



Ministerial Statement
by
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Minister of Public Works
Asset Retirement Obligations
Monday, March 11th, 2024

Mr. Speaker, I rise this morning to provide an explanation of Bermuda's approach to Asset Retirement Obligations. On April 1st, 2022, the Government of Bermuda adopted Public Sector Accounting Standard PS 3280. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. Events giving rise to the obligation arose prior to April 1, 2022, and the obligations had not previously been recognised. The new accounting standard has resulted in withdrawal of the existing section PS – 3270 – Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on the prospective basis at the date of adoption. Under this prospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

Mr. Speaker, that is the overview of the new policy and its effective date is April 1st, 2022 with reporting due 31st March 2024. If that sounds confusing to you, **Mr. Speaker**, I am too.

Mr. Speaker, it can be anticipated that all buildings built before 1970 will have asbestos in the flooring. In most cases the asbestos has been encapsulated over the years by the layering of additional flooring. Although this insulates the occupants from exposure to the toxins while the building is in use (no liability to recognize), there is a cost for abatement of the asbestos if the building is demolished or renovated.

From past experience, the Department of Public Lands and Buildings has determined that this cost is approximately \$16 per square foot. This represents approximately 6.4% of the insured value of the buildings on record.

Mr. Speaker, the total insured amount for the buildings in Government's portfolio is \$1,584,215,277. This does not include buildings owned by Berkely Institute,

Bermuda College, BHC, BLDC, Cedarbridge Academy, Port Royal Golf Course, Ocean View Golf Course, and WEDCO. It also excludes the insured value of the Dame Lois Browne-Evans building.

Using the average rate listed above, the estimated liability of identifying and abating any asbestos in all government buildings is estimated to be **\$101, 389,778**.

ASBESTOS IN CONTAINERS

Mr. Speaker, there are approximately 370 containers at the Quarry that contain asbestos and are packaged to be shipped overseas. At the current rate of processing, it will take up to 10 years to remove all of the containers at a cost of \$8,000 per container. The liability will be completely extinguished once the containers are shipped as the receiver has no rights to return the items to Bermuda. This estimated cost is **\$2,960,000**.

LAND FILLS

Mr. Speaker, there are two landfills that are owned by Government. The first is Marsh Folly. It's use has been changed from Commercial Solid Waste to compost only about thirty years ago. The long term plans for the site is to convert it to park land or a nature reserve once the composting is complete. It is not expected that this will occur within the next 5-10 years. No liability is being recognized at this time.

The second landfill is the airport dump where "white metal" is disposed of for land reclamation. This site is still in use for this purpose and no liability is being recorded there either.

Mr. Speaker, the context and estimated costs to address the identified issues suggests that in most cases it is fiscally cost prohibitive to tackle them without some precise planning over several fiscal years. This, Mr. Speaker, is a risk management exercise and in assessing that risk, the change in the audit standards requires more time to fully implement the requirements into our budgetary process.

Mr. Speaker, I would also add that I bring this to the attention of Honourable Members and the public to note that we are very much attuned to the issues but must perform a genuine balancing act in devoting funding to infrastructure improvement versus meeting an accounting standard that is just shy of two years old.

Thank you, **Mr. Speaker**!