

Progressive Liberal Party

BahaMar Position Paper

October 2010

1. Introduction

a. Purpose

The purpose of this paper is two fold

- i. To bring some order, clarity, honesty and truth to the public debate on the BahaMar project and issues emanating therefrom and
- ii. To articulate the PLP's position on the project, given the current available information and the prevailing economic, social and political conditions.

b. Outline

In order for this paper to achieve its purpose, it will be necessary to provide an understanding of the current economic and social state of The Bahamas, provide specific information on the project and finally, articulate the PLP's position on associated elements, which have or might, in the foreseeable future arise as a result of the public debate.

2. General State of The Bahamas

a. Economic

An International Monetary Fund mission that visited The Bahamas last month provided this bleak picture of its economy:

“The Bahamas was greatly affected by the recent global economic crisis, the IMF team said, noting that there was:

1. A sharp contraction in local economic activity,
2. Higher rise in unemployment,
3. Drastic drop in the tourism sector and

4. A fall in foreign direct investments.

The IMF Mission team went on to say that while lower import prices helped to narrow the country's budget deficit to approximately 12.5 percent of the gross domestic product, the output contraction deteriorated the fiscal position and weakened the banking system. As a result the fiscal deficit widened to 5.3 % GDP in 2009/2010 due to sharply lower government revenues. Credit in the private sector "stalled" and non-performing loans ratio increased to more than 10% at the end of June 2010. Anecdotal evidence strongly suggests that has since increased considerably and that the overall rate of loan delinquency in The Bahamas is now among the highest in the region.

The IMF team also observed that the economy could grow modestly in fiscal 2010-11 if the country strictly implements fiscal consolidation and works to improve its business investment climate.

b. Social

i. Unemployment

Unemployment has been variously estimated at between 15-22%. Government has taken the lead in downsizing public corporations; terminating a substantial number of long term public sector temporary workers and discontinuing its temporary employment programme. Similarly a number of private sector entities have laid off workers as business has declined and several major hotel properties have closed a substantial number of rooms during the "slow period" with employees having to take paid vacations or in some cases unpaid leave.

ii. Crime

The Bahamas has amassed a record number of murders totaling some 148 since 2009 and 299 murders since 2007! The record will show that for this relatively small country, 78 murders were committed in 2007; 70 were committed in 2008; 85 were committed in 2009 and 63 murders were committed year to date 2010. Needless to say, this carnage is totally unacceptable. Crime and the fear of crime infest every area of Bahamian society. Law abiding citizens do not feel safe on the streets nor in their homes. There is too much crime and too much fear of crime. As a result the

overall social stability of The Bahamas is in grave peril. Moreover, the psychological toll on the Bahamian people continues to act as a serious drag on the overall sense of national and personal well-being.

3. State of the Major Industrial Activities in The Bahamas

a. Tourism

According to the IMF in its recent September Article IV consultation **“...tourist arrivals declined by 10% and FDI fell by 30% leading to a sharp contraction in domestic activity and a large rise in unemployment”**.

b. Financial Services

The Financial Services industry is largely foreign business, which is encouraged by various incentives. The industry accounts for about 15% GDP. It needs to be emphasized, however, that it is the best paying industry in The Bahamas as salaries and related income have long been on a higher scale than comparable rates of remuneration in the tourism sector. Indeed, it is highly arguable that the financial services industry is largely responsible for the creation and development of the Bahamian middle class over the last forty years, particularly when the satellite professions of law, public accountancy, and a variety of other industry support disciplines are factored into the equation. As a result of the blacklisting of jurisdictions in recent years, the industry has undergone extensive reforms to ensure the soundness of the banking system and compliance with best international practices. At the same time, however, The Bahamas is undergoing a period of institutional consolidation which has resulted in either the exodus or downsizing of a number of offshore banks with a resultant loss of jobs for Bahamians. The trend is likely to increase. The downward trend is being exacerbated by competitive pressures from onshore jurisdictions and from regional competitors like Barbados, the Cayman Islands and Panama.

c. The Construction Industry

A United Nations Economic survey into construction in The Bahamas pegs the fall off in construction at almost 20% lower than the same time last year. However, the Bahamas Contractors Association stresses that the UN figure may represent the monetary fall off, but in terms of the number of projects, the fall off is greater. Construction normally accounts for about 6% GDP.

Construction in The Bahamas is linked significantly to FDI and the UN report notes that the declining trend began in 2007 and reflects “a reduced investor appetite for risk in the wake of the global recession”. It anticipates that construction will pick up as the US economy recovers.

The report suggests that there has been cancellation of projects with no restart up dates. Stephen Wrinkle, president of BCA indicates that his association has as many as 500 registered contractors who are seeking work in a market that has been at a standstill in the first half of 2010.

Against this backdrop we now turn to the BahaMar Project.

4. The BahaMar Project

Heads of Agreement (HOA)

The original heads of Agreement to develop a major resort, in the Cable Beach area of New Providence, and to spend a minimum of \$1 billion, was signed between BahaMar and the Progressive Liberal Party Government on 6th April 2005.

After coming to office in 2007, the present Free National Government negotiated a Supplementary Heads of Agreement which changed several of the provisions of the original HOA. The cost and scope of the project were considerably changed, bringing the former from just over \$1 billion to \$2.5 billion.

The original HOA required that BahaMar provide evidence that it obtained adequate funding as well as the involvement of world class international hotel and casino equity partners in the project.

In this regard, on 12th January 2007, BahaMar entered into a Joint Venture Investment Agreement with one of the largest casino and hotel operators in the world, Harrah's Entertainment operating as Caesar's Bahamas Investment Corporation which became an equity partner, holding 43% of the shares, and BahaMar holding 57%.

Subsequent to the signing of the Supplementary HOA between the FNM government and BahaMar, Harrah's Entertainment pulled out of its partnership agreement with BahaMar. BahaMar subsequently negotiated funding of the project with the Export Import Bank of China.

This withdrawal of Harrah's from the project seemed to be due, at least in part, to an expression by the Prime Minister of The Bahamas, of a lack of confidence that BahaMar had the financial ability to complete the project.

There were other differences in regard to the size of the project, between the 2005 HOA and the 2007 HOA. The new agreement included a much larger casino, double the meeting room space, an additional 1200 rooms and the demolition of the Nassau Beach Hotel rather than its renovation. (See attachments 1 and 2).

The Scope

BahaMar's vision is to create a world class resort destination which represents the largest single-phase resort in the Caribbean. The resort incorporates a 1,000 acre master plan supported by hotels, condominiums and amenities. The proposed **3,500 hotel room and condominium** properties will include:

- A 1,000 room casino hotel
- A 700 room convention hotel, including condominium units
- A 200 room luxury hotel, including condominium units
- A 300 room lifestyle hotel, including condominium units
- The existing 700 room Sheraton Hotel
- The existing 550 room Wyndham Hotel

The Resorts amenities will include:

- The Caribbean's largest casino of 100,000 sq. ft
- 200,000 sq. ft. stand-alone convention center, convertible into a 2,000 seat entertainment venue
- A 20 acre beach and pool experience, featuring indigenous wildlife and distinctive pool experiences for each hotel
- A 60,000 sq. ft. Caribbean inspired retail entertainment village with distinctive show lake experiences
- An 18-hole Jack Nicklaus signature golf course
- The Caribbean's largest destination spa
- A timeshare component

It is important to know that there are not 3,500 new rooms in this development. Between the Nassau Beach, the Wyndham Hotel and the Sheraton Cable Beach Resort, there were in fact a total of some 1950 rooms. Therefore, when built out, the new BahaMar resort will only have an additional 1,550 rooms.

The Disposition of Land

It should be noted that the land involved in this project is the same in both the original HOA and the Supplementary HOA, save and except that in the Supplementary HOA, BahaMar agreed not to purchase the land upon which the Gaming Board and the Development Bank are located and a portion of West Bay Street and the median strip. Additionally, BahaMar agreed to lease the 50 acres property in Gladstone Road for the Back of the House activities rather than purchasing it outright.

The transfer of land from The Bahamas Government to Baha Mar is required for the project to go forward. This can be divided into five groups which include:

□ **Group 1** - A joint venture will be formed between the Government and Baha Mar for the new Jack Nicklaus golf course where **all the Golf Course land is leased** to the Joint Venture by the Government. This includes the Water & Sewerage Corporation of 99.8 acres and the Prospect Ridge Parcel of 2.365 acres. **The Government will continue to own this land;**

□ **Group 2** - The Gladstone Road parcel of 50 acres will be leased to Baha Mar. **The Government will continue to own this land;**

□ **Group 3** - **Five parcels of land, amounting to 20 acres, will be swapped.** They include:

1. Cecil Wallace Whitfield Center to BahaMar **in return for a cash payment of \$18 million and 2.259 acres of land.**
2. Cable Beach Police Station to BahaMar in return for a new, expanded Police Station;
3. Old West Bay St. to BahaMar **for a new expanded West Bay St. and facilities;**
4. New Corridor 7 **in return for a newly constructed access road** to West Bay St.; and
5. BEC parcels of 2.73 acres to BahaMar for utility works **in return for 2.73 acres of new West Bay St. road access.**

□ **Group 4** - **Fee simple purchases of Government lands of 92.226 acres** for approximately \$62.6 million. **These land purchases are the Wyndham Nassau Resort of 13.45 acres, Nassau Beach Hotel of 7.546 acres, Hobby Horse parcel of 70.964 acres and Fidelity Bank of 0.866 acres;** and

□ **Group 5** - **the purchase of 170 acres of private land, 100 acres of which is being contributed to the Golf Course Joint Venture with the Government, and 70 acres of which is being donated for the development of a wildlife sanctuary.**

Along with this, \$1 million will be spent on improvements to the wildlife sanctuary and \$1 million will be placed in a maintenance Trust at BahaMar's expense.

According to BahaMar, the transfers of freehold titles of land from the government to BahaMar were supposed to have taken place as follows:

Jan 2010: BAB (1.5 acres), HHH (68.877 acres) and JFK Connector (2.267 acres) land transferred to BahaMar

Apr 2010: Wyndham and Nassau Beach (20.996 acres transfers to BahaMar)

Dec 2010: Old W. Bay St., Police and Fire Station, Cecil Wallace Building, transfer to BahaMar

May 2011: Casino reaches 100ft., BEC sub-station (0.223 acres) and BEC wayleave (2.571 acres) Prospect ridge road (2.372 acres) transferred to BahaMar

These land transfers have not yet occurred because of the delays in the project's implementation.

Considerable concern has been expressed that the title to the land involved is being transferred to the Chinese and they are becoming the new owners of these prime properties in The Bahamas, perhaps the most valuable land. The fact is that the land, which BahaMar does not already own will be transferred to BahaMar - and **NOT** to the Chinese – and for an estimated price of \$80 million plus other considerations.

The Government has indicated that the land, which is being transferred for the specific use in this project, will not be transferred until the financing is formally in place and construction is to begin. **Indeed, the original 2005 HOA had in it provisions for the land transfers to be reversed if the development did not take place as planned.** The current 2007 HOA did not change that and the Prime Minister, in his September Communication to the House of Assembly, also indicated that "...should the development not proceed the land must return to the Government". **These were the ground rules set under the PLP.** The Ingraham government did not introduce them at all.

The Economic Impact of BahaMar

This development will undoubtedly have a significant economic impact both during the construction phase and especially after completion, opening and operation. Based on a study performed by Oxford Economics, one of the world's largest providers of economic forecasts and analyses, BahaMar is projected to have the following economic impact:

□ **Generate over \$740 million in annual Gross Domestic Product (GDP), which represents 10% of our current GDP;**

- **Inject \$878 million in spending in direct taxes into the Bahamian economy in the first year of operation and, over 25 years, it is expected to generate \$6.2 billion in Government taxes**
- **Directly and indirectly sustain over 8,500 jobs**
- **Supply \$6.1 billion in local wages and salaries over 20 years, and**
- **Generate 2.3 million visitor room nights annually**

We pause here to emphasize that those projected benefits must, of necessity, be evaluated in the context of the otherwise moribund economic situation that we described in the opening part of this statement. There is nothing else on the economic horizon that even remotely promises to generate the level of employment opportunity and economic stimulus that the BahaMar Project is poised to provide.

The Role of the Chinese

The government of the People's Republic of China has given its approval to the project, which is being financed by the Export-Import (Ex-Im) Bank of China, which is providing a loan of \$2.65 billion.

The General Contractor for the project is the Chinese State Construction and Engineering Corporation Ltd (CSCEC Ltd.), which has its headquarters in New Jersey. This corporation is also investing \$150 million in the Project.

BahaMar has indicated that the general contractor has been awarded the contract to build the concrete and steel superstructure. All other contracts will go out to competitive bidding to local and international contractors.

The Labour Component

According to the Credit Agreement signed by the Ex-Im Bank of China and BahaMar, the latter is required to secure the issuance of 5,000 work permits for foreign workers to work on the Project during the course of the construction. There

has been a verbal expression from BahaMar and the Government of The Bahamas that the need will be for 8,150 work permits for foreign workers during the Project. This requirement (for 8150 work permits) is not contained in the agreements with either the Ex-Im Bank or the CSCEC Ltd.

Section 10(d) of the Credit Agreement between BahaMar and the Ex-Im Bank of China, (page 142 of the Credit Agreement) provides that a condition precedent is the receipt of "a certified copy of evidence of application by the Company (BahaMar) for, and the agreement of the Government of the Bahamas to grant, approval in principle for the number of work permits set out in the Initial BIA Approval."

The definition of Initial BIA Approval includes "the grant of approximately 5,000 work permits for foreign workers by the Department of Immigration of the Bahamas." (See page 21 of the Credit Agreement).

The figure provided to the PLP, verbally, by BahaMar was that up to 7,500 work permits would be needed during the course of the 42 month construction time; that the maximum number of such foreign workers on the project at any one time would be 5,000 for a period of approximately six to eight months. The number provided by the Prime Minister in his Communication is a maximum of 8,150.

Such research as has been done suggests that it will be difficult to find the requisite number of Bahamian skilled construction tradesmen to complete the project within the 42 - 44 month schedule that has been set for completion of construction.

Employment of Chinese Construction Workers

There has been much discussion about the number of Chinese nationals who will be required to work on the construction phase.

Concerns have been raised as to the skill levels of the Chinese and whether they will be employed doing tasks which Bahamians can do. Bahamians want to know whether there will be Chinese labourers imported to perform any unskilled tasks that Bahamians are capable of performing. There would be strong objection to that.

Bahamians want to know whether there are construction methods being used on the Core Project, which are new and unknown to Bahamian workers. If the answer is yes, they should be defined and in accordance with the original 2005 HOA, arrangements should be made to ensure that there is transfer of skills and technology to Bahamian workers during the course of this project.

As it is very likely that Chinese financing will be used for future projects, it is incumbent on the government (GOB) to ensure that the lack of such skills can no longer be used as an excuse for depriving Bahamian workers of the opportunity to work on projects in their own country.

Concerns have also been expressed as to how the government will evaluate the workers who are brought in as to their character, their health and their skill levels. The accusation that some workers may have criminal records should be dealt with. The need to ensure the good health and freedom from contagious diseases must be satisfied. The skill levels must be monitored and confirmed.

Concern has also been expressed as to the terms and conditions of employment for the migrant workers. Will they be paid according to Bahamian wage scales in accordance with ILO Conventions? What are the living conditions under which they will be accommodated? What Health and Safety Regulations will be in place?

One of the concerns of the developers of the project is that Bahamian construction workers do not have any experience working at the heights that will be required for the 24 storey buildings. There is fear about the safety of the local workers.

The Health and Safety Act was passed but has not been enforced because of the lack of regulations needed to support it. In the meantime, there have been several serious incidents on construction sites, which have resulted in loss of life, which might have been avoided had the appropriate regulations been compiled and enforced. It is essential that this be done in time for the start of this project, which will have conditions requiring them. Additionally the safety of the construction environment must be monitored by agents of the Ministry of Labour.

Recent discussions have suggested that there are no special skills or new construction technology to be utilized in the Core Project. There is a view that what is different is the rate at which the foreign workers will be compensated and the conditions under which they will be working and housed. Further there is a view that, having regard to the cultural and language differences, the chances for disharmony cannot be discounted. There is a need to ensure that the environment is created to avoid such problems.

There are also concerns that workers who are brought in for this project may stay in The Bahamas after the project has been completed and further deprive Bahamians of jobs in the future. It is understood, however, that part of the agreement is that all persons brought in for this project will be repatriated at the end of construction. It is incumbent on the government to ensure that this is done.

The government has indicated that as an imperative of Chinese foreign policy, all over the world where the government owned Chinese Export-Import Bank of China has financed construction projects, part of the agreement has been that materials used in the project are sourced in China where possible and that Chinese workers be utilized in the construction work. Hence the requirement for the 8,150 work permits.

The Government, in its own \$58 million borrowing for the construction of a 4 lane highway from the airport to the new six way roundabout, has agreed for the highway to be designed and built by the CSCEC Ltd and to use some 200 workers in that project. (It is interesting to note that 200 Chinese workers in a \$58 million project equates approximately to 8,150 in a \$2.6 billion project.)

Concerns have also been expressed about the quality control with respect to materials used in the construction. There have been incidences where materials which are substandard and hazardous have been used in the construction of luxury and high end developments in other parts of the world resulting in expensive losses and even abandonment of homes. This must be avoided and will require that the government engages quality control specialists.

Opportunities for Bahamian Contractors, and Construction Workers

The Initial Project Phase will be built exclusively by Bahamian contractors and will have an estimated value that will be in the range of \$200 million, including:

- Infrastructure, site preparation, earthmoving, landscaping, demolition, construction of a new West Bay Street and Corridor 7 highway which will cost approximately \$90 million;
- A new commercial Village at a cost of \$25 million;
- A new Back of the House Facility which will be located on Gladstone Road to facilitate parking for resort employees who will be shuttled to the resort, laundry, warehouse and ancillary facilities at a cost of \$30 million;
- A Golf Clubhouse, freestanding villas, retail, restaurants and other buildings in beach and pool areas and retail at an estimated cost of \$20 million.

It is expected that the significant part of these works will be completed in the first 18 months, providing a substantial boost to the local economy and creating immediate employment for the local construction industry. Early phase works will require more than 30 Bahamian contractors, employing up to 1,200 workers with a limited number of expatriates for specialized tasks.

In the Prime Minister's Communication, it is said that, "...The terms of the funding...include a requirement that the overwhelming majority, if not virtually all of the workers to be engaged on the "Core Project", over the life of the project, be foreign workers – some 8150 persons.

However, later in the same Communication, when discussing to the engagement of Bahamian contractors in a number of "trade packages", he said, "...This we are informed is expected to result in the engagement of 3,300 Bahamians at the height of construction of the Core project".

There has been considerable concern expressed about the large number of foreign workers and the fact that the ratio, as expressed by the Prime Minister, of 71% foreign workers to 29% Bahamian workers, on the Core Project, is in violation of previous government policy.

The original policy set in 1958 was that Bahamian workers should make up 75% of the workforce for such hotel projects "...if such natives of The Bahamas are

available to perform the several and respective services required”. This ratio has been violated over the years with the construction of the Cable Beach and the Crystal Palace hotels as a result of the claim that Bahamians were not familiar with or trained in the technology which was used in their construction.

According to the Prime Minister, during the Atlantis development, the Bahamian component of the labour force was 70% to 30% foreign.

(It could be argued however, if the number of 1200 Bahamians estimated to be employed on the non-Core (Phase 1) of project are included, that the ratio is 8150 to 4500, or 64% to 36%, foreign to Bahamian, a modest improvement).

The PLP, in meetings with the developers, was told that foreign workers will be working exclusively on the Core project, i.e. the construction of the new hotels, the casino, and the convention centre etc. According to the BahaMar representatives, it is intended, at the height of the project, to work 24 hour days, three shifts per day. The highest buildings will be 24 storeys high and they feel that it is unlikely that the number of workers prepared to work at such heights can be found in The Bahamas.

It is reported by its representatives however, that BahaMar has agreed to involve Bahamian contractors and tradesmen in the Core Project by reaching a position with the general contractor, The Chinese State Construction and Engineering Corporation, to engage Bahamian contractors to perform a number of “trade packages”. Such packages will include general site clearing and preparatory work, masonry, dry wall, ceilings, painting, electrical, mechanical, site security, fencing, beach restoration, remediation and landscaping, etc. These are likely to have a value of \$40 million.

However, there is no substantive evidence of such an agreement in any documentation, which we have seen.

Training and Skills Transfer to Bahamian Construction Workers

(See Attachment 3)

The Bahamas Contractors Association (BCA) indicates that it has been in successful discussions, which are at an advanced stage, with BTVI and Daytona

State College in designing courses for both contractors and for construction workers.

The National Congress of Trade Unions has recommended that a portion of the work permit fees collected for this project be utilized to expand and redevelop BTVI. They further recommend that the Ministry of Education and the CSCEC Ltd. develop a Training and Apprenticeship Programme to provide skills acquisition for high school students.

They also expressed a desire to work with BahaMar through the NCTU Labour College, to provide training for both construction and resort workers.

Finally, they propose that a National Redundancy Fund be established into which investors in such projects make a contribution related to the size of the investment to ensure that Bahamian workers are protected from investors who leave the jurisdiction without properly compensating them.

The PLP supports these proposals.

The Trade Union Congress, which has three construction unions among its membership, expressed ignorance as to the categories and skills and other specifications of the workers for the project that would necessitate the large number of Chinese workers.

They are not opposed to anything that is progressive for the country. They do not feel that the Bahamas Contractors Association can speak for the workers in the country.

They believe that any work permits should be specific and that specific tabs should be kept on permit holders, including their skills, health, and character. Group permits should not be issued in order to avoid the problems which can arise.

We propose, as have others, that a training programme be initiated without further delay, to train as many Bahamian construction workers in the variety of trades, which are needed for this and other projects going forward and that

a National Certification Programme be developed so that the number of verifiable skilled tradesmen can be permanently increased.

The certification should meet international standards and there should be the means for refresher courses and upgrading from time to time. Such a programme, in this case, should be funded by the promoters of the project and be overseen by a consultative committee which should include representatives of construction worker unions, both umbrella trade union entities, the Bahamas Contractors Association, COB, BTVI Chamber of Commerce etc. Funds could also be allocated by the government from the enormous work permit fees which will be issued for expatriate workers.

Training for Contractors

This group was overwhelmingly in support of this project, indicating that the project was the biggest ever in The Bahamas and that its importance was difficult to comprehend.

The BCA has indicated that there are now over 500 Bahamian contractors who are now members and who are seeking employment on this project. Some of them have been invited to bid on aspects of the non-Core phase of the project which is reserved for Bahamian contractors.

The BCA has also indicated that there is no local Bahamian construction company which is able to undertake the Core Project on its own. It was noted that small contractors have a global struggle to participate in such large projects. Additionally, they indicated that at the Atlantis project, local contractors were able to participate in the last phases and were now able to handle jobs to the value of \$100 million.

What they are seeking is to do is to train contractors in order to develop their skills in bid preparation and the requisite related issues which would enable them to bid on what are called “trade packages” as sub contractors. They would then use their company staff as opposed to persons seeking employment with Baha Mar or the general contractor on the job site. This, if successfully

achieved would secure, hopefully, significant participation for local contractors in the Core Project although the estimated \$35 to \$40 million mentioned in the Prime Minister's communication is not impressive.

They are also pursuing the creation of an international standard certification for all local contractors as well as the passage of legislation to enact a Contractor's Bill as soon as possible.

We support both of these initiatives.

However, it does not appear that the training is a feature of the government's approach to its approval of this project although the BCA has indicated that they await the government's response to their submissions on the subject. It also does not appear that the government has any hard data on the number of skilled and unskilled construction workers in The Bahamas, nor has it come to any firm commitment from or agreement with BahaMar with respect to the amount of Bahamians who will be engaged in the Project and at what skill levels.

It will be incumbent on the Executive Branch of Government and the appropriate Union leaders to ensure that Bahamians who are able and willing to work are given an opportunity to do so. However, Bahamians must fully appreciate that incompetence, insubordination, absenteeism and a sub-standard work ethic will not be tolerated. Similarly the Government must meticulously scrutinize the Chinese who come here to work, and obtain an undertaking from Baha Mar and the Chinese Government that at the conclusion of their employment, all foreign workers will be repatriated.

The Bahamas Chamber of Commerce

The president of the Chamber has given his full support to the BahaMar project. Similar views have been expressed by a former president who, along with Richard Coulson, has been the object of derisive criticism by the Prime Minister for his support of BahaMar.

The Utility Companies

Under the HOA Section 11, the government has agreed to cause the relocation of all power and utility lines underground on the JFK Connector road and to expand the facilities of BEC and BTC to support the project. There has been a public expression of concern about the ability of the Utilities corporations to fund the necessary expansions.

Critical Issues – perceived advantages, disadvantages, opportunities, concerns

a. Type of Resort and Size of the project

Concerns have been expressed about the size of the project and the decision to complete it over such a short period of time. The question arises as to whether the speed of completion contributes to the need for the large number of foreign workers. Additionally, there is a view that the size of the buildings is inappropriate for New Providence, which should concentrate on smaller, preferably locally owned and operated facilities.

b. Capacity of BahaMar owners to successfully complete and run resort

Having regard to the apparent difficulties being experienced by BahaMar in meeting the funding obligations to the bank of Nova Scotia; the foreclosure on its large property development in London and the annual closure of its existing Cable Beach Wyndham for up to two months each year for the past three years, questions are being asked as to the financial soundness of the company and its ability to manage such a large resort.

c. Lack of confidence

This combination of events and circumstances has led to the expression of a lack of confidence in the BahaMar principal owners of the Project by many persons in the community.

d. Concerns of Residents

Members of the Westward Villas Neighbourhood Association, which borders the Project have expressed concern about the project with respect to the transfer of land, the destruction of wetlands, the business track record of the developers, the noise, traffic congestion and potential environmental disruption occasioned by the construction work, as well as the impact on their community of the presence of the large numbers of Chinese workers, having regard to the cultural differences. They are also concerned with potential security issues from the entire workforce. These concerns also need to be addressed primarily by BahaMar

e. Obligations of the General Contractor

It is important to know whether the contractor will be required to pay business licence fees, NIB contributions, and work permit fees as required by law in addition to meeting the labour law conditions as pointed out elsewhere in this document.

f. Monitoring of the Labour Force

There is also concern that close attention be paid to the recruitment of Bahamians and the management of the non-Bahamian work force. Will the Immigration and Labour Departments ensure that persons brought in are doing jobs which they were brought in to do and or which Bahamians cannot be found? Also who will ensure that on completion of the work they were brought in to do, the foreign workers will indeed be repatriated?

Considerations on Disposition of the Development in the case of Default on the Loan

Concern has been expressed about what would happen to the land in the case of default by the developers. The concern is based on the fact that the mortgagee is essentially a foreign government, which is believed to be the de facto owner of the Ex-Im Bank of China.

Further, the 265 acres of land upon which the development will be located is considered by Bahamians to be some of the most valuable in The Bahamas with a fair market value in the region of \$500,000 per acre and is worth an estimated \$150 million.

Having regard to the strongly held view that such valuable land should not fall into the hands of any foreign government, it is suggested that in the unlikely event of default by the developers, further clauses be agreed and inserted in the Supplementary HOA or in separate agreements as to the process that should take place as follows:

Upon default the Lender shall have the right to seek the following remedies in the following order:

- 1) Power to sell the Property as set forth in the Mortgage / Security Agreement
- 2) Appointment of a receiver to take possession of the property, operate the property, and dispose of the property.
- 3) Foreclose on the property,

However, in the event of foreclosure, the Lender shall provide notice, of intent to foreclose on the property, to the Government of the Bahamas, and the Government of the Bahamas shall have the first right of refusal to satisfy the outstanding debt and take possession of the property.

Thus, first the Government should be given notice of any event of default that will give rise to any of the remedies in the order listed, then in the event it is deemed necessary to foreclose by reason that the engagement of the preceding remedies failed, then and only in this event notice to engage foreclosure proceedings shall be given to the government which will have the option to either acquire the project by the issuance of bonds or to seek to find a buyer.

Government will also have the ultimate option to compulsorily acquire the Project in the public interest having regard to the impact that the project will have on the country.

*In this regard we must look at the bigger picture. We are now dealing with Chinese investors. This brings a new and radically different complexion to what we are facing. We see the Project through the eyes of 10 years...the Chinese through eyes of 100+ years.

We must assess the Chinese involvement in this project by looking at their impact, in Freeport, on the tourism product. Have they assisted with bringing Chinese tourists to Freeport? Have they demonstrated that they are resort/hotel savvy?

It seems that the tourism product in Freeport has declined and that no leadership has been brought by the Chinese. While in the case of BahaMar, the Chinese are not to be the operators of the Project and the HOA calls for, and BahaMar has promised, to engage world class international resort, hotel and casino operators, how do we know that the same dilemma won't occur at Cable Beach (in the event of default or sale)?

On the other hand, the ownership of the hotel properties in Freeport, by the Chinese investors, has enabled the hotels to remain open in the most adverse economic circumstances, when other investors may have closed down, as others before them have done, and left a larger number of uncompensated and unemployed workers.

Ownership of Land in The Bahamas by Foreign Governments

Prior to the election of the first FNM government in 1992, the policy of the PLP government of The Bahamas was that no foreign government could come into possession of land in The Bahamas other than the land upon which its Embassy or housing for staff was located.

This proviso was incorporated into the Immoveable Property (Acquisition by Foreign Persons) Act in 1981.

Representatives of the FNM government, with whom limited consultations have been held, have indicated that they had no knowledge of such a policy and that the current government had no such policy. Indeed research has revealed that when the FNM government rescinded the 1981 Act and replaced it with the International Persons Landholding Act (1993), the relevant provision was not included.

While the Immoveable Property Act, in article 6 subsection 3, stated that, "... where a foreign government, or an institution owned by or emanating from a foreign government acquired by device or such property falls into possession thereof, that property shall be deemed to vest in the Treasurer of The Bahamas who is to hold it in trust for the Bahamas Government, which is to use it for public purposes. Such government or entity will not be allowed to hold the property".

Both Acts did recognize the right of foreign governments to own Bahamian property if such rights were conferred by agreement or treaty and it was and is under this proviso that specific exceptions could be made as is the case with the AUTEK Base in Central Andros.

The Shifting Position of the FNM Government

1. Phasing of the Project

It is unfortunate that even after BahaMar has settled its debt with the Bank Of Nova Scotia, the position of the government of The Bahamas, as expressed by the Prime Minister, has vacillated on the question of the size of the project and the phasing of its construction.

At an impromptu and rambling press conference, which was broadcast live on the Parliamentary channel on Wednesday September 28th, the Prime Minister expressed concern about the proposal to build the project in a single phase. He noted that when the project reaches the appropriate stage** he would consult with BahaMar and the CSCEC Ltd and the Chinese Ex-Im Bank about developing the project in phases similar to what Sol Kerzner did with the Atlantis project.

He is reported as saying "...If they are going to do it in phases it will end up costing more money and they will need fewer Chinese workers in The Bahamas. And so to the extent where there can be a tradeoff we do not know but we will make a decision as to what we think is best for The Bahamas".

In the course of the same press conference, the Prime Minister also said that "...you have persons who believe that you cannot put 3,500 rooms on the market at

one time; that we do not have the capacity to attract the visitors to make such a thing successful and that we would put ourselves in a position where either there will be competition down to the bottom in terms of rates where we would end up impacting negatively both Paradise Island or Cable Beach or just one or the other. If you build them all or open them all that is not likely to bring an acceptable result”.

Additionally, the Prime Minister has gone on the record, at the September press conference, to indicate that Phase 4 of the Kerzner/Atlantis project and the Baha Mar project could not be done at the same time. This was followed, a day later, by a press release from Kerzner/Atlantis to the effect that it will not consider moving forward with its Phase IV expansion plans until the BahaMar project comes to a final conclusion.

Coming after the Prime Minister, in his press conference, had also complained about BahaMar, “...dumping 1000 new rooms onto the market”, Kerzner’s general manager said that “...Atlantis does not want to saturate the room inventory of Nassau/Paradise Island...We can’t over saturate the market...”

2. The Size of the Project and the Branding of the Hotels

The Prime Minister also is reported as saying that if approval is given to the project as presently designed, BahaMar would be building the largest single resort in the country with foreign labour**; there would be no transfer of knowledge to locals and...there would be no major hotelier involved.

“The branding of such a facility would be critical from The Bahamas Government’s point of view”, he said, adding that “...At the moment, all we’ve got is a deal between Baha Mar and the China company and The Bahamas cannot be in a position where it is in a take it or leave it proposition”.

This concern expressed by the Prime Minister with respect to the lack of branding of the proposed hotels has been answered by the developers. They indicated earlier that they expect to be able to identify the brands by the end of the year having

regard to the high level of interest being shown by some of the world's top brands. They have already signed a Letter of Intent with Rosewood Hotels and Resorts to operate the 200 room luxury hotel, the Morgan's brand for the lifestyle hotel and Hyatt for the 700 room hotel. Others are expected to be announced over the next several weeks.

He expressed dissatisfaction that BahaMar could generate sufficient demand for the resort, citing its difficulty filling the existing 1800 rooms, leaving many closed at the Wyndham Hotel!

3. The Use of Chinese Workers

He also expressed concern that if the BahaMar project was allowed 5000 Chinese workers, Atlantis, which has "Favored Nation Status", would also need to be allowed a similar number of work permits at some subsequent occasion.

Still having brought the resolution to the House of Assembly for debate, which included approval of some work permits for Chinese (foreign) workers, the Prime Minister told the press on the same day, that he and his party's Members of Parliament would vote for the resolution and that he and his party "...were prepared to take whatever political ramifications will come if they are 'forced to go it alone' on the 'controversial' labour resolution.

He is reported as saying that "I will not take account of what the political consequence of it is. I will do what is best for The Bahamas and if that means that there will be a political price to pay then I will pay it and my party will pay it".

In recent times, the Prime Minister has said that there would be no Bahamian labour used on the Core project, which makes up by far the bulk of the construction. He also asserted that as a result there would be no transfer of skills to Bahamian workers. This assertion by him is in contrast to the information given by BahaMar in its statement about the Core project Phase, of November 2009, stated that "...It is anticipated that this part of the development will employ some 3,300 Bahamians, as well as 8,100 expatriates, totaling over 11,400 over the course of the

project”. Further BahaMar has stated that the company is prepared to fund training for Bahamian construction workers.

However, what is more amazing is that this same information about 3,300 Bahamian workers in the Core Project is included in the Prime Minister’s own communication to the House of Assembly made on September 8th, and is implied in the Resolution tabled in the House of Assembly on the same date!

He then indicated, as the PLP has been saying since the resolution was tabled, that such a large number of expatriates working on the project are unacceptable, if there are Bahamian workers capable of doing the work. He then suggested that the reason so many expatriate workers may be necessary is that the work is not being phased and suggested that with phasing there would be sufficient Bahamians to do a greater portion of the work. Consequently he also suggested that he would be undertaking discussions about these matters with the Chinese government and representatives of the Ex-Im Bank and CSCEC when he visits China later in the month.

It should be noted here that the government spokespersons, in debating resolution seeking approval of the House of Assembly to borrow \$58 million from the Chinese government to build a new 4 lane highway from the airport, conceded that a condition of that loan was that the project design and construction was being done by the Chinese and that 200 Chinese workers would be brought in to construct the road. Further it was said that the use of Chinese labour is Chinese government policy, wherever the government gives such loans. This position was confirmed by the Chairman of the FNM while discussing the fact that the government has a facility to borrow some \$100 million from the Chinese government for other suitable works.

We must ask here for the Prime Minister’s source for these conclusions.

There are some 1500 of the 3500 rooms on Cable Beach at present and prior to the closing of the Nassau Beach there were over two thousand rooms and they all co-existed. The new development's 3500 rooms will include the existing rooms.

4. Lack of Engagement

It should be noted that the Supplementary Agreement between the Government of The Bahamas and BahaMar was signed prior to BahaMar securing financing from the Ex-Im Bank of China and securing the CSCEC as the general contractor. The Government of The Bahamas appears to have taken a hands-off approach to the details of those agreements until now. This has led to the dilemma which it now faces as it indicates at this very late stage concern about many of the essential conditions already signed and sealed between the developer, the financier and the general contractor. They ought to have been involved at every stage of the process.

The fact that the Government brought a resolution to the House of Assembly for its approval, which included provisions, which it now says it finds unacceptable, is truly amazing and smacks of ignorance of the provisions and indecision, at best and negligence at worst.

5. The Bank of Nova Scotia

Originally, the government, when it tabled the resolution seeking Parliament's approval of the BahaMar project, made it a condition that it would only proceed with the debate after BahaMar had settled its outstanding debt with the Bank of Nova Scotia, to the government's satisfaction. Two weeks later, the government served notice on Parliament that it was no longer willing to delay the debate primarily because it did not wish to be blamed for holding up the project. A week later it changed its mind again, saying this time that its immediate previous declaration was really based on information that an agreement was imminent.

To observers, it appeared that the government was hopelessly undecided and that in fact the Prime Minister did not support the project proceeding at all.

When it was finally learned, on October 6th, that BahaMar had in fact reached a satisfactory agreement with the Bank, the Prime Minister held a press interview, on the same day, which was described by the press as “repetitive in many respects”, and appeared to set a litany of new conditions, moving the goal post as it were, calling for major adjustments, before the project could receive his government’s approval.

These concerned:

- a. The foreign labour content
- b. Building the project in one phase with completion by the year 2014
- c. Insisting that there was “...more than enough land between the Nassau Beach hotel and the land east of it for them to construct their 1000 room hotel, their casino and whatever else they wish to construct and open it!”
He said further that “...And nothing prevents them from building the others at the same time. There’s no need whatsoever for all to be built and opened at the same time. That is not in our interest. That may be in the interest of the financiers, the construction company and the owners of the project, but what about our interest/ it is not in our interest”

Remarkably, at this late stage, the government and specifically the Prime Minister, who previously indicated his government’s support for the project; who brought the resolution to Parliament; who said he would debate the matter and that his Members would support it, have done an amazing and reckless about turn!

He informed members of the Press, on October 7th, that he “told” the Chinese Construction Corporation that, “...it is next to impossible for The Bahamas to approve 8,000 or so Chinese workers on the site at the same time with no Bahamian workers on the site at the same time and no transfer of skills to Bahamians at the same time”.

Our question is, “When did he do that...before or after the resolution was put on the agenda of the Parliament...before or after he told the press at the original live Press Conference at which he said he and his government were willing to pay the political price for the 8150 work permits?”

It is difficult to avoid pointing out that the Prime Minister's stories are more and more appearing to be just that! On Monday October 18th, he now says the following: "We told the Chinese State Construction Engineering Corporation from the first time we saw them more than a year ago that it was not possible to have that number of foreign workers on a job site with the Bahamian content being so low. Nothing has changed. We've been telling them that for more than a year now". If that is really the case, how does he explain the resolution which he brought to Parliament?

His assertion, that there would be no Bahamian workers on the project "at the same time" as the Chinese workers, is diametrically opposite to his Communication to Parliament on September 8th. Then he said that his government was willing to pay the political price! Since he said in that same press conference that he was not "...putting them to a per centum, (such as was done with Kerzner)..." we ask what the problem is.

He himself in his original submissions to Parliament, said that 1200 Bahamians would be employed in the first phase and that some 3,300 plus Bahamians are expected to be employed in the Core Project!

In a most amazing reaction to public statements on the matter by private citizens and businesspersons, he then said, "...I don't want to be pressured by anybody" and that he was "...sick and tired" of "...stories being put in people's heads that weren't true"!

The truth is that when the government negotiated the Supplementary Heads of Agreement with BahaMar, it had every opportunity to deal with any and all matters contained in the 2005 HOA with which it did not agree. It did not do so and rather than keeping engaged with the developers it chose to ignore their pursuit of new financing after the arrangement with Harrah's fell through.

6. Role of the Government

The current government has, since it came to power, done more than any other entity to downplay this Project. The Prime Minister himself from the beginning expressed no confidence in the project. It is almost as if he wanted the project to fail just to show that a PLP sponsored project could not succeed. Moreover, his statements suggest that he favors Kerzner/Atlantis to the detriment of expansion of the tourism product, creation of employment for Bahamians, and the growth of the Bahamian economy. He has used scare mongering tactics that have had the effect of diminishing confidence of investors in the economy of The Bahamas.

Building confidence in the economy and in the country is the job of the government. This government's utterings have instead had the effect of driving investors away.

Now he has shamelessly begun to adopt the positions that the Progressive Liberal Party has adopted on the essential features of the development.

The Progressive Liberal Party's Position

1. The Work Permit Issue

The PLP's record of standing up for Bahamian labour is unmatched. We have always believed that if there is a job going a Bahamian must have first shot at it. We have fought for this during the entire history of our party. We were distinguished in Government for having invented the phrase, "Bahamianization" and for putting it into action as an essential tenet of national development. So we stand on our record of wanting jobs for Bahamians. But we are also realists. We realize that if a project of the nature of Bahamar is to ever be built and provide benefits for the Bahamian people and the economy, then it must be built quickly. The real economic potential of this development is not in the construction, although this will be significant in today's economy, but in its sustained period of operation. The sooner the doors of BahaMar open the sooner will there be

permanent jobs for Bahamians. That is what we want to see. We want to ensure that the thousands of jobs that will flow from the project will bring real economic and financial benefits to our people.

2. Labour Economic Analysis

One of the problems of our country today is that we often speak without any real analysis of the issues. If a cursory labour economic analysis of the BahaMar project versus the Kerzner/Atlantis project was to be undertaken, it will show that the capital expenditure of Bahamar at \$ 2.5 billion (or ultimately \$3.5 billion) would far outstrip the various Phases of the Kerzner project. It is also important to note that the project is inclusive and will not be built in phases and so there is a definite time line as to its completion. Its impact will therefore be far greater. Taking this analysis a bit further, a basic extrapolation of the construction cost versus the foreign labour component, would easily show that the percentage of foreign labour required as a ratio of the investment dollar figure on the BahaMar project would be **far less** than that experienced in the three phases built by Kerzner. There is proportionality to economic analysis and manpower must relate to the size of the investment. The figure of 8,150 foreign workers might appear very high but it is in relation to a \$2.5 billion investment as compared to say, 3,000 (a thousand per Phase on the Kerzner/Atlantis Project) which was in relation to a total construction cost of around \$1 billion for Kerzner. It is also reasonable to expect that once one aspect of the work is completed those persons so engaged will depart from The Bahamas. In other words, drywall plasters will not be required on the project at day one and steel riggers will not be required at the ending phases of the project. We are also assured that the Chinese will return to China while in fact many of the specialist labour used by Kerzner/ Atlantis are still engaged in the construction trade here in Nassau waiting for the next big project.

3. Geo –Political Considerations

This investment by the Chinese represents certain important geo-political considerations which must be taken into account as we deal with it. There are inherent pitfalls in not handling it properly. The Chinese economy is now the

world's second ranked economy, having overtaken Japan and now ranked only behind the United States. It follows therefore, that in today's world, the Chinese Government wields tremendous economic and political clout and its influence is very strong in many areas. By any yardstick, this is a considerable investment for any company, local or foreign to undertake. The amount of \$2.5 billion is, in any circumstance, a large investment. This investment is financed by a Chinese company and by extension, the Chinese Government. Private sector investment initiatives in China are hardly indistinguishable from investments by the Chinese Government. This investment is therefore a cross-cutting issue that reaches into the core of the Chinese bureaucracy.

Any cavalier treatment of this investment proposal by the government can have far reaching consequences. How we treat this investment could have a negative effect if not done right. We are not dealing with a single investor. We are dealing with a large nation which, having done its due diligence thinks it feasible and prudent to invest \$2.5 billion dollars to a private developer in an off-shore location. We think that it is a mark of confidence in The Bahamas and the region that this is happening and that the Chinese Government would want to back such an investment. Clearly the Chinese Government is watching and watching closely to see how the Government of The Bahamas deals with this initiative. The way in which the Government has handled this matter to date could redound negatively in other areas of the Bahamian government's interests in global and international affairs, not to mention economic investments. To think otherwise is to have a blinkered and isolated view of things. The Chinese have long memories and a longer reach.

4. Need for significant development in the tourism, hotel and resort sector

For years it has been accepted that the Cable Beach strip has been in need of a renaissance. Repeated initiatives by successive governments since the seventies have been unsuccessful in finding developers with the desire or the means to bring about the transformative revitalization that is required.

The Balmoral Beach and Ambassador Beach hotel properties have been virtually given away in the past and have had significant success as all inclusive properties. The size and scope of this project represent the magnitude of what is needed to provide jobs for the vast number of Bahamian citizens who emerge onto the job market on an annual basis.

Currently, with the exception of the Atlantis property and the Sandals and Breezes properties on Cable beach, the entire tourism inventory needs upgrading or replacement. Notably, the ownership of Breezes has expressed strong support for the approval of the BahaMar project and is ready to further expand its own facilities on Cable Beach.

This project, if successfully built out and operated will go a long way to meeting the needs and along with the renovation of the downtown experience could revive Bahamian tourism and place The Bahamas once again among the elite destinations in the Caribbean.

5. Creation of linkages and entrepreneurial opportunities for Bahamians

The BahaMar Project offers The Bahamas the prospect to realign several sectors of its economy. For years, successive governments have touted the establishment of linkages to tourism and administration after administration has failed to make this a reality. Hence thousands of Bahamians have been shut out from the economic benefits which tourism has generated.

This project offers the opportunity to reverse this trend thereby deepening tourism's contribution to our economy and expanding the number of Bahamian beneficiaries.

This project will earn substantial foreign exchange from visitor spending, food for the visitor, entertainment for the visitor, plants for hotel property landscaping, textiles like bedding and uniforms for the hotels and the manufacturing of a number of items for sale to the hotels and their guests.

The sectors like agriculture, light industry and manufacturing can be revitalized thereby saving substantial foreign exchange which can be earned from a functioning food production sector, the light industry sector, manufacturers, and service suppliers i.e. the burgeoning computer and information technology industries.

For decades Bahamian tourism has been creating jobs outside of The Bahamas. The time has come to expand job creation in The Bahamas not solely and directly in the hotels, night clubs or restaurants but in the diverse ancillary sectors and industries.

At this juncture in our development, Bahamians should share in more of the tourism largesse than simply as hotel workers because the Bahamian citizen is giving up a part of his birthright via the granting of lucrative concessions to the developers.

This project has to play a significant role in bringing a new genre of entrepreneurs and small businesses as participants in an enlarged Bahamian economy.

This involvement should not be arbitrary but stipulated in the Heads of Agreement. Indeed, the original 2005 Heads of Agreement does make for such provisions and it is up to the administration of the day to ensure that the stipulations in that agreement are adhered to and implemented to the benefit of Bahamians.

There should be designation (by %) of local content in food purchased, entertainment provided, textiles used, nursery plants, training in a full range of amenities including golf course maintenance and development, retail store operators, franchise holders etc.

Bahamians must be an integral part of the deal, not on the peripheries. Not on the margins, but full centre.

6. The Resolution

Constitutional Validity of the Objective of the Resolution

There are three branches of government, which are constitutionally separate. These are the legislative made up of the House of Assembly and the Senate, the Judicial, made up of the courts, and the Executive represented by the Cabinet.

It is our understanding that the legislative branch of government makes laws which set out the parameters for executive decision making. The executive's decisions are subject to critical review in the parliament and to legal review in the courts.

The resolution, as drafted, invites the legislature to take part in the executive responsibility of the approval of work permits for foreign workers, which is contrary to stated public policy. This act, if undertaken threatens the constitutional separation of powers and flies in the face of the spirit and intent of the constitution.

The Progressive Liberal Party supports the Baha Mar Project, which calls for the construction of four new hotels, a larger casino and convention facilities and the other amenities as stated. The PLP supports the employment of the maximum number of skilled and unskilled Bahamian contractors and workers on all phases of the Project and the provision of formal training in traditional and new skills and technology, and certification to international standards to enable Bahamian workers to perform proficiently. Further the PLP is not opposed to the employment of essential foreign labour consistent with the Heads of Agreement which it signed in 2005.

We are opposed, however, to trifling with the constitutional separation of powers and are of the firm view that the government should carry out its duties to the Bahamian public and in the public's best interests.

Amendments to the Resolution

Having regard to all that has been discussed in this Paper, the PLP suggests that amendments to the resolution, which is currently before the House, be offered to do the following:

- i. Support the Project
- ii. Maximize the participation of Bahamian construction and related labour content
- iii. Minimize the foreign construction labour content
- iv. Ensure training and skills transfer for Bahamian construction workers
- v. Ensure that Bahamians are trained and available for permanent jobs in the operation of the resort
- vi. Intervene in the national interest to prevent any freehold in the project vesting in a foreign state

A draft resolution is attached (Attachment 4).

7. Benefit to The Bahamas and Bahamians

It should be very clear, even to the most casual of observers that for almost two decades the tourism product of The Bahamas has been in the doldrums. Since 1994 when Sun was established in The Bahamas, the entire Nassau / Paradise Island tourism product has been dependent to a very large degree on the Atlantis brand.

Indeed to many, Atlantis is the only destination in The Bahamas and a monopoly has been created. There is no doubt that Atlantis has been good for The Bahamas and Bahamians to an extent and has served to employ more Bahamians than any other single employer in the country except the government.

The Bahamas, and particularly Nassau/New Providence, especially the Cable Beach strip is virtually on life support and that is bad news for The Bahamas and it is safe for one to predict that in the long run this will hurt the Ministry of Tourism's overall marketing thrust to get tourists to The Bahamas. It also has a deleterious effect on pricing and will, if not already happening, in the long run make the Bahamas tourism product far too pricey for the average traveler who is now turning to other destinations, equally as attractive but far less costly. In short, a virtual monopoly has been created with only one beneficiary.

As a consequence, many visitors to Nassau leave disappointed as they believe that there is a shortage of experiences. This does not bode well for return visitors. This is hurting the Bahamian tourism industry and the economic spin-offs that would normally have flowed to the average man and woman through taxis, sale of products, shopping, dining and nightlife are now lost and are concentrated in a single location. Even those visitors who stay at other resorts or who come on cruise ships are being lured through tours to Atlantis which has become an attraction. The down side of this is that the perception has been created that it is the only product and that Nassau/Cable Beach is an inferior destination. This is a view that is shared by Bahamians. It is a dangerous perception and could ultimately lead to the ruination of our overall tourism product that has been built up so successfully over the last one hundred or so years.

We have seen evidence of this in the failure of other hotel and tourism developers over the past decade.

This is the “push-pull” effect that had prompted the PLP Government to lobby so hard for an alternative product on Cable Beach. Not only would BahaMar provide a robust competition to Atlantis but it would do much to revitalize some parts of the city, such as Bay Street and western New Providence. But more to the point, if four or five new hotels were to be built on Cable Beach it would increase the level of visitor arrivals and spending with the subsequent uptick in employment and other spin-offs. The GDP will be enhanced and it will add some further economic security to a troubled and frightened labour force.

Any Government with any modicum of concern for the Bahamian worker would run with such a proposal once the details are worked out.

Finally, we have reason to believe that the Prime Minister will be attempting to conclude a new deal with the Chinese when he visits China in just a few days from now. Indeed he may already have struck one. No doubt the Prime Minister will, upon his return to The Bahamas, if not before, claim credit for any renegotiated deal.

We wish him well in his efforts in this regard but must continue to rebuke him for having waited so late in the day to involve himself front and centre in ironing out the problems and bringing the BahaMar Project forward so that its long awaited benefits for The Bahamas can finally be put in train to help alleviate the economic woes that so many thousands of our people are feeling while Mr. Ingraham has been either twiddling his thumbs or standing in the way of progress.

We ask that he inform himself satisfactorily with respect the phasing of the project since it is our understanding that radical change in this aspect could have serious implications for the financial success of the project.

In our view the Prime Minister, if he is discussing this very important project with the financiers should have had initial discussions with the developers, BahaMar, to ensure the acceptability of his proposals to them. He has said publicly that he has not spoken to them and we believe that to be a mistake since ultimately they would be subject to whatever are the results of the Chinese negotiations. This approach does not bode well for good government – investor relations. In fact it is our view that BahaMar should be involved in any such discussions. They should be at the table.

For our part, we expect that any deal would include the following:

- i. Maximize the participation of Bahamian construction and related labour content including both skilled and unskilled workers
- ii. Minimize the foreign construction labour content to that which is required for the successful completion and implementation of the project
- iii. Ensure training and skills transfer for Bahamian construction workers during the course of the entire project
- iv. Ensure that Bahamians are trained and available for permanent jobs in the operation of the resort
- v. Ensure that there will be a myriad of opportunities for Bahamian entrepreneurs to benefit from in the resort when completed

We further urge the Prime Minister to discontinue playing politics with this project, which, successfully implemented will help to revitalize the tourism industry. His recent flip flopping on so many of the conditions of this project is reason for much alarm and uncertainty among hotel workers and among potential investors.

The disregard which he has expressed for world class hotel operators in respect of those who were recently announced as potential partners with BahaMar in this project would not inspire their confidence.

The BahaMar project is not perfect but it represents the best opportunity at this time for bringing new life and activity to Cable Beach and hence the New Providence destination.

The current Project is not the same as that which was negotiated by the PLP government. That Project did not have the same financiers, nor did it contemplate anywhere near as large a number of foreign workers as is the case here.

Nevertheless, all things considered, the long term prospects, not only for thousands of sustainable jobs, but for opportunities for ambitious and talented Bahamians through entrepreneurship, are enormous and the PLP supports this project subject to the conditions and reservations that we have been careful to enunciate in this statement.