

Bermuda Airport Privatisation

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Why Does the Airport Deal Matter

- ▶ Bermudians have been hearing about the Airport for 27 months and many are tired.
- ▶ Everyone admits we need to do something about our Terminal
- ▶ Fiscal Responsibility Panel:
 - ▶ 2015 - *“So decisions should take into account not just whether the project has value for money (including in the sense of delivering an acceptable economic return) but whether the future fiscal costs involved represent the best possible use of limited budget resources.”*
 - ▶ 2016- *“As we noted last year while the proposed new airport project does not involve public spending, the resulting revenue loss, net of cost savings, will need to be offset by other fiscal measures. So decisions on the airport will need to continue to take account of these opportunity costs to the budget, weighing these costs against the benefits of the project.”*
- ▶ **We have serious social issues requiring investments, and the OBA’s deal will reduce our capacity to invest in Education and our future.**

Quick Review

- ▶ November 2014 - Memorandum of Understanding signed by CC & Government
 - ▶ At that time there was no mention of Aecon, though the OBA were in direct contact with Aecon
- ▶ December 2014 - Minister Richards misleads Parliament and Country
 - ▶ Says that CCC will select a contractor, while knowing a contractor was already set
- ▶ May 2015 - People's campaign releases PATI Information from Canada
 - ▶ Documents show the Aecon originated the deal, and Minister Richards was “fuzzying” info
- ▶ August 2015 - Airport Development Agreement is signed
 - ▶ Taxpayers are now committed to the project - though alternatives were not explored
- ▶ November 2016 - Airport Development Agreement Schedules Released
 - ▶ 16 Months after contract OBA finally release schedules, however information is dated
- ▶ January 2017 - Project Agreement Released
 - ▶ After months of requests project agreement is released but is missing financial details

What is in the Financial Model

- ▶ Structure of the Agreement
 - ▶ 30 year agreement
 - ▶ Aecon makes money on construction contract & Skyport over the 30 year privatisation
 - ▶ 15.9% Return. Everything is structured around that figure
- ▶ Schedule 29 of the Project Agreement provided to MPs is missing the Financial Model
- ▶ Financial Model is referenced in the project agreement and items in that model are used to calculate Government's responsibilities should the contract be terminated
- ▶ The Financial Model will answer the question all MPs and Bermudians should want to know.....

HOW MUCH MONEY WILL AECCON MAKE ON THIS DEAL?

How Much Money Will Aecon Make?

- ▶ **Disclaimer: Figures are estimates based on limited information received**
- ▶ Though the OBA will not release the Financial Model so that MPs can have exact figures we have been provided with some information
- ▶ Money up Front: Aecon is only investing \$69 million out of the \$441 million in project development costs
- ▶ Return
 - ▶ The “base case”:
 - ▶ Traffic increase by .75% per year
 - ▶ Fees to increase by 2% each year
 - ▶ With these assumptions Aecon will receive **AT LEAST \$300 Million** in dividends and may receive as much as **\$600 million** in dividends.
- ▶ Why so much? Aecon gets a 16% return.

Number Bombers?

- ▶ The Minister used to call critics of the OBA's plans Number Bombers.
- ▶ We said in 2015 that Aecon could stand to receive 2 Billion in revenues over the 30 years.
 - ▶ Base case model calls for Aecon to receive \$2.175 Billion in Regulated Revenues
 - ▶ This excluded commercial revenues which are estimated to be \$238 Million
- ▶ The Minister keeps talking about the 50/50 split in profit
 - ▶ That happens ONLY after Aecon gets it's 16% each year (At least \$300 Million)
 - ▶ It doesn't take into account commercial revenue - Aecon keeps all of that
- ▶ Fees on all tickets will increase
 - ▶ Up 135% from \$43.31 in 2014 to \$102.32 in 2017
 - ▶ None of this revenue will go to government.

Before & After Government Finances

Right Now

- ▶ Aecon Collects: \$0
- ▶ Bermuda Collects: \$35 Million
- ▶ Bermuda Expenses: \$20 Million
- ▶ Bermuda Profit: \$15 Million

After Privatisation

- ▶ Aecon Collects: \$50 Million
- ▶ Bermuda Collects \$0
- ▶ Bermuda Expenses: \$15 Million
- ▶ Bermuda Loss: \$15 Million

- ▶ \$30 million annual impact on Government Finances in Year 1
- ▶ If Government were to Borrow funds for Construction at same terms as Aecon repayment would only be \$19 million a year.

Latest OBA Propaganda

- ▶ Bermudaairportfacts.com | Bermudarising on FaceBook
 - ▶ “A New Airport - Without New Debt”
 - ▶ “No cost to the taxpayers”
 - ▶ “Freeing up Money to Help Schools and Seniors”
 - ▶ “Similar to the public-private partnership which was used to build to our new hospital”
 - ▶ “CCC teamed us with Aecon”
 - ▶ “Profit Capped at 15.9%”

The Real Facts

- ▶ Debt will likely increase because of this deal!
- ▶ This deal will take money AWAY from seniors and schools as the profits will go to AECON and not to the Government
- ▶ This is not similar to this Hospital as Bermuda operates the hospital. Hospital was a standard contract and not privatisation. Airport **operation** will be privatised - and AECON can sell the contract just like they did in Quito
- ▶ AECON chose themselves - CCC's own documents and public statements confirm this.
- ▶ Profits are NOT capped at 15.9%

More Facts

- ▶ 50/50 Profit Share
 - ▶ Only after 16% return
 - ▶ Excludes Commercial Revenue:
 - ▶ Contract includes rights to build: hotels, restaurants, meeting facilities, business centres, exhibition centres, convention centres, conference venues, casinos, marinas, sports and recreational facilities, trade fairs, miniature golf facilities, driving ranges, theme parks, supermarkets, malls, educational and training facilities, sports and/or entertainment facilities, art galleries, museums, cinemas, planetariums, space ports, real estate developments, energy generation, banks and exchanges, shopping malls.
- ▶ Public Private Partnership or Privatisation
 - ▶ Minister says he cannot share Financial information
 - ▶ Aecon will chose the persons and companies who get the subcontracts in the building and on the land that they are leased.

More Facts

- ▶ OBA broke tendering rules
- ▶ We could replace the causeway with the money being sent to Canada
- ▶ Fees on flights will increase by 135%
- ▶ 40% of Jobs will go to Canadians, and Bermudians need “In School Training”
- ▶ Value for Money report compared 2 different projects
- ▶ Blue Ribbon Panel has limited scope
- ▶ OBA cut airport maintenance and mislead the public on the true figures

Closing Comments

- ▶ On Friday the OBA wants all MPs to debate this bill without having complete access to information
- ▶ Earlier today the Premier said that Aecon's profit's are "capped at 15.9%" We must ask, given the Premier's false statements if even he knows the details of this deal
- ▶ On Friday Minister Richards said, "The Financial Model won't help anybody decide if this is a good deal for Bermuda"
 - ▶ We disagree - at the heart of this debate is how much money will a private company make off of our public asset.
 - ▶ These are funds that should support Bermuda's priorities not the shareholders and investors of Aecon

Questions