



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters

TO: Mr. E. David Burt, JP, MP
Shadow Minister of Finance

FROM: The Hon. E. T. Bob Richards, JP, MP
Minister of Finance

DATE: November 13, 2015

PARLIAMENTARY QUESTIONS

1. Will the Honourable Minister please share with the Honourable House the total value of the contract signed with Canadian Commercial Corporation for phase 2 of the airport terminal redevelopment project; and what fees, penalties, percentages or other costs the Government of Bermuda will be responsible for should the airport terminal redevelopment project not proceed with CCC and Aecon?

As stated publicly, the purpose of the Airport Development Agreement (ADA) is to establish a framework upon which the final Development and Concession agreements (the final contracts) will be built. Therefore the ADA itself, as an interim agreement, does not have a specific value, per se. However it does stipulate conditions upon which the ADA may be terminated.

Bermuda can terminate the ADA in the event of a default by either CCC or Aecon. Under such circumstances Bermuda will have no liability to either CCC or Aecon.

As a result of exercising one of its so called contracted "off ramp" rights, Bermuda may terminate the Project in any of the following circumstances:

If Bermuda decides, at any time, that the Project is unaffordable or that international financial markets have changed so as to make the Project uneconomic;

Until 90 days prior to the scheduled Financial Close, Bermuda may also terminate the ADA if either: a suitable Airport operations expert has not been retained; if Bermuda is not satisfied with the Financial Model; if the required equity has not been committed; or, if an indicative investment grade rating has not been obtained; and,

Bermuda may terminate any time after February 20, 2016 if geotechnical issues are found to be unfavorable or if the parties cannot agree on functional specifications and key performance indicators; and,

Bermuda may terminate any time after May 20, 2016 if the parties are unable to agree on the definitive agreements.

If Bermuda terminates the Project for any of those "off ramp" reasons, Bermuda's liability is restricted to paying CCC's and Aecon Concessions' substantiated and reasonably incurred out-of-pocket third party Development Costs up to the date of such termination. No penalty premium above those costs is chargeable to Bermuda in such circumstances.

If Bermuda decides to terminate the project for reasons outside of its "off-ramp" rights, CCC and Aecon could claim 120% of the substantiated Development Costs. All "Development Costs" are reasonably defined in the agreement and constrained by the Development Cost Budget.

2. Regarding the following passage from the Letter of Entrustment dated July 17, 2015:

(6b) The United Kingdom Government and the Government of Bermuda must agree on what measures are required to address the deficiencies that are identified by Deloitte in their assessment report(s)

Will the Honourable Minister please inform this Honourable House if the Bermuda Government and the UK Government have come to an agreement on the "what measures required to address the deficiencies"; and if so will he share them with this Honourable House?

Mr. Speaker, the Deloitte Report did not, as this House knows, provide a summary list of such "deficiencies," – the Report referred to "Gaps." Government is now working directly with our outside lawyers and Deloitte to create the precise list of undertakings that this Government will undertake in response to the Entrustment. That is Step #1 in a five step process we have undertaken to fully respond to the Entrustment. Once that task is completed, we will expeditiously work toward the agreement the Honourable member refers to.

3. Regarding the following passage from the Letter of Entrustment dated July 17, 2015:

(6c) The Government of Bermuda must publish a written and evidence-based assurance that the required measures have been taken, before the Contract can be concluded.

Will the Honourable Minister please inform this Honourable House when it is expected that the "written and evidence based assurance" will be published

The Honourable Member in this instance refers to the last step of the Entrustment response process, which we interpret to require a substantive written report of all of the actual and tangible measures we have undertaken to fully adhere to the Entrustment. We will publish that written "assurance" by tabling it in the House when it is completed.