Bermuda Airport Redevelopment Project
Facebook Questions & Answers

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Will you take away the Motorsports Park?

The Bermuda Motorsports Park is located at the opposite end of the airport from the proposed site of the new Passenger Terminal Building and other works contemplated within the scope of the airport redevelopment project. Consequently, relocation of the motor sports facility is not part of the current airport redevelopment plans.

Given location of proposed terminal what steps are being taken to safeguard structures from rising sea levels due to global warming and storm surge. What steps are anticipated in light of global warming projections to raise the runway?

The site of the existing Passenger Terminal and its exposure to Castle Harbour is vulnerable to storm surge and sea level rise. The proposed site of the new terminal is less exposed and at a higher elevation.

A Storm Surge Study is included in the preconstruction activities and as part of the coastal modelling work. Design for flood water levels and the associated flood loads will be modelled in order to maintain a coastal protection solution for the airport and these will be fully integrated within the overall airport redevelopment plan.

Specific mitigation measures to be implemented will depend upon the results of the Storm Surge Study, however applicable strategies may include:

- Offshore structural mitigation measures
- Structural shoreline protection
- Soft protection measures (reduction of wave energy)
- Flood-proofing structures
- Relocation of sensitive airport facilities

Can I see some designs of the new airport (February 2016)?

We are only now at the stage where the architects are beginning to work on the exterior and interior design aspects of the building. This does not mean that the other phases are complete, however they are complete enough that with an idea of what the footprint and height of the building will be, conceptual work can begin on the exterior and interior design. For this reason, local architects are being contracted at this time to ensure that the new terminal will have a distinctly Bermudian look and feel. This phase will last up to two months, before new artists "renderings" are available, and from which a 3D model may ultimately be developed.

As I understand it, the proposal is to build roughly 260,000 sq ft of terminal space. Why such a large terminal when a terminal of this size is generally designed for over

2.5M passengers? At its highest passenger volume, 2012, there were 900,000 passengers through the current airport which is less than 130,000 sq ft.

The exact square footage hasn't been determined and we are currently evaluating various options. The new BDA passenger terminal design will comply with IATA ARDM9 Service Level C requirements. Outbound passenger screening facilities and separate departures lounges are required for US bound and International passengers. Every effort is being made to minimise the size and cost of the new terminal while complying with IATA Service Level C, US Customs and Border Patrol, TSA, UK ASSI, and Bermuda Government requirements.

Please explain why there is seen to be a need for 7 or 8 jet ways when on any given day there is generally a maximum of 3 planes at the airport. St. Vincent, which receives many more passengers than Bermuda is only putting 2 jet ways in their new airport terminal. The new V.C. Bird Airport in Antigua is 250,000 sq ft but they are now approaching roughly 850,000 tourists annually. This airport has, 4 jet ways......So why does Bermuda need 7 or 8?

Airports are designed to meet peak hour demand. In summer, BDA currently receives as many as 7 flights in a two hour peak period. The final number of jetways for the new terminal will be determined based on modelling of peak hour demand. Neither St. Vincent nor Antigua have US Preclearance facilities or requirement for separate outbound facilities for US bound and International Passengers.

At its peak, Bermuda had roughly 3,400 hotel beds (this is about the size of the Atlantis Resort on Paradise Island in the Bahamas) and I believe somewhere around 670,000 tourists annually. With the proposed new hotel developments and renovations underway Bermuda will still have less than 3,400 beds, which means that tourist numbers growth is still very limited. So again, why are we building a 250k to 260k sq ft terminal building when 140k or 150k would be more than sufficient and allow for passenger growth?

As stated above, the new Bermuda terminal is designed to meet specific service level requirements for an airport with separate US Preclearance and International passenger facilities. Bermuda hotel capacity is forecast to increase by 20% by the time the new terminal is complete. Available beds is double the number of available rooms, and based on consultations with the airlines currently serving Bermuda, airlift capacity can increase in proportion to hotel capacity.

The proposed cost of the airport starts at $250M. If this is not a final number, how do we know the actual number will not be north of $300M? Is $250M a minimum project threshold for CCC/AECON?

While the final redevelopment cost of the airport can only be determined following completion of the due diligence, design and construction costing work, initial analysis suggested that a target of $250 million would put the project in the range of affordability and achievability. All parties want the airport to be redeveloped in the most cost effective manner possible.

The Government of the Bahamas recently re-developed Lynden Pindling International Airport (the fourth busiest airport in the Caribbean region) around the existing airport structure. Ultimately this airport is 500,000 sq ft and is designed for a passenger load of 5M, current load is roughly 3.2M. The cost of this airport was $400M and the airport pays for itself from revenues generated. There was no increase in departure tax and a moderate increase in landing fees. Rather than "give the airport away" for a period of time the Bahamas Government created the Nassau Airport Develop Company (NAD) and this company contracted with Vantage Airport Group for airport management services, they are paid a management fee. All profits go to NAD. Why not structure a similar deal so that any residual profits go to a similar Bermuda Government owned company rather than a straight "give away" for 30 or 35 years? OR am I misunderstanding something?

The number of options available for the financing of an airport development is inversely proportional to the size of the airport and its volume of passenger traffic. We have also noted the correlation between passenger traffic growth and hotel capacity growth. As indicated in the question, Nassau Airport is one of the busiest in the Caribbean. In addition, Bahamas continually develops hotel and resort capacity (Paradise Island, Atlantis, and more recently Baha Mar are examples). In today's' market there is no investor appetite for airports with less than 1 million annual passengers or even larger airports not eligible for World Bank or other bilateral or multilateral financing assistance. Consequently it is not possible for Bermuda to replicate the airport development model implemented by the Bahamas government in Nassau. For clarity, it is also important to note that the development cost of Nassau airport was greater than stated in the question. The airport was developed in stages under a PPP model, with passenger fees and airport revenues being used to repay the lenders. Passenger fees have been increased at each stage of development.

As we have seen a few numbers splashed around, can you clarify and give us some ideas of the expected revenues that will be collected by CCC/AECON over the 30 or 35 year period? How was this time period determined? Could there possibly be a situation where the final cost of the airport is covered before the end of this 30 to 35 year period? If so, does CCC/AECON retain the profits or do they revert to Bermuda? What happens if the airport revenues do not support the repayment for the cost of the airport? Will the Bermuda Government be responsible for the short fall?

We can’t speak to specific numbers, as we are still working through the economics of the project, HOWEVER, we can say that airport revenues will not go to Aecon; they will go into ring-fenced accounts of the Project Company which will be tightly controlled/monitored by project lenders. In the proposed project, Bermuda has agreed to a carefully structured minimum revenue guarantee, which is necessary to make the project affordable. The proposed minimum revenue guarantee adds an element of stability and aligns the interests and commitments of the parties, enabling project lenders to provide lower cost financing. The guarantee is structured so as not to affect the Sovereign rating of Bermuda. And, if triggered, payments under the revenue guarantee will be channeled through a special reserve account that pays interest and entitles Bermuda to participate in the revenues of the concession, thereby recovering the investment.

You state in your presentation that this is not debt. I beg to differ, anything that needs to be repaid IS DEBT. While it may not sit as a debt owning directly through Government accounts Bermuda is still giving up revenue in order for the $250+ million to be repaid. It is also creating one of the most expensive airports by way of taxing people in order to try to support the cost of the airport redevelopment. So to say it is not debt is highly misleading and is, in fact, not the truth unless we are trying to redefine what debt is. If there is the short fall in revenues to meet repayment needs and the Bermuda Government is responsible for picking up this shortfall, we know CCC/AECON is not doing this as charity, that responsibility than becomes direct debt to the Bermuda Government, does it not?

With a P3 model, capital costs for the airport redevelopment will be financed by private investors and lenders utilizing airport revenues – meaning airport users pay for the new infrastructure, not taxes or new government debt. Bermuda is not giving up revenue if the revenue wouldn't exist without the airport redevelopment. The option of not developing a new airport has been evaluated in the 2006 Master Plan, updated in 2008, and reviewed again for the current project. If a new airport is not developed, the greater risk is that the existing facility will eventually fail and Bermuda will be without an airport. This is a fact agreed by all parties

Is $250 mn the minimum?

There is no minimum threshold. If it is possible to do the project for less than $250 million, we will do it. The objective is to have the most affordable project possible.

Aecon concessions are excessive

Due to Bermuda' high GDP (which does not allow us to access World Bank financing) and the island's debt (which would make borrowing additional money very expensive), the only option for financing a new airport is through the PPP model. In order to attract private investors and lenders at a competitive rate of interest, a guarantee is necessary. The proposed minimum revenue guarantee adds an element of stability and aligns the interests and commitments of the parties, enabling project lenders to provide lower cost financing. The guarantee is structured so as not to affect the Sovereign rating of Bermuda. And, if triggered, payments under the revenue guarantee will be channeled through a special reserve account that pays interest and entitles Bermuda to participate in the revenues of the concession, thereby recovering the investment. It is also important to note that NO airport revenues go to Aecon. All revenues are ring fenced within the project to ensure a minimum level of debt service coverage to the lenders.

Could a new airport access bridge, replacing the causway be included in the overall project?

Replacement of the causeway is not within the scope of the airport redevelopment project. Our understanding is that various options for replacement of the causeway are currently under study by the government.

Delaying the terminal relocation project requires the airport to incur an additional $145.4 million in nominal costs of maintenance expenses.

The current Master Plan, updated in 2008, assumes that maintenance costs for the existing terminal will increase each year due to the deteriorating condition of the building and it's building systems. A new terminal will have significantly lower maintenance costs. The 2008 Financial Model calculated the nominal value of the difference in projected maintenance costs for operating the existing terminal versus a new terminal over a 12 year period (2013 to 2025). The total difference over the 12 year period was estimated to be $145.4 million, money that would be saved if a new terminal was operational by 2013. Projected savings on maintenance costs offset the capital investment required for replacement of the existing terminal. The longer development of a new terminal is delayed, the more money is wasted on maintaining the existing facility.

How much additional stock in Aecon did CIBC purchase after they had lined up the Bermuda Government to choose Aecon via the CCC front?

We assume this is a question for the institutional investment arm of CIBC. However, it is important to note the following:

Aecon is Canada's largest publicly traded construction and infrastructure development company, with over 56 million common shares outstanding. No company or person owns more than 10% of Aecon. In many cases, common shares owned by a person are registered in the name of an intermediary, including banks, trust companies, and registered retirement savings plans.

CIBC is one of Canada's largest publically traded banks, operating globally with over 40,000 employees and 11 million clients. CIBC is comprised of several business units and functional groups, including retail and business banking, capital markets and wealth management. As part of a widely diversified investment portfolio, CIBC Asset Management Inc. is an institutional investor holding on behalf of its clients less than 2.7% of Aecon shares, representing only 1% of the total investments of this separate business unit of CIBC.

Did this deal guarantee that the Bermudian taxpayer is really going to receive the best value for money with the sole sourcing of the airport redevelopment?

It is only by delivering value for money that this project will be affordable, financeable, or possible. Separate teams of independent advisors to the Government of Bermuda and CCC/Aecon are responsible for:

- Reviewing plans to ensure that they are the most effective and efficient
- Validating that the traffic forecasts are realistic and achievable
- Validating the price of the capital works

While the development framework provides for a Prime Contractor and Concessionaire structure, it is anticipated that 80% of the construction works will be competitively tendered. The structure of general contracting will provide opportunity to Bermudian companies in sourcing products and services, ensuring that the maximum benefit of the project is captured by local companies and the wider local economy.

CIBC is on the list of Aecon shareholders, what a surprise. Yes, CIBC really had the interests of the Bermudian taxpayers at heart when it provided "financial guidance" which resulted in the sole sourcing of the airport redevelopment deal. Is there anything that we can counter this with?

The objective of the current planning phase of the project is to arrive at an affordable, achievable, and possible Project Agreement that will deliver the best value to Bermuda. Clearly defined safeguards are in place to ensure that Bermudians are engaged and consulted throughout the development process. We assume, in good faith, that all parties are acting in the best interests of Bermudian taxpayers, who will benefit from the long awaited airport redevelopment and the investment, jobs and other economic benefits that the project promises to deliver.

The fact that one of the directors of Aecon is also associated with Buttcon makes me feel exceptionally optimistic about the possibility that the Bermudian taxpayers will lose more than their shirts in the airport redevelopment.

As an independent member of the board of directors of the publicly traded entity Aecon Group Inc., Mr. Michael Butt has and will continue to recuse himself in any discussions regarding the LF Wade International Airport Redevelopment Project.

Please explain what methodology was used to determine that Bda needed a $249m airport vs a say for example, a $150m airport?

The methodology used was as follows: Overall space requirements of the new terminal were based on IATA Airport Development Reference Manual (ADRM9) Service Level C standards, together with further provision for US Customs and Border Patrol, TSA, UK ASSI, and Bermuda Government space requirements. Estimated processing times and service levels were derived from on the flight schedules and passenger volumes as forecast for Design Year 2028. Once the space requirements for each of the functional areas of the new terminal were determined, a conceptual design was developed, enabling an initial construction cost to be estimated based on the current market price of materials and labour required for delivery of the project.

Also please clarify why was it decided that Bda needed a larger section of the airport to be used for "retail"? How much is the retail part of our airport going to cost us?

Duty free, specialty retail, food & beverage and other services produce non aeronautical revenues that help pay the cost of airport development. Retail development costs are paid for by the retailers themselves who recover their investment from their volume of sales to passengers and other airport users.

150k sq ft is more than sufficient and at $1,000/sq ft the cost would be $150m......saving the country over $100m and there would be less need to increase airport fees and taxes. Why not acknowledge and commit to that?

We are committed to delivering the most affordable air terminal possible, which means minimising size where possible while complying with the required (and regulated) levels of safety and service. The reason why a 150,000 sq. ft. terminal is not sufficient in Bermuda is that US Preclearance facilities require separate areas for passenger screening, security, departure lounges, etc, from the same areas provided for international passengers. This duplication of multiple terminal areas is the reason that a smaller terminal design will not meet regulatory safety and service level requirements

Can we have the spreadsheet of the 2008 Financial Model?

The 2008 Terminal Complex Feasibility Study Financial Model is the property of the Government of Bermuda. Questions about the 2006 Master Plan and 2008 Terminal Complex Feasibility Study should be directed to the appropriate government department.

What is going to be the operating cost of the new airport?

The operating cost of the new airport is in the process of being determined, based on modeling of the operational structure, staffing, energy, maintenance, and other costs. Generally, a 21st century air terminal featuring state-of-the-art technology can expected to deliver higher levels of energy efficiency and significantly lower maintenance costs.

What is the square footage of the conceptual design?

Based on IATA Service Level C and other terminal space sizing requirements (ie. USCBP, TSA) the initial estimate was for a terminal of approximately 250,000 square feet. Through the current development phase the objective is to arrive at the most cost effective design possible, delivering optimal level of service, affordability, and value for money.

How is a new airport is going to drive tourism? Tourist numbers to Bermuda continue to fall off, which means that overall traffic through the airport will continue to decline.

We are confident that tourism to Bermuda is recovering and will continue to grow. Future tourism traffic is expected to grow in relation to hotel capacity development and the ability of Bermuda to effectively increase demand in the fall, winter, and spring seasons when occupancy rates are currently low. The significant investment in airport development will send a clear signal to international investors and tourism infrastructure investors that Bermuda means business. The airport concession itself will take an active role in promoting air service development through close strategic collaboration with the BTA, Hotel Association, hotel developers, and other key stakeholders, negotiating future airlift increases with airlines, tour operators and travel industry.

With the U.S. Government on the verge of approving regular commercial airflight into Cuba this will mean more U.S. tourists going to Cuba and the existing "Caribbean" destinations will see nuumbers fall off. How does building a new airport in Bermuda for lower number of travellers benefit Bermuda?

Cuba has always been open to international tourism, and the long standing embargo limiting travel from the US was the exception. For the rest of the world Cuba is not the most popular destination in the Caribbean. Clearly there is pent up demand for Americans that wanted to travel to Cuba and could not, and there will be additional demand from American tourists already travelling to other Caribbean destinations who will want to visit Cuba. However, Cuba lacks the hotel capacity and infrastructure to absorb the projected new demand from the US. It has been estimated that new US demand will displace tourists from other source markets out of Cuba, to the extent that competing destinations will actually continue to grow. Bermuda is a special case, because the profile of current visitors to Cuba is different from that of visitors to Bermuda. It is also important to note that the Caribbean region has a 250,000 hotel room capacity while Bermuda has closer to 2,500. Bermuda's challenge is not how to compete with Cuba. It is how to be more effective at developing its tourism product and connecting it to a completely different target market.

Why do we need to build now?

Bermuda's not having money is the reason for structuring the project the way we are. A further 5 year delay could be fatal for Bermuda.

It seems coincidental that $250 mn is exact same dollar value offered to Cayman. Do you want to comment on this?

The airport expansion concept previously pursued by the Cayman government was of uncertain scope and never reached the development phase. Consequently there can be no basis for comparison or discussion of estimated development costs.

What is the maintenance cost on the new airport after 30 years?

Financial modelling of the longer term maintenance costs is considered in the design phase, currently under way. Utilising 21st century technology, the new terminal will be designed for greater energy efficiency and lower maintenance cost than the existing terminal.

Will the airport will have a new name?

Renaming of the airport is not within the Airport Development Agreement scope of work.

If project goes over budget (e.g. $20 mn - $30 mn) will you not look to recover it over the 30 years you will be managing airport?

CCC, through the Government of Canada, guarantee that the project will be completed according to the agreed terms and conditions, on time and on budget.

Will you be adding a jetway?

Yes, that is part of the scope of the project.