well, just change the Agreement.”

The review of the Project Agreement carried out in late 2017 highlighted the fact that there is no ability to change any of the provisions in the Agreement. The only way to make substantive changes to its terms and conditions is to terminate it – and, again, this would have harsh consequences.

**Mr Speaker,** this Government remains deeply dismayed with the framing of the Project Agreement, and particularly troubled by the revenue structure of the deal. However, as we have stated before, we are a responsible Government, and we will ensure the Bermuda Airport Authority is able to honour its contractual obligations.

**Thank you, Mr Speaker.**