Mr. Speaker, in my Ministerial Statement on November 21st 2014, I confirmed that the Government has received an Entrustment Letter from Her Majesty’s Government in the UK for Bermuda to contract with the CCC to redevelop the airport. This was despite the fact that a recent legal opinion established that a separate Entrustment was not necessary.

In accordance with Government’s commitment to transparency and in reporting to Parliament, I am today tabling this Entrustment Letter.

I can advise Honourable members that the Government is currently in discussions with the Governor on the terms and conditions specified in the
Entrustment Letter and the Government commits to update this Honourable House on the outcome of these discussions in due course.

Thank you, Mr. Speaker
17 July 2015

Mr George Fergusson
Governor of Bermuda
Government House
Hamilton
Bermuda

Dear Governor,

1. The Foreign Secretary has authorised me to address you on the subject of the external affairs of Bermuda and in particular the proposal that Bermuda contract with the Canadian Commercial Corporation (“CCC”), a Crown corporation of the Government of Canada, to redevelop the L.F. Wade International Airport (“the airport”).

2. This letter replaces the letter of entrustment dated 10 November 2014 and its amendment dated 6 July 2015. That letter of entrustment will cease to have effect from the date of the letter confirming your acceptance of the terms of this letter of entrustment, as per paragraph 8.

3. I must make clear at the outset that the United Kingdom retains overall responsibility for the external affairs of Bermuda, and that the special responsibility of the Governor for external affairs and defence under section 62 of the Constitution of Bermuda is in no way affected by this letter.

4. I believe the continued deterioration of Bermuda’s fiscal situation to be a cause of significant concern and taking on board more debt is unlikely to provide a sustainable solution over the longer term. However, I have also considered the assurances I have received from the evaluation work undertaken by an independent accounting firm of internationally reputable standing (Deloitte), which assessed whether the project for the redevelopment of the airport represents Value for Money for Bermuda according to the requirements of the Full Business Case under Her Majesty’s Treasury Green Book guidance for appraisal of public spending proposals.

5. Subject to the requirements set out in paragraphs 6 and 7, the United Kingdom Government delegates authority to the Bermudian Government to enter into a contract with CCC to redevelop the airport (“the Contract”).
6. (a) The cost of the construction of the airport must be wholly borne by CCC and the selected developer and sub-contractors. No debt should appear on the balance sheet of the Government of Bermuda that relates to the airport construction.

(b) 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).

(c) 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.

7. The Government of Bermuda will keep the United Kingdom Government informed as to the progress of its negotiations with the CCC, including through the provision of a copy of the Contract at least one month in advance of signing and a copy of the Contract within one month of its conclusion. This is to ensure that:

(a) The United Kingdom Government’s responsibility for the Government of Bermuda’s compliance with its international commitments and obligations is not compromised; and

(b) All financial obligations and commitments arising from the Contract with the CCC are the sole responsibility of the Government of Bermuda, unless it has otherwise been agreed with the United Kingdom Government.

8. I should be grateful if you would acknowledge receipt of this letter and confirm that the Government of Bermuda accepts the authority delegated above, subject to the requirements set out in paragraphs 6 and 7 in relation to such delegation, which will come into effect on the date of your letter confirming acceptance thereof.

Yours sincerely,

Director, Overseas Territories
21st July, 2015

The Governor of Bermuda
Government House
Hamilton
Bermuda

Att: Mr. George Fergusson

Dear Governor,

Re: External Affairs of Bermuda – Bermuda and the Canadian Commercial Corporation (CCC) – Proposal to redevelop the L.F. Wade International Airport

I refer to the Foreign & Commonwealth Office, Director of Overseas Territories letter to you dated 17th July, 2015 (attached).

As Deputy Premier and Minister of Finance I acknowledge receipt of the contents of the letter (Item 1 – 8), and I confirm that the Government of Bermuda accepts the authority delegated therein, and subject to the requirements set out in paragraphs 6 and 7 of the said letter, in relation to such delegation.

Yours sincerely,

The Hon. Everard T. Richards, JP. MP.
Deputy Premier and Minister of Finance

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Attach...../
For immediate release

The Hon. Everard T. Richards, JP, MP
Deputy Premier and Minister of Finance

Entrustment Letter
Date: 22 July, 2015

I am pleased to announce that the Bermuda Government has received and formally accepted an entrustment letter from HM Government with respect to the airport terminal redevelopment project.

This document will remove any potential legal barrier to Bermuda’s engaging with the Canadian Commercial Corporation (CCC), with respect to the construction of a new airport terminal for Bermuda.

This entrustment letter has been a long time coming, but it now includes language that both the UK and Bermuda are content with.

It removes any ambiguity as to the authority of the Bermuda Government to engage CCC, which will act as the prime contractor in this project.

The Government did have legal advice stating that the transaction we sought with CCC fell outside of the requirements for an entrustment from the UK.

However, any ambiguity in this matter would have posed a significant problem for the project’s financiers.

Acting in good faith, the Bermuda Government sought clarity by establishing dialogue with the UK. And now, that ambiguity has been removed.

We are now continuing talks with CCC and with Aecon, Canada's largest public construction and infrastructure development company, towards making “the go, no-go” decision.

If agreed, we will move from Phase One to Phase Two which would entail the finalising of detailed contracts, financing and design. That will probably take the better part of a year.
Advancing to the next stage will alter the arrangements of liability for Bermuda, meaning we will be committed to the project and would have to pay financial penalties, should we subsequently abandon the deal.

The Bermuda public will be apprised when arrangements are agreed to move on to Phase 2.

Governance matters highlighted in the report by Deloitte will be acted upon in due course.

I would like to thank the Ministry of Finance team and the Department of Airport Operations who have both worked diligently on preparing a number of documents in relation to this airport terminal redevelopment effort. Their work is not done yet.

I would also like to publicly acknowledge the work of His Excellency the Governor and the Deputy Governor for their assistance in moving this process forward.

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