



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters

Ministerial Statement
To the House of Assembly
By
The Hon. Everard T. Richards, JP, MP
Minister of Finance

Memorandum of Understanding
Government of Bermuda and the Canadian Commercial Corporation
concerning the Redevelopment of the Airport
Date: 21st November, 2014

Mr. Speaker, I rise today to advise Honourable Members of the signing of an historic Memorandum of Agreement with the Canadian Commercial Corporation (CCC) to pave the way for the re-development of the Bermuda airport, including various sources of financing. This re-development will involve the construction of a new purpose built terminal building. The MOU will allow for continued dialogue, and ultimately, an exclusive negotiation in relation to the redevelopment of the LF Wade International Airport. The signed MOU will be tabled in this Honourable House today.

The redevelopment of the Bermuda airport represents one of the most important capital projects ever undertaken on our island shores. It will play a crucial role in the renaissance of the Bermuda economy while also being one of the most costly. Its success will be paramount to all in Bermuda.

The construction phase will initially produce hundreds of much-needed jobs for Bermudians and deliver multiple layers of public benefit including, we believe, the basis for a new prosperity.

Mr. Speaker, one might ask, "Why do we need a new airport?" The airport is Bermuda's principal gateway, the place where travelers to our island get their first impression. What do we want that impression to be? We want that first impression to be consistent with the brand that Bermuda presents to the world and that brand can be summed up as, "First Tier, First Class, First World." That is the brand we want to convey, whether the traveler is arriving for business or leisure. Certainly the current terminal building, with sections dating back to the 1940's, does not convey that branded message.

The new terminal will show the arriving passenger that he/she has entered a country that is indeed First Tier, First Class and First World. The new terminal will create a buzz in tourism circles and substantially enhance the airport terminal experience for the travelling public.

For Bermudians, it will not only bring jobs, but it will engender a sense of pride, reaffirming our sense of self-esteem for our island's unique qualities as a tiny but first world nation.

For visitors, it will reinforce the island's status as a successful and sophisticated up-market tourism destination as well as a leading international business centre.

Mr. Speaker, a key and novel component of this project, and the reason I

announced this signing instead of one of my colleagues, is the financing component. The fact is this project would have probably gone ahead long ago if funding were available for it. But with Government running large annual deficits and debt soaring, a new airport terminal had been impossible; - Until now.

Having carefully considered all its options, Government has decided to avail itself of a novel procurement model offered by way of an arrangement with the Canadian Commercial Corporation. CCC is wholly owned by the Government of Canada. The proposed transaction will take the form of a type of public private partnership, (P3), a model that will allow Bermuda to build, use and eventually take possession of the most modern of facilities for civil aviation, without any burden on the Bermuda treasury.

Some of the benefits to using the CCC approach to redevelop the Airport are as follows:

- This model cuts the procurement time dramatically, enabling shovels to be in the ground and jobs created much sooner than traditional methods.
- This model significantly reduces the cost of procurement.
- The new terminal will be customized to Bermuda's needs.
- CCC will guarantee that the project will be delivered on time and on budget.
- There will be a Canadian infrastructure developer. CCC will conduct its own due diligence to be satisfied that the Canadian developer has the technical, financial and managerial capability to deliver on the contract.

- The transactional approach will not require any initial expenditure for the airport by Bermuda, and with no new debt for Bermuda;

The model demands total transparency, adhering to international best practices; in fact, as I have already mentioned, we will ensure that there will be no recourse to the balance sheet of the Bermuda government, direct or contingent.

Our intention is that the financing will rely mostly on the future revenue streams from the new airport itself.

Mr. Speaker, we will also benefit from the uncompromising standards, world class experience and expertise of CCC. Established in 1946, CCC, a federal crown corporation, was mandated to facilitate international trade on behalf of Canadian industry, particularly within government markets.

CCC will select a Canadian Developer from its already preselected stable of Canadian firms. This company will enter into a contract and Concession Agreement with the Bermuda Airport Authority to develop and manage the project. Title to the airport and adjacent property will remain in Government hands. This will be the core of our unique P3 arrangement.

This company will maximize local employment in subcontracting opportunities in the selection of contracting firms to actually carry out the work on the ground. The vast majority of these subcontracting companies will be local Bermudian firms employing local labour.

Mr. Speaker, we will be engaging an independent construction firm to

review the project model in all its aspects to formally verify that Bermuda is getting value for money from this arrangement.

This structure, which is tried and tested in other countries, has a number of reduction advantages:

- reducing the risk and expense of procurement,
- reducing the risk of budget overruns,
- reducing the risk of late delivery,
- reducing the risk to the Bermuda Government treasury and balance sheet,
- reducing unemployment in our island and validating value for money issues.

It is a winning formula on all fronts.

Mr. Speaker, we are now at the start of a long and complex process with many milestones along the way. The next important milestone will be a Go-No-Go decision, and assuming it's a Go, the final construction contract and a facility management service Agreement (and related financing arrangements), which will govern all aspects of the project, will be developed and concluded. At that time the final costs and design features will have been ironed out.

There are few options to create jobs by way of infrastructure projects, for a government that already has high debt, and is adding to it annually by running deficits. The traditional way of financing such projects would surely increase government debt. In collaboration with CCC, our unique P3 model

will enable Bermuda to create significant jobs for Bermudians without putting the government further into debt.

Mr. Speaker I can confirm that we have received the appropriate Entrustment Letter from Her Majesty's Government in the UK to move forward with the project, despite the fact that a recent legal opinion established that a separate Entrustment was not necessary. I can also confirm that we have already consulted with the Accountant General, who is responsible for Financial Instructions, and have received the required approval to move forward with *the engagement of CCC*. However Mr. Speaker, it is important to note that no contracts have been issued for any works, and that prior to any contractors being brought on board, this Government will establish the procurement parameters with CCC based on best practices. We will no doubt share this information with the general public.

Mr. Speaker, based on the above mentioned benefits, the Ministry of Finance is confident that this unique alternative of contracting with the CCC is the appropriate model to be used for the redevelopment of the Airport. This approach will provide the Government with a timely, efficient and trustworthy alternative.

Thank you, Mr. Speaker