Project Briefing

King Edward VII Memorial Hospital Redevelopment Project
April 2009
Contents

– Introductions
– Bermuda Hospitals Board
– Project Overview
  • Background
  • Project Status
  • Procurement Process
  • Governance Structure / Approvals
  • Project Development Plan
  • Preliminary Timelines
– Project Agreement
– Key Contact Information
– Appendix
  • About Bermuda
  • Doing business in Bermuda
Introductions

- Venetta Symonds - Deputy CEO, Bermuda Hospitals Board (BHB)
- James Campbell – KEMH Redevelopment Project Director, BHB
- Ian Bendell - Davis LLP (Legal Advisor)
- Anurag Gupta- KPMG LLP (Financial Advisor)
Bermuda Hospitals Board
Bermuda Hospitals Board (BHB)

- BHB is a quango (quasi autonomous non-governmental organisation)
- Established under the Bermuda Hospitals Board Act, 1970
- The Bermuda Government appoints the Board of Directors and approves the Chief Executive Officer appointment
- BHB is responsible for King Edward VII Memorial Hospital (KEMH) and Mid-Atlantic Wellness Institute (MWI)
  - Both hospitals are accredited by Accreditation Canada
  - MWI is recognized by the Royal College of Psychiatry as a training site for psychiatric resident doctors
- BHB will run the PPP procurement process and will be the signatory to the PPP project agreement
• KEMH is the acute and long-term care facility providing comprehensive medical care to the population of Bermuda and overseas visitors
  – It is located centrally in Bermuda outside of the city of Hamilton in the parish of Paget, adjacent to the Botanical Gardens
  – The hospital has 327 beds in private, semi-private, and public wards
  – Services are organised into five multidisciplinary programmes: Continuing Care, Critical Care, Maternal/Child, Medical and Surgical
  – To reduce pressure on the KEMH site, BHB has recently opened an Urgent Care Centre in the east of the island
• MWI is the only psychiatric institute in Bermuda.
  – It covers all areas of psychiatry, including acute general adult psychiatry, child and adolescence, rehabilitation, community care, extended care and the psychiatric sub-specialties of learning disability and substance misuse.
  – MWI has 130 inpatient beds and several community group homes.
Project Overview
Project Overview

- 7 November 2008
  - Government announced BHB will rebuild and refurbish KEMH

- 12 November 2008
  - BHB, Ministry of Health and Bermuda Hospitals Charitable Trust outlined plan for developing acute care services on the current site
  - Johns Hopkins Medicine International Phase II Report released
Project Overview, contd...

- Two main aspects to the redevelopment project
  - Design-Build-Finance-Maintain PPP Project
    - New patient tower, ambulatory care centre and central utility plant
    - $260 MM* estimated Capex
  - Renovations to the existing facility
    - Outside of the scope of the PPP project
    - $55 MM* of renovations will be phased over the next five years as discrete projects, procured traditionally (e.g. design-bid-build)
  - Other short term redevelopment projects / enabling site works traditionally procured

* Johns Hopkins Medicine International Phase II Report; available on BHB website
KEMH – Current Site

- Nursing Accommodation
- Central Utility Plant (CUP)
- Continuing Care Unit (CCU)
- Main Hospital
Johns Hopkins Review – New Facilities (PPP)

- New ACC
- New CUP
- New Patient Tower
Project Status

• Governance structure established
  – Project Board appointed

• Project team
  – PPP legal advisor selected (Davis LLP)
  – Business advisor selected (KPMG Advisory Limited)
  – Clinical advisor selected (Mott MacDonald)
  – Technical advisor selected (Stantec Consulting)
  – Other local advisors as required
Governance structure/Approvals
Procurement/Project Milestones

- Market opportunity: Spring 2009
- Request for Qualifications (RFQ) issued: Summer 2009
- Request for Proposals (RFP) issued: Late 2009
- Proposals submitted and evaluated: Summer 2010
- Preferred Bidder named: Summer 2010
- Commercial/Financial close: Fall 2010
- Design and construction: Winter 2010-winter 2013
- Operating phase commences: 2014
Project Agreement
Project Agreement – Commercial Terms

- BHB enters into an agreement with a private partner to Design-Build-Finance-Maintain
- BHB payments begin with Substantial Completion
  - Payments in US dollars
  - Completion payment (about $40 million)
  - Annual unitary payments split into 12 monthly payments
    - Covers capital, financing and maintenance costs
    - Partially indexed
  - Lifecycle payments per bidder proposal
Term of 30 years following target Substantial Completion date

- Project Co. secures financing
  - Government guarantee backstops payments from BHB
Project Agreement – Commercial Terms

- Model for Project Agreement will be substantially similar to recent Canadian market social infrastructure transactions
- Model will be optimised to take into account concerns of which advisory team is aware
- Purpose of roadshow is to encourage feedback on any critical components for inclusion in model procurement or draft Project Agreement
- Intention is to take on board valid high level concerns without “re-inventing the wheel”
• Site condition risk transferred to private sector:
  – Third party reports will be made available
  – reliance letter will be provided
  – BHB will retain pre-existing environmental/contamination risk
• Design review process throughout process, but BHB will not assume design risk
• Equipment
  – Project Co. to co-ordinate ordering, installation and commissioning with BHB
  – Project Co. not responsible for procurement and/or maintenance
• No LDs for exceeding target completion date
• No specific bonding requirements imposed by BHB unless required by Bermudian law
Project Insurance

- Review to be undertaken to determine nature and extent of Project insurance requirement
- BHB to determine whether Project Co. will be required to take out specific Project insurance
- Lenders’ requirements to be discussed with insurance advisers
Compensation on Termination

- Compensation on Termination
  - Standard P3 provisions
  - BHB Default - Full compensation, including breakage and IRR
  - Project Co. Default - Liquid Market determination, followed by retendering or fair market value
  - Non-Default - Senior debt, subcontractor breakage costs and original equity investment

- Supervening Event Regime
  - Canadian model, but with rationalization in relation to Relief Event regime
    - Delay Events/Compensation Events
    - Relief Events
    - Excusing Events
Conclusion
Conclusion

• BHB is committed to:
  – Fair and transparent procurement process
  – Ongoing dialogue with key stakeholders
  – Media releases
  – Web site updates

• Government is committed to supporting BHB on this project:
  – Guarantee of BHB payment obligations under the PPP project agreement
  – Streamlining of approvals
  – Contributing to project development budget

• Most important of all, meeting the acute health care needs of Bermuda
• Project Office
  ProjectOffice@BermudaHospitals.bm
  www.bermudahospitals.bm
Appendix
About Bermuda

- Located approximately 500 miles east of South Carolina
- Climate is subtropical (mild and humid), strong winds are common in the winter
- Terrain is low hill separated by fertile depressions
- First settled in 1609 by English colonists
- Population is approximately 67,000 (approximately 10% expatriate workers)
- Tourism and international business (insurance and hedge funds) are the primary industries
- English is the official language, but Portuguese is also common
• Overseas territory of the United Kingdom
• Government is parliamentary (self-governing)
• Head of the Government is the Premier, the Hon. Dr. Ewart Brown, and Deputy Premier and Minister of Finance is the Hon. Paula Cox
• Strong judicial system and based on English law
About Bermuda, contd...

- 3rd highest per capita income in the world
- Highest GDP per capita in the world
- 2009/2010 budget is $1.1 billion\(^1\)
- 31 March 2009 debt $459 million\(^1\)
- Debt Ceiling $1 billion
- Rated Aa2 by Moody’s\(^2\)

---

\(^1\) 2009/2010 Budget statement, Government of Bermuda, Ministry of Finance, 20 February 2009
\(^2\) Long term foreign currency credit rating as of 29 April, 2009
Doing business in Bermuda

• Tax Considerations
  – No personal or corporate income tax
  – Import duty of 25% (generally)
  – Payroll tax of 14% (a portion of which can be passed on to employee)
  – Stamp duty applicable on transfer of property or shares
  – HM Customs www.customs.gov.bm
Doing business in Bermuda, contd...

- Work Permits
  - Strict regulation over employment of foreign workers
  - Generally approved as long as a Bermudian or spouse of Bermudian cannot fill role
  - Permanent, periodic, and temporary work permits available (timelines and fees vary)
  - Department of Immigration [www.immigration.gov.bm](http://www.immigration.gov.bm)
  - Involvement of local business is a topic of interest
Doing business in Bermuda, contd...

- Setting up a company
  - Type of Company to be set up (e.g. local, exempt)
  - Set-up can be done in 3 to 6 weeks
  - Unique requirements of the jurisdiction
  - Foreign ownership restrictions for local companies (exemptions have been granted)
Doing business in Bermuda, contd…

• Key Components of the Bermuda Business Marketplace
  – Hospitality industry
  – International Business Sector
  – Local Business Sector
  – Diversified Service Providers
Doing business in Bermuda, contd...

• Key reasons for choosing to do business in Bermuda
  – Sophisticated levels of service
  – Accessibility to other major global jurisdictions
  – Sound Regulatory Environment
  – Economic and political Stability
  – Major Fortune 500 Companies have a presence in Bermuda
Some websites of interest

• Department of Planning  [www.planning.gov.bm](http://www.planning.gov.bm)
• Bermuda Construction Association  [www.constructionbermuda.com](http://www.constructionbermuda.com)
• Institute of Bermuda Architects  [www.iba.bm](http://www.iba.bm)
• Bermuda Association of Professional Engineers  [www.bape.bm](http://www.bape.bm)
• Cost of living  [www.bermuda-online.org/costoflivingguide.htm](http://www.bermuda-online.org/costoflivingguide.htm)
• Department of Statistics  [www.statistics.gov.bm](http://www.statistics.gov.bm)
• Banking  [www.bermuda-online.org/banking.htm](http://www.bermuda-online.org/banking.htm)
Thank You