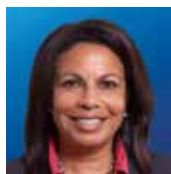




# INFRASTRUCTURE: AN OVERVIEW



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Island jurisdictions share the same infrastructure drivers as larger economies: years of underinvestment, increasing consumer demand, and the need for economic stimulus.”

**M**odern infrastructure is often taken for granted. Rather, infrastructure deficiencies are far more noticeable (e.g., sidewalks that are buckled, or having to wait in the hot sun to check in at an airport). Fortunately, Bermuda has enjoyed a high standard of infrastructure for the past half century.

Owing to fiscal constraints many governments are no longer able to finance infrastructure from capital reserves and therefore are increasingly financing major infrastructure projects through public-private partnerships (P3s). P3 delivery models are well recognised for helping the public sector to benefit from innovation and generate value for money due to competitive tension. P3s have become a well-established method for delivering infrastructure in the UK, US, Canada, Europe and Australia.

Island jurisdictions share the same infrastructure drivers as do larger economies: years of underinvestment, increasing consumer demand, and the need for economic stimulus. However, island jurisdictions have been challenged in deploying P3s owing to barriers such as scale, limited deal flow, lack of statutory foundation and limited transactional experience.

Hence, it is notable that Bermuda, a jurisdiction with a population of 65,000 and limited deal flow, has successfully completed two P3 transactions in the past six years. Bermuda's first P3 project was the Acute Care Wing of the King Edward VII Memorial Hospital. The design build finance maintain (DBFM) transaction (\$247 million capex) closed in 2010 and the Acute Care Wing opened for use in 2013. The Acute Care Wing provides state of the art hospital facilities with 90 single-occupancy en suite patient rooms; Bermuda's first dedicated day surgery unit; ambulatory care services like oncology, dialysis, and asthma and diabetes management; diagnostic imaging services; a new emergency room and a new utility plant. In 2012, the Hospital P3 was named Best Accommodation Project by Partnerships Awards and Best Healthcare Project in North America by World Finance.

In March 2017, the Government of Bermuda closed its second P3 transaction to redevelop the L.F. Wade International Airport using a concession model whereby the private partner will build a new airport terminal and operate the airport for 30 years. With a capex of \$285 million, the airport redevelopment will be the largest capital project to be undertaken in Bermuda. The private partner, Bermuda Skyport Corporation Limited, is incentivised

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to work with the Government to increase air passenger traffic and provide a world class travel experience to international business, tourists and residents.

The Government of Bermuda has identified tourism as a key growth sector for Bermuda. To this end, the need for improvements in the tourism infrastructure, which commenced with the airport, will continue given the new hotel developments underway and in the pipeline. The Bermuda Tourism Authority is focused on increasing both air and cruise arrivals as well as supporting the growth of new hotel rooms on the island.

Bermuda's redevelopment of its hospital and airport demonstrate a commitment to maintaining the first class infrastructure which residents, international business and high end travelers have come to expect.

The Government of Bermuda's commitment to investing in infrastructure and utilising P3 delivery models to attract inward investment and achieve top caliber standards, is noteworthy considering the size of the jurisdiction and the relatively recent adoption of the P3 approach.

There is no doubt, Bermuda has benefited from the lessons learned by larger

jurisdictions in the past twenty years. Nevertheless, Bermuda's track record, to date, is impressive in the context of regional island jurisdictions.

The Government has also been forward thinking in terms of ensuring that Bermudians have and will benefit from the employment and commercial opportunities that the hospital and airport projects generate.

Infrastructure investors would be well advised to 'watch this space'.

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#### Bermuda's infrastructure pipeline

What does the future hold in terms of Bermuda's infrastructure pipeline? While the Government has not announced any specific plans, there are a number of infrastructure projects that could be suited to a P3 approach. Projects that come to mind, include:

- Redevelopment of the causeway bridge connecting St. George's parish and the L.F. Wade International Airport to the contiguous network of Bermuda islands. An environmental impact statement for the causeway has been completed;
- Redevelopment of Penno's Wharf in St. George's to facilitate the entry of medium size cruise ship, cargo ships and yachts to the east end of Bermuda and Town of St. George;
- Redevelopment of King's Wharf cruise ship dock at Dockyard to expand the capacity to receive large size cruise ships;
- Upgrading of current sewage treatment facilities and the development of a waste water treatment facility(ies) for Bermuda; and
- A utility-scale solar photo voltaic installation is currently being procured and other low emission and renewable energy projects are anticipated in the future.