



2015 KPMG Island Infrastructure Summit

KPMG Islands Group

Key takeaways and
insights from the Summit

January 2016

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Foreword

Infrastructure is critical to the growth of island economies. However, most island markets struggle to bridge the gap between the demand for infrastructure and the available supply of funding, capacity and capability.

At the 2015 KPMG Island Infrastructure Summit, the transformative value of infrastructure was at the top of the agenda. Panelists and delegates – including several Heads of State, Government Ministers, CEOs, Legal Advisors, Investment Managers, Financiers, and Technical and Business Advisors – came together to share their experiences, build new relationships and gather valuable insights on the key issues related to infrastructure in the islands region.

The 2015 Island Infrastructure Summit demonstrated that governments and public sector entities have developed a better appreciation for the exponential value that infrastructure can deliver. However, the challenge many island governments face is creating the enabling environment and delivering value.

We firmly believe that the best way to overcome these challenges is by sharing our experiences and successes as financial advisors.

Emphasising the Summit's theme of Public Sector Transformation, speakers and panelists addressed the spectrum of alternative service models and fiscal management which islands are deploying to bolster economic results and deliver high quality affordable

services. A growing number of islands are tackling fiscal management directly, through mechanisms such as tax reform, and indirectly, through improved asset and service delivery approaches.

On behalf of KPMG's global network of infrastructure professionals, we would like to thank all our speakers, panelists and delegates. We look forward to welcoming you back to the next KPMG Island Infrastructure Summit in 2017.



Simon Townend
Summit Co-chair



Steve Beatty
Summit Co-chair

List of Speakers

PUBLIC SECTOR:

The Hon. Dr. Rufus Ewing, MBBS; DM (Gen Surg); MPH; FACS; FRCSEd

Premier of the Turks and Caicos Islands and Minister of Health, Agriculture and Human Services

The Hon. Alden McLaughlin, MBE, JP

Premier of The Cayman Islands & Minister for Home Affairs, Health and Culture

The Hon. Michael Dunkley, JP, MP

Premier and Minister of National Security, Government of Bermuda

The Hon. Arnold A. Forbes

Minister of State in the Ministry of Works and Urban Development, Government of The Bahamas

The Hon. Donville O. Inniss

Minister of Industry, International Business, Commerce and Small Business Development, Government of Barbados

The Hon. Ian “Patches” Liburd

Minister of Public Infrastructure, Posts, Urban Development, Energy and Transport, Government of St. Kitts and Nevis

Sen. The Hon. Dr. James Fletcher

Minister for Public Service, Sustainable Development, Energy, Science and Technology, Government of Saint Lucia

The Hon. Dr. José M. R. Jardim

Minister of Finance, Government of Curaçao

The Hon. Susanne F.C. Camelia- Römer, LL.M.

Minister of Traffic, Transportation and Urban Planning, Government of Curaçao

The Hon. Ruthmilda Larmonie-Cecilia, LL.M.

Minister of Social Affairs, Labor and Welfare, Government of Curaçao

Alan Jones

Chief Officer, Ministry of Planning, Lands, Agriculture, Housing & Infrastructure (PLAHI), Cayman Islands Government

McHale Andrew

CEO, Invest Saint Lucia

Deepak Bhatnagar

The Airport Authority of The Bahamas Financial Advisor to the Board, Chairman of Energy Reform Task Force

Hugo V. Hodge

Executive Director/CEO, Virgin Islands Water & Power Authority

NON PUBLIC SECTOR:

John Beck

Executive Chairman, Aecon Group Inc.

Martyn Bould

Chairman, Rider Levett Buchnall (Caribbean) Ltd.

Jerry Butler

Alt. Executive Director for Caribbean Countries, Inter-American Development Bank (IADB)

Duncan Card

Managing Principal and Co-Chair Infrastructure Transactions, Bennett Jones (Bermuda) Ltd.

Mitchell De Silva

Regional Vice President Corporate Banking, RBC Caribbean

Pedro A. Freyre

Chair, International Practice, Akerman LLP

Daniel Ford

Partner, Torsys LLP

John Gulliver

Partner, Pierce Atwood

Doug Hewson

Managing Partner, Portland Private Equity LLP

Charles Keizer

Partner, co-Head of Infrastructure and Energy Practice, Torsys LLP

Dr. Theodore (Ted) Kury

Director of Energy Studies, University of Florida

Michael Maura Jr.

President & CEO, Arawak Port Development Limited

Ruth McMorrow

Executive Vice President, Parsons Enterprises

Luis Carlos Ochoa

Public Sector Group Director for Latin America, Citibank

Brian Samuel

PPP Coordinator, Caribbean Development Bank

Gene Thompson

Project Director, Health City Cayman Islands

Vincent Vanderpool-Wallace

Principal, Bedford Baker Group

Brent Woodson

CEO & Chairman, Arambys Corp.

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Andrew McClune

Partner (Infrastructure), KPMG in Canada

Tom Mulvihill

Managing Director (Infrastructure), KPMG in the U.S.

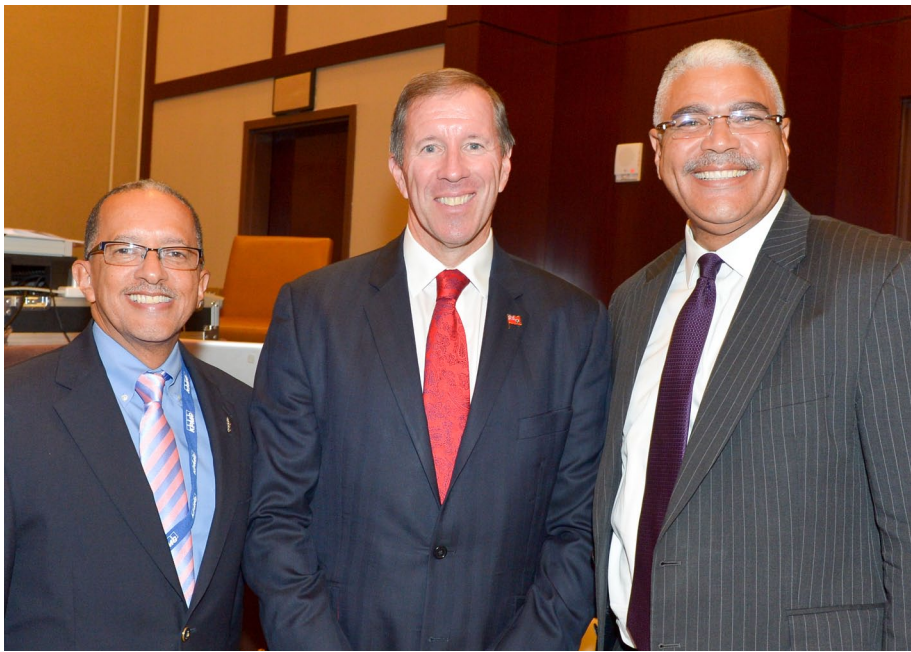


Review of Panels



KPMG hosted the 2015
Island Infrastructure Summit
at the JW Marriot Marquis Hotel,
Miami on October 4-6, 2015.





Panel 1: Getting islands' infrastructure projects to market

Key Takeaway:

Clearly, island economies face unique infrastructure challenges and many struggle to achieve the level of sophistication and transparency demanded by international investors and developers. The competition for funding, investment and talent is global and island governments will need to carefully consider how they compete in this new environment.

Keynote address:

The Impact of Transportation Infrastructure in the Island region given by **John Beck, Executive Chairman, Aecon Group Inc.**

Moderator & Panelists:

Moderator: Stephen Beatty, Head of Global Infrastructure (Americas & India), KPMG

Panelists: The Hon. Alden M. McLaughlin, Premier of the Cayman Islands and Minister of Home Affairs, Health and Culture

The Hon. Arnold A. Forbes, Minister of State in the Ministry of Works and Urban Development, Government of The Bahamas

The Hon. Ian "Patches" Liburd, Minister of Public Infrastructure, Posts, Urban Development, Energy and Transport, Government of St. Kitts and Nevis

Pedro A. Freyre, Chair, International Practice, Akerman LLP



As island nations start to compete more aggressively for infrastructure funding and capacity, governments will need to rethink the way they prepare, tender and manage projects if they hope to appeal to international investors, developers and operators. Unclogging the pipeline will be a key focus for island governments going forward.

In this broad-reaching session, panelists shared some of the challenges faced and the progress made in their jurisdictions.

The Hon. Alden McLaughlin, for example, highlighted the Cayman

Islands' new standardised process for developing business cases which has increased transparency and created a more attractive environment for international players. The Hon. Ian Liburd shared insights from St. Kitts and Nevis' recent negotiations for a MoU with the Government of France for geothermal energy which has set a new standard for foreign direct investment into renewable energy, and the Hon. Arnold Forbes shared lessons from The Bahamas' ongoing initiatives to reform their energy sector.

Ultimately, the panel concluded that – to move forward – governments will need to place more focus on identifying self-financing projects and on creating partnerships with the private sector, particularly in the energy sector.

Panel 2: Emerging trends and highlights across the island region

Key Takeaway:

The reality is that island governments face many of the same challenges as their peers around the world, particularly related to funding and financing. Events such as the KPMG Island Infrastructure Summit allow governments to take advantage of the growing global body of knowledge to develop their own unique plan.

Keynote address:

America's Cup 2017 and Beyond... A Lasting Legacy given by **The Hon. Michael Dunkley, JP, MP, Premier and Minister of National Security, Government of Bermuda**

Moderator & Panelists:

Moderator: Ruth McMorrow,
Executive Vice President, Parsons Enterprises

Panelists: Jerry Butler, Alt. Executive Director for Caribbean Countries, Inter-American Development Bank (IADB)

Daniel Ford, Partner, Torys LLP

Brian Samuel, PPP Coordinator, Caribbean Development Bank

Gene Thompson, Project Director, Health City Cayman Islands



From China's growing interest in the island region through to the use of technology in driving new funding and delivery options, this panel identified some of the common trends emerging around the world. Governments will need to understand – and appropriately respond – to these trends as they prioritise their long-term infrastructure investments.

While this session explored a wide range of trends and issues, many of the key topics revolved around funding and financing. Jerry Butler identified the growing movement towards partnerships between development banks and the private sector on island infrastructure projects. Brian Samuel tackled the trend towards greater

use of public private partnerships in the region, but cautioned that many governments may not yet be ready for the requirements of Public Private Partnership (PPP) arrangements. To this end, the Caribbean Development Bank has been hosting a number of "PPP Boot Camps".

The panelists also discussed a number of new and emerging trends relating to funding and financing. Daniel Ford, for example, discussed the concept of 'asset recycling' as a way for governments to drive their investment programs. Panelists also debated whether technology could change the funding equation through innovative approaches such as crowd funding.

This highly innovative and energetic session highlighted the growing range of potential funding and financing options now available to island governments for infrastructure projects.

Panel 3: The significance of transportation infrastructure in the island region

Key Takeaway:

Across the island region, ports are in need of repair, airports require modernisation and cargo ports require expansion. These are massive projects that will inevitably require some level of private participation. There has been success in attracting investment – particularly from development banks and cruise ship companies.

Pipeline Presentation:

Puerto Rico Economic Master Plan given by **Tom Mulvihill, Managing Director, KPMG in the U.S.**

Moderator & Panelists:

Moderator: Andrew McClune, Partner, KPMG in Canada

Panelists: The Hon. Dr. Rufus W. Ewing, Premier of the Turks and Caicos Islands and Minister of Health, Agriculture and Human Services

The Hon. Susanne F.C. Camelia-Römer, Minister of Traffic, Transportation and Urban Planning, Government of Curacao

Michael Maura Jr., President & CEO, Arawak Port Development Limited

Brent Woodson, CEO & Chairman, Arambys Corp



Strong and reliable transportation assets are key to growing island economies. International Financial Centers require world-class airports; the hospitality sector requires airport roads and cruise ship ports; and growing economies require efficient cargo ports, roads and public transportation networks. Many governments are now considering how they might use concession models to maintain and grow their transportation assets.

With a strong focus on sharing lessons learned from transportation projects around the region and around the world, this session highlighted successful examples of PPPs in a wide variety of transport segments.

Both public and private sector perspectives were offered. The Hon. Susanne Camelia-Romer shared Curacao's experience tendering a

30-year operations contract for that country's airport, while Michael Maura presented some of the considerations and challenges facing Arawak Port as it develops port assets in The Bahamas.

The Hon. Dr. Rufus Ewing explained how transportation infrastructure had acted as a catalyst for development in the Turks and Caicos Islands with the Providenciales airport helping an island with a then population of 800 become the world's #1 tourism island per TripAdvisor. He indicated his desire to build on this experience and use transportation infrastructure to stimulate development in other islands. Michael Maura also addressed the challenge of servicing Family Islands highlighting the huge competitive advantage Nassau has over other Bahamian islands when trying to attract the same client. Both Hon. Dr. Rufus Ewing and Michael Maura also emphasised the need for support from "both sides of the aisle" if infrastructure projects are to succeed. Bi-partisan support is critical as the life cycle of such projects make it essential that they be able to survive changes in government.

Panel 4: Infrastructure as a pathway to economic transformation

Key Takeaway:

Governments are certainly becoming more sophisticated in the way they plan and manage infrastructure projects. But much more must be done to encourage private sector investment. In particular, governments will need to focus on driving improvements in capability, capacity and international experience. Projects need to be “bankable”.

Moderator & Panelists:

Moderator: Simon Townend, Head of Advisory, KPMG Islands Group

Panelists: The Hon. Donville O. Inniss, Minister of Industry, International Business, Commerce and Small Business Development, Government of Barbados

Alan Jones, Chief Officer, Ministry of Planning, Lands, Agriculture, Housing & Infrastructure (PLAHI), Cayman Islands Government

McHale Andrew, CEO, Invest Saint Lucia

Doug Hewson, Managing Partner, Portland Private Equity LLP

Vincent Vanderpool-Wallace, Principal, Bedford Baker Group



What will it take to deliver the right infrastructure to drive real economic transformation for island nations? According to our panel, it will require improved sophistication from governments, more rigorous business and strategic planning and a more vibrant indigenous investment community.

Governments will need to take the lead to remove any mistrust between the public and private sectors. Indeed, according to the Hon. Donville Inniss, governments will need to focus on becoming more consistent with the application of their policies and more proactive when communicating with investors if they hope to encourage private investment.

The panelists agreed: Alan Jones noted a lack of applicable expertise within the public sector in general but pointed out that governments could take measures to implement enablers to investment such as Cayman Islands' process for business case development. McHale Andrew shared the challenges and results of Saint Lucia's proactive approach.

Vincent Vanderpool-Wallace provided insight into measuring the value of infrastructure to an economy. For their part, the private sector participants also noted the need for more collaborative engagement with the public sector. Success stories were also shared (Mr. Doug Hewson, for example, highlighted some of Portland Private Equity's investments in the region) and panelists discussed the evolving private equity sector in the Caribbean and its potential role in driving further investment.

Key Takeaway:

Creating a more supportive energy policy framework is no easy task. Long-term funding and energy requirements need to be balanced against the short term realities of regulatory change, political pragmatism and budget realities. But – given the high cost of energy in most island nations – few nations have any choice but reform.

Keynote address:

An Innovative Approach to Converting Utility Infrastructure
given by **Hugo V. Hodge**,
Executive Director/CEO, Virgin Islands Water & Power Authority

Moderator & Panelists:

Moderator: John Gulliver, Partner,
Pierce Atwood

Panelists: Sen. The Hon. Dr. James L. Fletcher, Minister
for Public Service, Sustainable Development, Energy, Science and Technology, Government of Saint Lucia

Nicholas Greenwood, Managing Director, KPMG in the U.S.

Charles Keizer, Partner, co-Head of Infrastructure and Energy Practice, Torys LLP

Dr. Theodore J. (Ted) Kury,
Director of Energy Studies,
University of Florida

Deepak Bhatnagar, The Airport Authority of The Bahamas Financial Advisor to the Board, Chairman of Energy Reform Task Force

Panel 5: An infrastructure focus on energy reform in the island region



Largely reliant on imported fuel and high-cost (and high-carbon) generation sources, many island nations are now exploring the potential for renewable energy and private investment. However, integrating new sources of energy into the distribution mix will not only require new infrastructure, it will require significant policy change and energy reform.

As the price of renewable energy (particularly solar and geothermal energy) generation starts to fall below that of coal and diesel sources, island governments are starting to see a potential solution to their historical high energy import costs.

Saint Lucia, for example, has been pushing hard to attract renewable

energy projects. However, Sen. The Hon. Dr. James Fletcher noted that the current provider enjoys a legislated monopoly until 2045 and, as a result, his government was drafting new laws to support the introduction of new energy sources. Deepak Bhatnagar provided details on the extensive ongoing energy reform project in The Bahamas, including enactment of new electricity laws, a new energy policy incorporating significant renewables, a new funding vehicle to deal with legacy debts, and the engagement of private operators for the fully integrated public utility (which would remain 100% owned by the Government).

While energy reform is clearly required to attract private participants and new energy sources, panelists also noted the need to balance cost, affordability and customer service against the needs of the private sector.

Panel 6: New partnership models

Key Takeaway:

Building successful public private partnerships requires more than good will and a pipeline of profitable projects. It also requires the public sector to take more of a commercial view of their infrastructure assets. Simultaneously however, governments also need to be cognisant of cultural sensitivities towards private sector involvement.

Moderator & Panelists:

Moderator: Lori Rockhead, Senior Manager, KPMG in Bermuda

Panelists: The Hon. Ruthmilda Larmonie-Cecilia, Minister of Social Affairs, Labor and Welfare, Government of Curaçao

Georgina Black, Partner & National Health & Life Sciences Sector Lead, KPMG in Canada

Martyn Bould, Chairman, Rider Levett Bucknall (Caribbean) Ltd.

Doug Hewson, Managing Partner, Portland Private Equity LLP

Josh Hjartson, Vice President, Public Sector, KPMG in Canada



With governments increasingly looking to the private sector to help deliver their infrastructure pipeline, many are now focusing on adopting alternative service delivery models and realigning their service and asset portfolio to drive cost and efficiency improvements. Partnering with the private sector will require governments to embrace new delivery models and new approaches.

Kicking off with the bold assertion that the private sector could – if needed – deliver every service, to the same or higher standard, as the public sector, this session quickly honed in on the topic of alternative service delivery models and concessions.

Interestingly, the session also raised a number of other key considerations for governments as they move towards increased partnership with the private sector. Martyn Bould, for example, pointed out that culture often influenced decision-making in the islands region while Doug Hewson noted his organisation's efforts to align it's activities with local culture in order to create mutually beneficial partnerships with key stakeholders.

The panel also encouraged participants to think 'outside of the box'. As Georgina Black suggested, advances such as tele-health and the evolution of healthcare systems are creating new and exciting opportunities for innovative partnerships that can deliver valuable social benefits.

Panel 7: Financing the public sector agenda

Key Takeaway:

Far too often, the most important decision about a project – how it will be funded – is left until the project is all but underway. Governments need to start their decision-making process with a clear idea of their various funding and financing options so they can make informed investment and prioritisation decisions.

Keynote address:

Current and Upcoming Infrastructure Opportunities in the Cayman Islands by **The Hon. Alden McLaughlin, MBE, JP Premier of The Cayman Islands and Minister for Home Affairs, Health and Culture**

Moderator & Panelists:

Moderator: Raymond Campbell, Partner, KPMG in Jamaica

Panelists: The Hon. Dr. José M. R. Jardim, Minister of Finance, Government of Curaçao

Duncan Card, Managing Principal, Bennett Jones (Bermuda) Ltd.

Mitchell De Silva, Regional Vice President Corporate Banking, RBC Caribbean

Luis Carlos Ochoa, Public Sector Group Director - Latin America, Citibank



The funding and financing environment for infrastructure continues to evolve and the basket of potential funding and financing options continues to expand. With concerns related to capital markets and sovereign credit ratings front and center, today's governments are keen to identify which projects can be brought to market and which will need to be funded through public budgets.

With public budgets under continued pressure from rising social programme costs, governments are increasingly starting to re-examine their project pipeline and development plans to

prioritise those projects that may be more attractive to private sector finance.

For investors, however, key concerns continue to linger in many markets, particularly in relation to sovereign risk, construction risk and limitations on scalability. Issues related to capital markets, country credit ratings and project structuring were also noted as potential limitations to the adoption of some financing models.

The panel also touched on key trends in financing such as the increased tendency towards direct investment by 'institutional investors' such as pension plans and sovereign wealth funds. The role of multi-laterals in attracting new investors was also highlighted as a potential opportunity for island nations.

Conclusion

The 2015 KPMG Island Infrastructure Summit continues to demonstrate the development of PPPs as a viable alternative for island governments as they seek to develop their respective nations.

Over the last few years there have been a number of transformations across the islands both in economic and social infrastructure.

As we analyse this development, it is evident that progress is being made with the PPP model as a whole in many of the islands; governments and the private sector are continuing to develop the requisite capabilities and enabling environment. However, we should not rest, as the path is still long and we must continue to work on the continued development of capacity building – including but not limited to, human resource, legislative and

financial capacity. In recent years, many multilaterals have provided support for capacity building and institutional investors are becoming more aware of the investment opportunities in the islands.

The 2015 KPMG Island Infrastructure and Public Sector Credentials dossier underscores our wealth of experience and the resources we have across the region; we continue to be involved in many significant transactions in our respective islands.

For further information regarding how KPMG's Island Infrastructure Practice

can help, please contact your local KPMG representative, listed at the back of this publication.

Best regards,



Simon Townend
Summit Co-chair



Steve Beatty
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