



# Bermuda Hospitals Board

KEMH Redevelopment Project

## 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



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# 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)



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# Bermuda Hospitals Board



Bermuda Hospitals Board

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# 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

- 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



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# MWI

- 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





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# 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



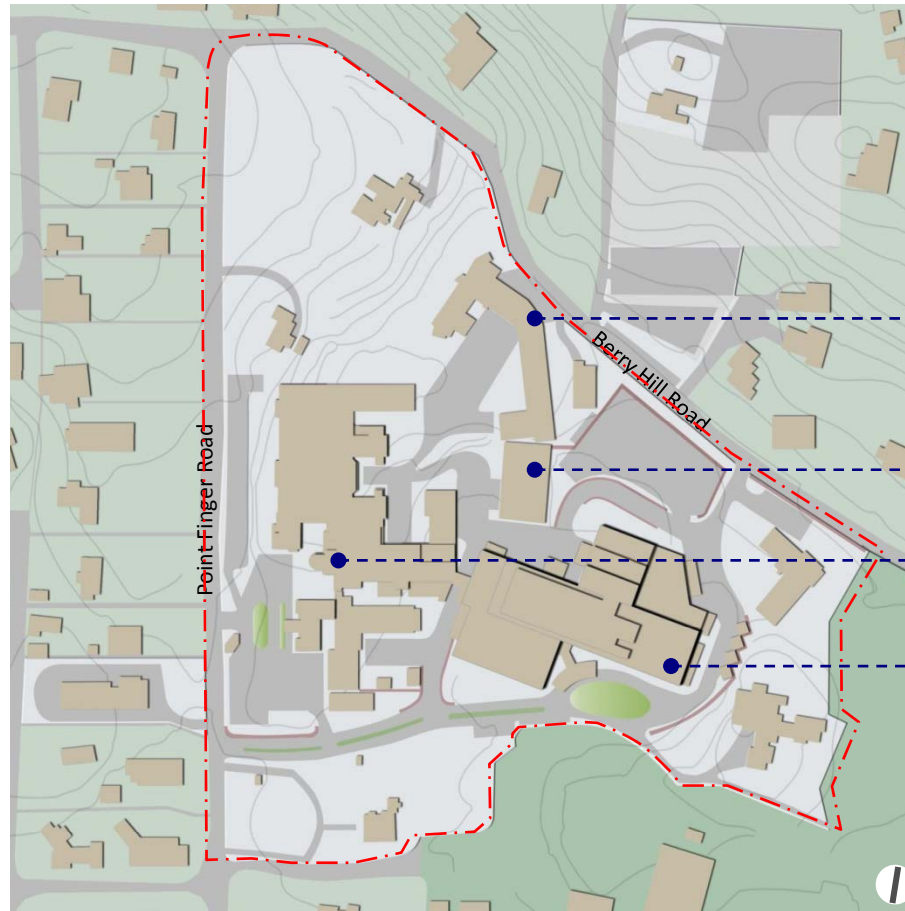
## Project Overview, contd...

- 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

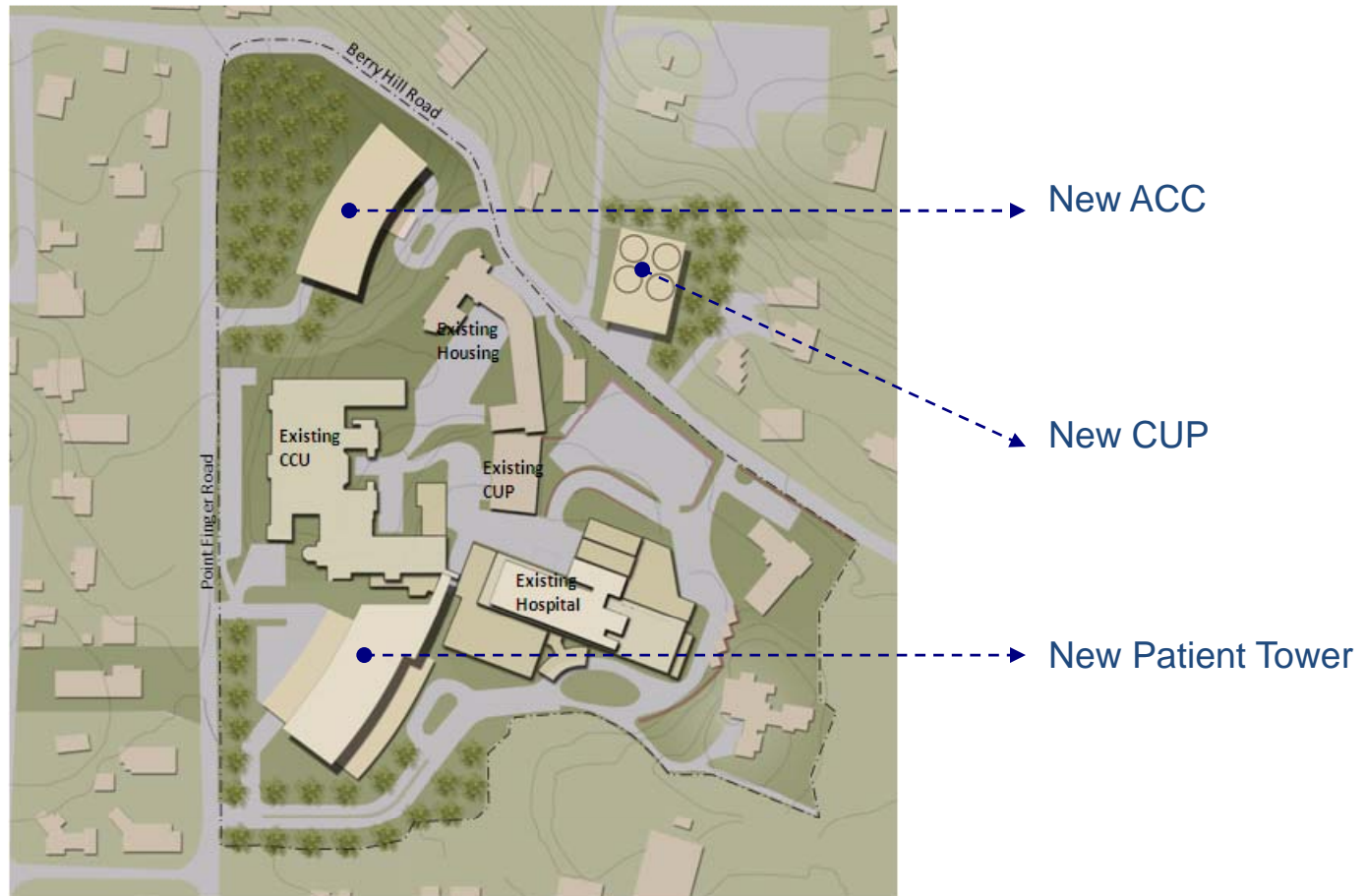
Central Utility Plant  
(CUP)

Continuing Care Unit  
(CCU)

Main Hospital



# Johns Hopkins Review – New Facilities (PPP)





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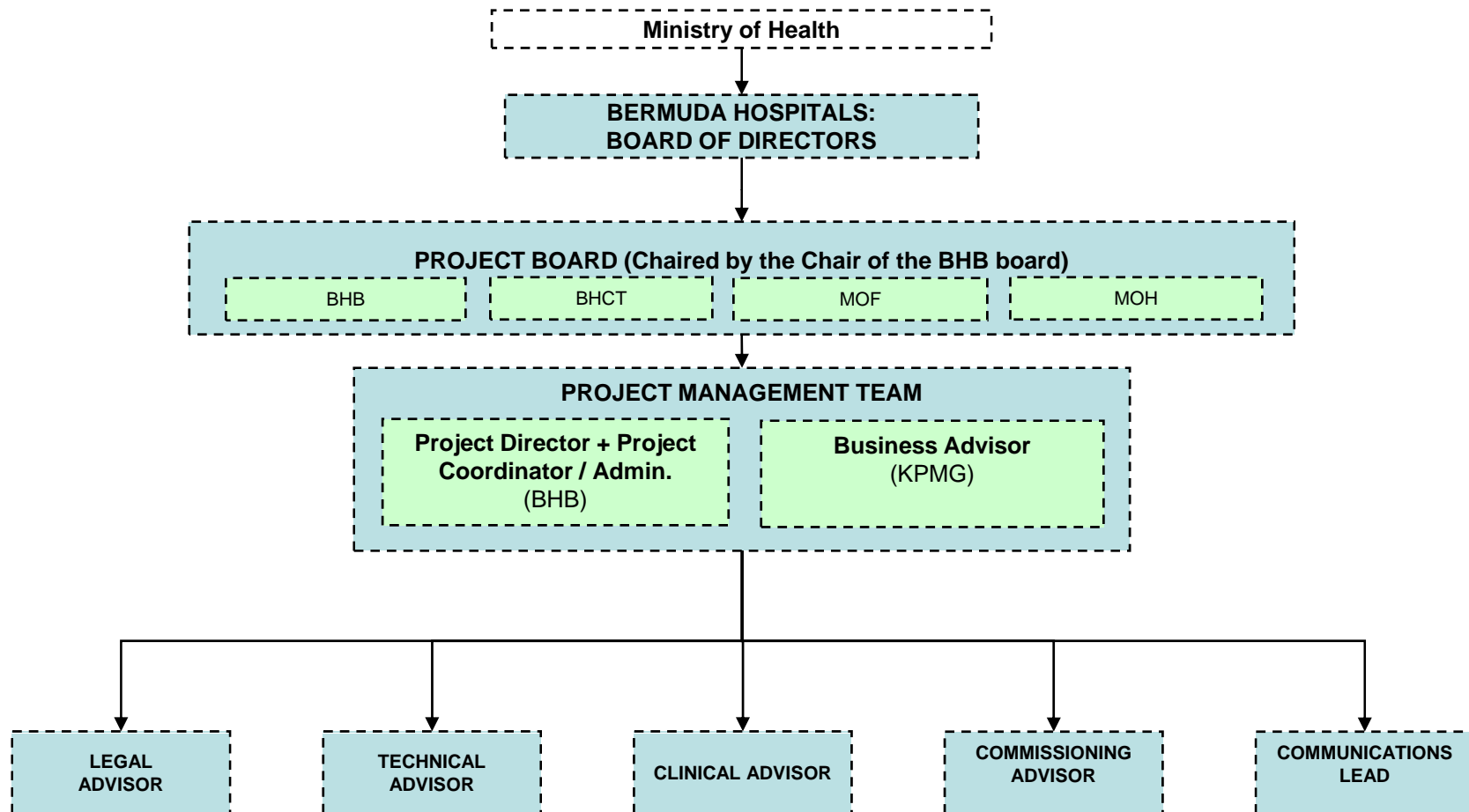
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# Project Status

- 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



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# 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



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# Project Agreement – Commercial Terms

- Term of 30 years following target Substantial Completion date
- Project Co. secures financing
  - Government guarantee backstops payments from BHB



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# 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”



# Project Agreement – Design and Construction

- 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





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# Contact Information

- Project Office  
ProjectOffice@BermudaHospitals.bm  
www.bermudahospitals.bm



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# 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



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## About Bermuda, contd...

- 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



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## 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<sup>1</sup>
- 31 March 2009 debt \$459 million<sup>1</sup>
- Debt Ceiling \$1 billion
- Rated Aa2 by Moody's<sup>2</sup>

<sup>1</sup> 2009/2010 Budget statement, Government of Bermuda, Ministry of Finance, 20 February 2009

<sup>2</sup> Long term foreign currency credit rating as of 29 April , 2009



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# 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
  - Office of Tax Commissioner [www.taxbermuda.gov.bm/guide.htm](http://www.taxbermuda.gov.bm/guide.htm)
  - HM Customs [www.customs.gov.bm](http://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)
  - Bermuda Registrar of Companies [www.roc.gov.bm](http://www.roc.gov.bm)





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## Doing business in Bermuda, contd...

- Key Components of the Bermuda Business Marketplace
  - Hospitality industry
  - International Business Sector
  - Local Business Sector
  - Diversified Service Providers



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## 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



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## 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)



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Thank You