



GOVERNMENT OF BERMUDA

## **The Ministry of Finance**

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### **Ministry of Finance Headquarters**

#### **Ministerial Statement**

To the House of Assembly

**By**

**The Hon. E. David Burt, JP, MP**

**Premier and Minister of Finance**

#### **Tabling of the Morgan's Point Company Act 2022**

Date: 2<sup>nd</sup> December, 2022

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Good Morning Mr Speaker. Later today in this Honourable House, I will introduce the Morgan's Point Company Act 2022 for its first reading.

Mr Speaker, the history of the Morgan's Point site is well known. Honourable Members will recall that a previously little-known expanse of privately owned land in Warwick called Southlands became a rallying point for local conservation when three Bermudians purchased it and outlined plans to transform that site into a hotel.

In April 2011 the land at Southlands was swapped for land at Morgan's Point. That agreement set out the terms and conditions of the swap and was discussed in this Honourable House as part of an Act of the Legislature to enshrine the permissions and rights over the land to the benefit of the developers. Mr Speaker, at that time the proposed development at Morgan's Point included an 80-room boutique hotel with 313 additional residences, and a 325-room luxury hotel with 337 additional residences.

Mr Speaker, that project was scaled down under the former OBA Government and by November 2016 it had been announced that construction had commenced on the Caroline Bay Marina with a view to having it open and operational in time for the America's Cup the following year. The Marina was opened in April 2017 and its inclusion as part of the first phase of development now made the project consist of 35 branded condominium residences and a 5-star boutique, 79-room Ritz Reserve hotel.

The financial viability of this project had, however, been in question for at least the last six years of its operation and we would all later learn that the lending in support of the development was not grounded in the financial viability of the project but instead on a \$165 million Bermuda Government guarantee.

Mr Speaker, in June 2019, lenders notified the Developers and the Government of their demands to be repaid immediately due to the project defaulting on its loan payments. The Bermuda Government was then legally obligated under the loan and guarantee agreements made by the former OBA Government to make the lenders whole. We applied to the Supreme Court of Bermuda and were successful in appointing Joint Provisional Liquidators over operating company Georges Bay Limited (GBL).

Mr Speaker, the payment of the guarantee after the project failed was contractual, and the Bermuda Government had no discretion but to faithfully fulfil its obligations. Following a Supreme Court process, provisional liquidators were appointed and have held the company and its assets as they sought to secure and find a way to monetize the assets repay creditors including the Government of Bermuda. While that process is ongoing, to date no bids have been received that would provide as high a value for the people of Bermuda as taking ownership of the assets, with a view to future development.

Mr Speaker, it is important that Honourable Members and the people we represent in this Honourable House are reminded of the facts surrounding this project.

Mr Speaker, it is important that Honourable Members recall that a \$165 guarantee for this project was not supported by the then Opposition PLP in 2016.

Mr Speaker, it is important that Honourable Members recall that this failed project was already in breach of its lending agreements prior to the 2017 election.

Mr Speaker, it is important that Honourable Members recall that this Government was prudently managing the public purse and did not have to raise the debt ceiling until we were forced to borrow \$200 million to fulfill the guarantee obligation entered into by the former OBA Government.

Mr Speaker, it is important that Honourable Members know that to date this Government has had to spend over \$210 million of taxpayer dollars on this failed project. In addition taxpayers have had to pay over \$7.7 million dollars a year in interest, more than the Government's Economic Development budget this year, and over \$22 million dollars since the guarantee was called.

Mr Speaker, though taxpayers have expended in excess of \$230 million dollars we have precious little to show for it. There is a site which has no finished buildings and a functional Marina. What is most astounding is that the Bermuda Government does not stand to gain back the full amount of land in exchange for the \$165 million guarantee and extra fees and interest incurred. Why Mr Speaker, because the former OBA Government did not put the guarantee over all of the land, just the land that was under construction for the hotel, residences and Marina. Mr Speaker, this means that the entirety of the peninsula at Morgan's Point was not covered by the guarantee and therefore currently out of reach of the Government. To repeat Mr Speaker, the guarantee did not cover all of the land that was exchanged for Southlands, and a majority of the land at that site is not being returned to the Government of Bermuda at this time.

Mr Speaker, despite that staggering level of incompetence in not securing all of the exchanged land against the guarantee, the Bermuda Government will have recourse to the limited hard assets at the project site. Accordingly, in this case, we will satisfy the majority of our secured loans by transferring the assets of Georges Bay Limited to a Government owned company to be called the Morgan's Point Company.

The powers of this company are supported by the legislation that will be tabled later today on behalf of this PLP Government. The Morgan's Point Company will be created; and a commercially focused board will be appointed, charged with managing the site to secure a return for the taxpayers of Bermuda.

Mr Speaker, the goal moving forward is simple; we want to put the land on which the failed project sits into productive use and generate cash returns that will eventually return funds to taxpayers. Today's tabling of the Morgan's Point Act 2022 is the first step in that journey, and despite the painful and expensive history of this project, I look forward to sharing more details with Honourable Members during the debate on this important bill next week.

Thank you Mr Speaker