



## **Bermuda Post Office Mail Processing Centre Relocation**

### **Ministerial Statement**

**By:**

**The Hon. Lovitta Foggo, JP, MP**

**Minister of Cabinet Office With Responsibility For Government Reform**

**22<sup>nd</sup>, September, 2017**

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**Mr. Speaker**, I rise today to advise this Honourable House of the planned relocation of the Bermuda Post Office Mail Processing Centre and the circumstances surrounding its move.

**Mr. Speaker**, Members of this Honourable House will be aware that the Bermuda Post Office Mail Processing Centre or BMPC, is in the process of vacating its publically owned premises at the L.F. Wade International Airport to relocate to a privately owned facility at Mills Creek.

The move, **Mr. Speaker**, is required as a result of an Agreement entered into by the former Government, specifically, between the Bermuda Airport Authority and Project Co.

Simply put **Mr. Speaker**, based on the deal made, the BMPC now resides on leased premises.

**Mr. Speaker**, to offer a bit of background with respect to the necessity to relocate, I wish to provide the following from the Official Agreement.

“In accordance with Schedule 2, Section 14.3 (d) of the Agreement, the Authority shall arrange alternative premises for the Bermuda Post Office and will use its best efforts to cause the Bermuda post office to vacate the space currently occupied by the Bermuda post office on the Leased Premises by September 30, 2017.

“If the Bermuda Post Office does not vacate the space currently occupied by the Bermuda Post Office on the Leased Premises by September 30, 2017, the Authority will:

- (i) pay rent to Project Co for the space that continues to be occupied by the Bermuda post office commencing October 1, 2017, such rent being based on the fair market rent for comparable premises and;
- (ii) continue to use best efforts to cause the Bermuda post office to vacate the space currently occupied by the Bermuda post office.

Further **Mr. Speaker**, if the BPO continues to occupy space on the Leased Premises after December 31, 2017, then:

- The Authority will pay Project Co \$600,000 as a single liquidated sum as full compensation and the Bermuda post office will be permitted to remain in its current premises for the Term without further payment of rent or occupancy cost, subject to the Bermuda post office entering into a sublease with Project Co.

**Mr. Speaker**, this arrangement regarding the relocation of operations has unintended consequences.

The move has the potential to jeopardize the reputation of Bermuda’s postal service international standing and impact revenue collection.

In accordance with its international service agreement revenue is directly related to meeting specific service standards.

The future requirement of having to move airmail to a non-airport facility before sorting and distribution will increase receipt time and decrease efficiency, thereby negatively impacting service standards.

Further, the move significantly affects the Department of Customs and the border control work that they are required to manage.

Members should be aware that the Customs Department is co-located with BMPC at the L.F. Wade International Airport.

Honourable members should also know that the Customs Department has **legislative jurisdiction** over all incoming mail into Bermuda and remains the first line of interdiction.

**Mr. Speaker**, The Customs Department is responsible for collecting and protecting the revenue and for enforcing import and export prohibitions and restrictions.

In fact their primary purpose at the BMPC is to monitor and control the cross-border movement of mail.

Members of our Customs Department therefore X-ray and screen inbound mail, prior to release to the Bermuda Post Office.

The strategic alignment of the two agencies provides for a seamless handover of mail from one agency to the other with limited security risks and enhanced efficiency of operations.

**Mr. Speaker**, as a result of the Agreement entered into by the former Government, development costs must now be expended on leasehold improvements that are required at the new privately owned Mills Creek facility to accommodate the segregation of the two agencies.

Such segregation is in accordance with the requirements of the standard operating procedures for the Department of Customs to carry out their duties in a secure environment.

**Mr. Speaker**, several sites including Government owned facilities were considered in a bid to minimize the costs associated with the required move. This is a cost that should technically be represented as a line item when tallying the cost of the development of the new airport.

Nevertheless **Mr. Speaker**, given the unique operating requirements of the two agencies, Customs and the BMPC, the Ministry of Public Works deemed that the best alternative was the Mills Creek facility. The rental expense will be \$30,000 per month.

**Mr. Speaker**, it is expected that the Ministry of Public Works will enter into a formal lease in the coming days.

The Ministry of Public Works will also manage the leasehold improvements and associated processes. The development project commenced this week and is expected to take no more than four weeks to complete, inclusive of the relocation activities.

Honourable members will recall Supplementary Estimate No. 1 for 2017/18 which was tabled in this Honourable House on Friday, September 15<sup>th</sup>, the estimate includes \$290,000 to fund the relocation of the Post Office mail facility from the airport to avoid penalties and having to pay rent to AECON.

**Mr. Speaker**, given the timelines associated with the development project it is unlikely that the move will take place before 30<sup>th</sup> September, 2017 as per the Agreement. Every effort will be made however to work with Skyport to avoid penalties.

Therefore it is anticipated that Bermuda Airport Authority, the agency responsible for managing the Government's contract with Skyport, will formally communicate the anticipated delay to Skyport and the two entities will work to mutually agree an outcome such that the financial penalties as set out in the Project Agreement are not triggered. No more than a 30-day extension will be requested.

I can assure Honourable Members and the public however that every effort is being made to expedite the move.

Thank you **Mr. Speaker**.