

L.F. Wade International Airport Redevelopment

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Purvis Primary - January 27, 2015

History of the L.F. Wade International Airport



- ▶ The airfield was built between 1941 and 1943 by levelling Long Bird Island and several smaller islands, and filling in the waterways between them and St. David's Island
- ▶ The field originally had four runways, but only Runway 12 / 30 the longest is still in use
- ▶ One of the others, Runway 1 / 19 which is jutting into Castle Harbour, has been blocked by munitions bunkers that were built at the harbour end
- ▶ The third one Runway 8 / 26 is now a taxi way

Kindley Airfield



- ▶ In 1970, the field was transferred to the United States Navy, which operated it as US Naval Air Station, Bermuda until 1995 when the US Navy terminated its 99-year lease and the field was transferred to the Bermuda Government, which now operates the airport as part of the Ministry of Tourism & Transport
- ▶ The US Navy was not required to meet international civil air standards, despite the operation of civil airlines to the base

L.F. Wade International Airport



- ▶ The Bermuda Government, however, was required to meet these standards very quickly on assuming control, and at some expense
- ▶ This involved changes to the airfield lighting, erecting new fences, levelling anything over a certain height and within a certain distance of the runway (including the former base commander's residence, and the hill it stood on), and other changes

What is an Airport Authority?

An airport authority is an independent entity charged with the operation and oversight of an airport or group of airports. These authorities are often governed by a group of airport commissioners, who are appointed to lead the authority by a government official.

Progressive Labour Party's Vision

- ▶ The Department of Airport Operations (DAO) should be transformed, for the purpose of creating an Airport Authority. This would provide the framework and infrastructure which would result in the removal of the expenditures associated with the above mentioned government department from government's financial books, and placed under a Quango called the Bermuda Airport Authority

Progressive Labour Party's Vision



- ▶ The PLP vision ensures the current staff remain employed directly by the Airport Authority. The creation of an Aviation Quango provides the ability for the Airport Authority to seek independent financing for a new airport.

Progressive Labour Party's Vision



- ▶ This new airport would not only bring Bermuda up to the 21st century within the aviation industry, the construction of such would create additional jobs, helping strengthen our economy
- ▶ The airport would be a major component of an **infrastructure strategy**, that includes the causeway. The strategy must be preceded with a **tourism strategy** that seeks to increase airlift from our key markets, and introduce new opportunities in Latin America and the Caribbean
- ▶ Increased airlift will increase the revenues required to service the project loan, which will reduce the need to increase borrowing and fees/taxes at the airport

International Airport Development Projects

Grand Bahama International Airport, Freeport



Public Private Partnership

- ▶ Hawksbill Agreement
- ▶ Sign away their most lucrative asset for 50 years
- ▶ Scheduled to reclaim operational control in 2015
- ▶ Predicted to extend the PPP for another 50 years

Canadian Commercial Corporation and the Cayman International Airport Development

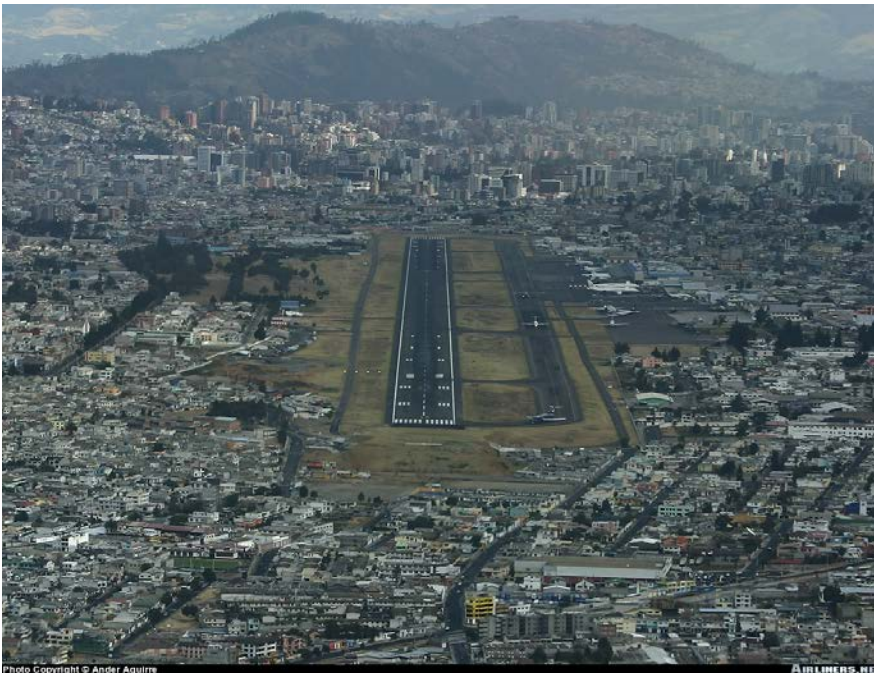
Owen Robert International Airport, Grand Cayman



- ▶ CCC submitted proposal
- ▶ UK Government expressed concern on lack of tendering process
- ▶ One year later CCC is making same proposal to the Dunkley Administration
- ▶ If the FCO had concerns with CCC's deal in Grand Cayman why would the OBA assume that they would not have an issue with it in Bermuda?

Canadian Commercial Corporation and the Quito Airport

Quito Airport, Ecuador



- Canadian Commercial Corporation's only airport development
- Ecuadorian government signed concessionary agreement for 35 years
- Airport currently controlled/operated by 100% foreign owned entity
- Ecuadorian government has little to no say in regards to airport

The OBA Plan

Privatisation of L.F. Wade International Airport

- ▶ The OBA's plan will see the privatisation of the LF Wade International Airport
- ▶ Similar to Quito Ecuador, the OBA will enter into a "Concessionary Agreement" with the company the CCC chooses
- ▶ We would no longer have Operational Control over this country's most lucrative asset for approximately the next 30-35 years
- ▶ This plan will give operational control of our current terminal and new Terminal to a Canadian company. The company - contrary to what Minister Richards says - has already been selected and they are on Island measuring the airport
- ▶ Loss of Operational Control introduces uncertainty for the 43 Persons currently employed by Department of Airport Operations
 - ▶ The government has already told staff that their jobs cannot be guaranteed once the airport is privatised.
- ▶ The go/no-go date is now March 31, 2015

Q: What is a Concessionary Agreement

A: Privatisation

- ▶ The OBA stated that CCC will enter into a “Concessionary agreement with the Bermuda Airport Authority” - this grants CCC access to the revenues from the Airport
- ▶ The University of Westminster:
 - ▶ Transfer of operations to a private concessionaire is privatisation
 - ▶ Private company/consortium has concession to operate all or some assets for fixed period (usually 20-30 years) - at end of concession, **in theory**, airport is handed back to government (in theory, because after 30 years contracts are often rolled over due to the government not having monies to invest in upgrades)
- ▶ Library of Economics and Liberty
 - ▶ Another major form of privatisation is the granting of a long-term franchise or concession under which the private sector finances, builds, and operates a major infrastructure project
- ▶ From Cayman - “The proposal would have involved the Canadian firm financing and building expansions to the airport and runway in exchange for a 30- to 40-year operating concession and the right to collect ‘aeronautical and non-aeronautical’ revenues.”

How Much Money?

- ▶ Right now the Airport collects \$25.2 million in Revenues
 - ▶ Revenues (\$25.2 million)
 - ▶ Airport: \$10.7 million
 - ▶ Departure Tax: \$14.5 million
 - ▶ Expenses (\$20.56 million)
 - ▶ Annual Surplus (\$4.67 million)
- ▶ OBA will need more revenue to give to CCC
 - ▶ Solar Farm at the Finger
 - ▶ Revenue from Airspace Control
- ▶ Given current revenue, \$8 million of additional profit/surplus must be found to finance a \$200 million airport project.
- ▶ There is currently not enough money to build a new terminal

How Much Money? (Continued)

- ▶ Total amount of Revenue that CCC stands to collect is in excess of \$1 billion
 - ▶ Right now the Airport Collects \$25.2 million in Revenues
 - ▶ 30 Year Lease
 - ▶ $30 \times \$25.2 \text{ million} = \$756 \text{ million over 30 Years}$
 - ▶ If we take into account inflation at 2%
 - ▶ $30 \times \$25.2 \text{ million} + 2\% \text{ inflation} = \1.022 BILLION
- ▶ Remember we are looking at more revenue. Lets Assume \$6 million extra is needed (extra \$2 million in surplus comes from lower maintenance & energy)
 - ▶ $\$25.2 \text{ million} + \$6 \text{ million} = \$31.2 \text{ million}$
 - ▶ 30 Year Lease
 - ▶ $30 \times \$31.2 \text{ million} = \$936 \text{ million over 30 Years}$
 - ▶ If we take into account inflation at 2%
 - ▶ $30 \times \$31.2 \text{ million} + 2\% \text{ inflation} = \1.265 BILLION

Lack of Transparency

- ▶ With over \$1 billion of revenue at stake we must get the best deal
- ▶ The OBA refuses to adhere to the principles of Good Governance and put the project out to tender
- ▶ The UK Government, in its letter of entrustment, stated “The project for the redevelopment of the airport must meet value for money tests in accordance with best practice set out in Her Majesty's Treasury's Green Book”
 - ▶ HMT's Green Book specifies 4 different procedures to ensure value for money:
 - ▶ Open, restricted, competitive dialogue, or negotiated procedure
 - ▶ The most restricted of these 4 options, the negotiated procedure, requires the OBA to receive proposals from a minimum of three entities
 - ▶ The OBA is went to London to fight the UK Government to get their way
- ▶ World Bank: “The award of concessions and contracts - and hence the process of privatisation - is a major source of corruption”
- ▶ Why does the OBA not want the Airport to go out to tender and get the best deal?

What the PLP Believes

- ▶ That we should not privatise the L.F. Wade International Airport
- ▶ That the profits generated by a new airport should belong to the **People of Bermuda** and NOT a Canadian company
- ▶ That we can build a new airport and maintain control of our airport
- ▶ That we must not forget about the causeway
- ▶ That a project this size must go out to tender
- ▶ That we must get the best deal that takes into account the airport and the causeway - if that takes extra time it is better than getting a bad deal for 30 years
- ▶ We must consider the long term view, and not just short term thinking that can result in long term consequences for our children
- ▶ Given the current financial constraints of the Government, we must focus on increasing air arrivals by developing our tourism product before committing limited revenue to a new airport

Different Visions for the Future

PLP's Vision

- ▶ Promotes a competitive, open and transparent bidding process
- ▶ Provides negotiating power for future causeway construction and or additional air terminal upgrades
- ▶ Uses the creation of the Airport Authority as a vehicle to allow Bermudians to take advantage of the future projected revenues generated by the airport
- ▶ Allows for Bermudians to maintain operational and managerial control over our new airport for the foreseeable future
- ▶ Increase revenues at the airport by increasing tourism before a new terminal

OBA Plan

- ▶ Select Canadian Commercial Corporation through sole sourced, untendered bidding process
- ▶ Privatises our Airport, one of Bermuda's most lucrative assets, for 30 -35 years
- ▶ Does not allow for the building of a new causeway
- ▶ Sees over \$1 billion of future Government revenue go to a Canadian company without a open and transparent bidding process
- ▶ Pressing ahead despite poor visitor numbers and poor govt finances

Conclusion

- ▶ The OBA said they would put their privatisation agenda on hold and now are planning to privatise one of Bermuda's most valuable assets for at least 30 years
- ▶ The OBA refuse to examine other options for the financing of our airport and will not have a competitive tender process to ensure Bermuda gets the best deal
- ▶ The UK Government has told Bermuda that they must follow best practice, but the OBA is fighting Government House as they want to sole source CCC and ignore Good Governance by bypassing the tender process
- ▶ We cannot allow our airport to be privatised - and we certainly must not allow the OBA to go through with this deal without an open, competitive and transparent tender process
- ▶ With the government finances so stretched, it is prudent to delay the construction of a new terminal while focussing on increasing air arrivals that provides the revenues to support the construction of a new terminal