



Contribution to the Debate on the Resolution to Guarantee the Purchase of the Grand Lucayan

**Dr. the Hon. Hubert Minnis
Prime Minister**

Wednesday, 19 September, 2018

Nassau, Bahamas

Mr. Speaker:

I rise in support of this Resolution, a necessary and critical step in the rescue and renewal of Grand Bahama.

The redevelopment of Grand Bahama is essential for the ongoing economic recovery and development of the economy of The Bahamas.

I note at the outset that the Grand Lucayan Property includes three distinct hotel properties:

The Property referred to as Memories, the Lighthouse Point and Breakers Cay.

To clarify any misunderstanding there may be in the public domain, at present The Lighthouse Point property is currently open.

Mr. Speaker:

I often speak of the common good.

The common good means acting in the interest of all Bahamians, not just the interests of the residents of New Providence.

We must be equally committed to the needs of our Family Islands and the needs

of Grand Bahamians, who are an integral part of our Commonwealth.

I note the sentiment of Michelle Dorsett of the Commonwealth Union of Hotel Services and Allied Workers union who represents the line staff at the Grand Lucayan, who said of the Government's stance on the Grand Lucayan:

“We have to pull together, we cannot be divided.”

She went on to say: “We have suffered for too long and I thank the Government from the bottom of my heart for what they have done”

Under no circumstance could this FNM Government in good conscience allow Freeport or Grand Bahama to sink economically.

Let me make this point clear, the effects of the full closure of Grand Lucayan would be catastrophic, with a severe effect on Port Lucaya Marketplace and Marina and over 50 businesses located in Port Lucaya.

Millions of dollars would be lost from the economy of Freeport and Grand Bahama with the full closure of the Grand Lucayan property.

This would include economic displacement and loss for taxi drivers, straw vendors, restaurant owners and the many ancillary businesses that rely on the hotel.

Let me acknowledge at this point, the employees of the Grand Lucayan, who have endured during some very difficult times.

I commend also the many small businesses in Freeport and at Port Lucaya and the surrounding areas, who have endured with hard work and courage and determination.

This Government is acting to secure these employees and these small business owners, the future of their children, and the future of Freeport and Grand Bahama.

I say to all of those employees, businesses, taxi drivers, straw venders and to the entire island of Grand Bahama; a new day is truly beginning in Grand Bahama.

I note that with the purchase of the Grand Lucayan that the Government has provided for the continuation of the Union Agreement, and current employee contracts

to ensure that the employees are fully protected.

While the Government did not have to do this, it was the right thing to do.

Mr. Speaker:

Here is how the payments are structured. The Government of The Bahamas “financed the initial Thirty Million Dollars (\$30,000,000.00) of the Purchase Price for [the Grand Lucayan properties] by

an advance from the Contingency Fund authorized by the Minister of Finance pursuant to Article 133 of the Constitution.”

Today’s Resolution: “Authorizes the Government of The Bahamas to guarantee the loan to LUCAYAN RENEWAL HOLDINGS LTD, in the said sum of Thirty-Five Million Dollars (\$35,000,000.00) for the purpose of paying the balance of the

Purchase Price of the Properties pursuant to the Sales Purchase Agreement ...”

The assets of the Grand Lucayan that are being purchased include:

- Approximately 1,270 hotel rooms and suites;
- several restaurants and lounges;
- several meeting rooms
- pools;
- One golf course;

- A casino; and
- A spa.

Mr. Speaker:

Many have asked why did the Government make this decision.

We were faced with certain options with the full closure of the Grand Lucayan.

We could let the Lighthouse Point, the last remaining open section of the hotel, close.

This would lead to the economic collapse of much of Freeport, with even higher unemployment, greater despair and a loss of hope for many Grand Bahamians for many more years.

In essence, we could sit idly by and watch the Grand Lucayan sink into a state of disrepair, becoming a ghost town like the once vibrant but now dying International Bazaar, which is a shell of its former self.

The Royal Oasis hotel has been closed for several years, at that time no government intervened to save the hotel from closing or to act to reopen the hotel.

The people of Grand Bahama know too well what damage inaction can cause.

On the other hand we could have entered into an untenable agreement with a private entity seeking endless concessions, which would not serve our national interests.

We have been down that road before.

Mr. Speaker:

In the operation of the Grand Lucayan under the last PLP Government, the PLP granted combined subsidies to Hutchinson and Sunwing, which would have totalled approximately 21 million dollars annually for a period of at least 7 years.

This would have amounted to the payment of over \$147 million.

In 2013 the PLP agreed to pay Sunwing, subsidy for electricity, consumables imported, freight charges, and insurance.

Did the PLP ever table this document?

The PLP was content to pay out these subsidies with no equity in the Grand Lucayan, and with little to no prospect for the rebranding and redevelopment of the property.

To continue such a massive subsidy would have been a mistake.

It was because of Hurricane Matthew that this arrangement ended.

I find it amazing that the Leader of the Opposition, whose party arranged this deal when they were last in government, is now offering financial and other advice about the future of the Grand Lucayan.

The PLP had no plan for the Grand Lucayan and Grand Bahama during their last time in office.

They still have no plan, no ideas, no vision.

What they have is plenty talk.

Talkers they are.

Doers they are not.

I also note that Hurricane Mathew hit Grand Bahama in October 2016.

The hotels were closed and the PLP were unable to convince Hutchison to renovate or reopen Breakers Cay or Memories.

Mr. Speaker:

Life, like government, is about making difficult decisions especially when faced with tough and complex choices.

As a medical doctor, I have often had to advise strong measures and to make

decisive and tough decisions to save a patient and to restore life.

We all have to make tough decisions in life in order to achieve a more important or greater goal.

When we learned of the intention of Hutchinson to completely close the Grand Lucayan, which was shortly after we came to office, we first sought to have a private group purchase the property.

But this fell through for reasons I will outline further on.

To ensure the economic survival of many of our fellow-citizens in Grand Bahama, we had to make a difficult, but necessary decision.

The Cabinet of The Bahamas decided that the government should take temporary ownership of the Grand Lucayan, with the

commitment to resell the property as quickly as possible.

In my heart and soul, I believe that it is the right thing to do!

It is the right thing to do!

During the Great Recession of 2008, the United States was faced with the collapse of its auto industry.

To save the industry and to save Detroit, Michigan, and other areas which produced cars, then President George W. Bush, a Republican, initiated a large scale auto bailout.

This temporarily placed ownership of a number of car manufacturers in the hands of the federal government.

The bailout was mostly overseen by President Barack Obama, a Democrat.

His decision was very unpopular at the time. He was severely criticized.

He was called everything except a child of God.

The auto bailout by the U.S. Federal Government cost \$80 billion dollars, funds that were eventually repaid.

The auto industry roared back, and the U.S. Government relinquished its temporary ownership.

After the recovery of the auto industry, President Obama said it was the “right thing to do.”

President Obama said of his decision:

“We could have done nothing, which some people said we should do, and let those companies fail, but think about what that would have meant for this country -- the suppliers, the distributors, the communities that depend on the workers who patronize the restaurants and shop at the stores. All those companies would have gone under also.”

Mr. Speaker:

I firmly believe that our government is doing the right thing both ethically and economically.

I understand the concern and the reluctance of quite a number of Bahamians about the Government purchasing the Grand Lucayan.

Some remember the decision by a former PLP Government to purchase a number of hotels on Cable Beach some decades ago.

The hotels became a major drain on the Public Treasury.

There was tremendous nepotism and cronyism and bloated contracts and political

interference in the management and running of those hotels.

Because of our commitment to private ownership it was the FNM which privatized those hotels.

Indeed, the FNM has a greater commitment to private enterprise and ownership than the PLP.

The PLP has a record of maintaining state ownership of entities which should be privatized. They like state control so that they can cook up more deals for themselves.

And the PLP like to raid government corporations.

There is a distinct difference between the FNM and the PLP when it comes to

securing the interests of the Bahamian people.

We are securing the Grand Lucayan for the people of Freeport and The Bahamas.

In ordinary times, the FNM would not propose government ownership of an entity such as Grand Lucayan.

But these are not ordinary times.

We are faced with an emergency in
Freeport and Grand Bahama.

Mr. Speaker:

My Administration made a deliberate
decision to establish a Special Purpose

Vehicle (SPV) to acquire all of the assets of the Grand Lucayan.

The name of the SPV is Lucayan Renewal Holdings Ltd., a name that signals our intention to aggressively promote the renewal of Grand Bahama, inclusive of the Grand Lucayan and Port Lucaya.

The Special Purpose Vehicle, Lucayan Renewal Holdings Ltd., is established

explicitly to own the assets outside of the Hotel Corporation of The Bahamas.

This is a demonstration of the Government's view that this acquisition represents a special case.

It is not a return to the old way of hotel ownership.

Let me emphasize that it is not the philosophy nor the inclination of the Free

National Movement for government to own entities such as hotels and other enterprises, which should ideally remain in private hands.

The Special Purpose Vehicle is also a demonstration of the Government's determination to sell the Grand Lucayan property as rapidly as possible to an entity, including possibly a Bahamian entity, with

the demonstrated capacity to make it a commercial success.

The SPV, the Lucayan Renewal Holdings Limited, has a Bahamian board, which took responsibility for the resort last week.

I thank the Board for their work thus far and their willingness to serve their

fellow-Bahamians and the good people of Grand Bahama.

The Board comprises the following individuals:

Michael Scott a noted commercial attorney who heads the Hotel Corporation.

Terrance Gape a noted property attorney in Grand Bahama who has extensive experience in investments in Grand Bahama

Willie Moss another experienced attorney and former Vice President of the Grand Bahama Port Authority who lives in Grand Bahama.

Linda Turnquest, a qualified accountant, Chief Financial Officer, second in charge and highest ranking Bahamian at the Grand Bahama Shipyard, the largest cruise ship care facility in the world.

Ed Rahming an experienced forensic accountant and insolvency practitioner. He also worked on the Bahamar matter.

Russell Miller who has had many years in the hotel industry in Freeport and abroad.

Carey Leonard another experienced Commercial attorney who lives in Freeport and formerly at the Grand Bahama Port Authority.

The Board has the obligation of ensuring that the Lighthouse Point remains open, securing the employment of the workers at the hotel.

The Board is also responsible for an interim plan of action for the Grand Lucayan property, including various refurbishments, and how various properties may be utilized in the upcoming busy Winter Season, which

promises to be another banner year for tourism.

Mr. Speaker:

The work of the Board is critical to the repositioning of the 1271-room Grand Lucayan Resort and Casino and the Port Lucaya Market Place area.

Port Lucaya is a microeconomic centre for tourism on Grand Bahama, which has potential for growth.

The Board of Lucayan Renewal Holdings Limited is also committed to an exit strategy to sell the Grand Lucayan Properties to a private entity

This exit strategy includes the identification and selection of a qualified buyer within a short as possible timeframe.

This potential buyer should be able to help create a unique destination, with the accompanying airlift and marketing that will help to make the property and the destination successful.

Let me emphasize that we are not simply trying to recruit an investor to whom we can just quickly sell the property.

We are seeking investors who will help to ensure that the Grand Lucayan is part of a springboard which will also to help catalyse the redevelopment the Port Lucaya area.

Let me note the following of the sale and selection process for a potential buyer.

“The Board will ensure that the principals behind each expression of interest will be carefully vetted by international agencies for proof of financial ability or proof of funding, proof of fit and proper character, with a reputation for executing international resort brands, with knowledge and experience in marketing.”

“The Board has [already] commenced reviewing expressions of interest from several organizations previously received by the Office of the Prime Minister and has scheduled other courtesy meetings as necessary.”

There are a number of entities that have expressed serious interest in purchasing the Grand Lucayan property.

Indeed, discussions have begun with a number of individuals for the sale of the property.

The Board recognizes that its responsibility is to do more than ensure a swift sale of the Grand Lucayan.

“The Board recognizes that it has the responsibility to identify a well-funded group

with a vision to create a sustainable tourism destination, to whom the asset can be assigned in an outright sale.”

Mr. Speaker:

In 2016, Grand Bahama was severely affected by Hurricane Mathew.

All three properties closed after the hurricane.

In November 2016 only the Lighthouse Point reopened, and remains the only property of the three that is open.

The owner of the Grand Lucayan decided not to renovate and to reopen Memories and Breaker's Cay, which remain closed two long years later.

After the devastation of Hurricane Matthew, the people of Freeport and Grand

Bahama experienced the devastation of these properties being shuttered.

This was devastation upon devastation!

It is estimated that because of the closure of Memories, hotel rooms available on Grand Bahama fell by 57 percent, and hotel nights sold fell by 59 percent.

The Grand Bahama Tourism Board also reported that as a result of the closure of two-thirds of the resort, total hotel rooms available and room revenue on the island decreased by approximately 60 percent.

Mr. Speaker:

The public should be made aware of the facts which led us to this decision.

Hutchison made it clear after Hurricane Matthew that they wished to sell the hotel property.

They refused to invest further funds to reopen the remaining properties.

In April 2017 Canadian Developer Paul Wynn of Wynn Development Limited entered into a Letter of Intent with the present owner Hutchinson at a purchase

price that was substantially more than \$65 million.

The PLP were well aware of the purchase price being substantially more than \$65 million.

At that time, Wynn Development requested the following obligations on the Government to complete the transaction:

1. \$ 2,000,000.00 paid by the Government to Wynn 60 days after closing;

2. \$ 8,000,000.00 per year paid by the Government to Wynn for the first three years for property subsidy;

3. \$7,200,000.00 per year for the subsequent two years for property subsidy;

4. \$ 1,500,000.00 per year for five years

Casino Subsidy

5. Airlift subsidy of \$7,000,000.00 for first three years;

6. That the Government agree to a most favored nation status.

While the PLP announced a Letter of Intent during the 2017 general election

campaign they were not able to move past this Letter of Intent prior to the election.

They were also unable to secure confirmation on the operators of the hotels.

Mr. Speaker,

Days after coming to office my government was confronted with the reality that if the sale of the hotel was not

completed, Hutchinson would close the resort.

In fact, my Government was confronted with this reality and intervened to prevent this occurrence on several occasions.

We were committed to ensuring that we preserved the jobs of the existing employees and all of those jobs and businesses which would be in jeopardy should the resort completely close.

Contrary to what has been said by some, my Government immediately began to communicate within Paul Wynn and his representatives evidenced by communications from as early as of 22 May 2017.

We also began discussions with the Sunwing representatives as they had the

2. Sunwing Group 744 room Subsidy and

Canadian Airlift \$9,000,000.00

3. AM/Wynn Group Subsidy

\$1,430,000.00

4. USA Airlift program operated by

Sunwing Group. \$4,000,000.00

This amounted to \$ 22,930,000.00 per year for the first five years and \$ nine million for the next five years.

If the Government agreed we would be paying a total of \$159,650,000

And all this without the government having any ownership in the hotel.

This was not acceptable to the Government.

This would have been a repeat of the agreement the PLP signed up to.

Mr. Speaker:

For many years the governments have been providing subsidies and concessions for the Grand Lucayan.

Mr. Speaker:

The Government decided that these subsidies requests were not acceptable and in late 2017 began discussions with Hutchinson directly to purchase the hotel.

I informed the public that the Government made an offer to purchase the resort.

In fact we were successful in our negotiations in bringing the purchase price down significantly.

However, before the Government signed a Letter of Intent with Hutchinson, Paul Wynn re-emerged and requested that the Government partner with him in the purchase at a reduced price, with equity interest being granted to the Government

and a reduced amount of government subsidy payments.

After further negotiations, aided by the Government, Paul Wynn executed another Letter of Intent with Hutchinson dated in January 2018 this time with a purchase price of \$65 million.

My government immediately continued discussions with Mr. Wynn on a Heads of

Agreement which would include the purchase, development and renovation, and tourism plan for Grand Bahama.

Over the next few months, the Government continued detailed and complex negotiations on airlift, the government's equity interest, development plans, renovation costs, work permits and other items.

In June 2018 our Administration and Sunwing drafted a tourism support agreement.

The Government would not agree to these terms.

In July 2018 we continued negotiations with Paul Wynn and another operator.

We again arrived at a point where we had a draft Heads of Agreement however, after we gave Mr. Wynn an absolute deadline to complete he presented us with changes to the Heads of Agreement.

These changes included the following:

1. The Government must pay its 15% share up front instead of over time as previously agreed.

2. The Government agree to ensure Paul Wynn is provided with electricity at a 20% discount rate.
3. Paul Wynn would be permitted to employ 420 non- Bahamians for work on the project.
4. Paul Wynn would have the ability to have 15% pre-approved non Bahamian

employment without the need to apply
for work permits

5. Paul Wynn would not be liable to pay
any increase in taxes.

(a) Annual Marketing Subsidy of
\$750,000

(b) No Casino Taxes

(c) Commit to buying or building a
new airport within 2 years.

6. The government should pay for the losses that Paul Wynn may incur and pay Paul Wynn a guaranteed profit. 7%.

The Government made it clear that the requested concessions could not be agreed.

Just to reiterate: the escalated requests for concessions included an excessive number of work permits for both the

construction and operating phases of the property;; and requests for guaranteed returns on funds invested and requests for guaranteed coverage of any losses.

When the total financial value of the concessions being requested for the initial ten year period exceeded the acquisition price plus the estimated cost to renovate the property, the Government's decision on

how to proceed on the Grand Lucayan became clearer.

Let me offer a general note here. Transparency is essential for good governance.

Still notwithstanding the cries for information to be made public during negotiations there is a need for confidentiality.

This is the case, whether one is discussing matters of foreign policy with foreign governments or negotiating with prospective investors, whether domestic or foreign.

Mr. Speaker:

This decision to purchase the Grand Lucayan is in the greater national interest.

Restoring and reopening the properties at the Grand Lucayan is vital to the economy of Grand Bahama.

The restoration and reopening is critical for the wider economy of The Bahamas.

As a country, we are still recovering from the Great Recession of 2008.

Economic growth has returned. But this growth must be sustained.

To sustain this growth, we must revitalize Grand Bahama

To revitalize Grand Bahama, we must ensure that the Grand Lucayan is revitalized.

We are One Bahamas!

As a country, as a people, as a government, we must act to save Grand Bahama, our second most populated island with tens of thousands of Bahamians.

In revitalizing Grand Bahama, we are providing hope for our fellow-Bahamians, who are in great need, and who have suffered for decades.

As a Government we know that the time for talk is over.

Today it is time to act.

The residents of New Providence are fortunate to have a number of major hotels and resorts operating successfully, including the Atlantis and Baha Mar resorts, which are taking advantage of a vibrant U.S. and global economy.

We have the opportunity to take advantage of robust economies around the world, including: the United States, Canada, much of Europe, China and much Asia.

Our mission is about more than saving a resort. Our mission is about saving and repositioning Grand Bahama.

Today is about more than saving 400 jobs.

Our greater mission is to create 1200 direct jobs and hundreds of indirect jobs.

Today is about creating opportunities for entrepreneurs, taxi drivers, restaurant owners, and straw vendors.

A new beginning for Grand Lucayan will be the catalyst for tourism and economic growth for Grand Bahama.

Indeed, the Ministry of Tourism has developed a comprehensive plan for Grand Bahama to be a new destination unique from other islands.

The umbrella effect of our destination's robust marketing thrust will prove to be far reaching in its impact.

Over a relatively short period of time our efforts will be felt in all islands of our archipelago, especially Grand Bahama.

Grand Bahama stands as the gateway to North America from where we derive the largest hugest share of our visitors.

I wish to underscore some of the efforts that are being undertaken to build the Freeport/Grand Bahama Island destination.

Grand Bahama possesses so many assets which set this island apart as a unique tourist destination.

Situated just a skip and a hop from the United States, Grand Bahama is an island of diversity.

It offers the experience of a cosmopolitan resort vacation in Freeport/Lucaya, coupled with the unique cultural experience in the Family Island atmosphere of West End and East End.

A diverse landscape of outback forests, mangroves, extensive caves, and miles of secluded beach make Grand Bahama an eco-tourism paradise.

Given its pristine landscapes, natural wonders, and surrounding seas, the island of Grand Bahama is ripe for investment in ecotourism product offerings. It is also ripe for diving, fishing and birding.

Grand Bahama is already well known for its signature sporting and cultural events which attract an international following.

The Ministry of Tourism will continue to work with stakeholders to enhance these events to make them even more attractive.

In an effort to diversify Grand Bahama's economy, the Government has identified the island as a tech hub and innovation centre.

Travel agents are also kept abreast of the Grand Bahama product.

Freeport webinars are staged regularly to update travel agents on the product and how to get to the island.

There is ongoing outreach for co-branded media opportunities.

Recently, the US TV program Shark Tank Shark Week and Bonnier fishing editors were brought to Freeport.

Their visit to Freeport resulted in substantial television coverage and print media showcasing the diverse marine life of Grand Bahama.

The Ministry of Tourism will promote Grand Lucayan Resort via owned assets like Bahamas.com and its PR channels.

The Ministry's Sales team will assist with the reintroduction of the property to key tour operator and travel agent partners, in all BTO markets.

Tourism will also assist with securing an agency to market Grand Lucayan internationally.

There has been much discussion about appropriate level of airlift to Grand Bahama.

The evidence has shown that the level of destination desire in the international tourism marketplace is such that, coupled with the appropriate marketing strategy,

would drive demand for a Grand Bahama vacation.

A number of airline partners have indicated their willingness to work with The Bahamas in bringing additional air seats to the destination, once hotel rooms are open and demand picks up.

The flow of visitors to Grand Bahama is further augmented by nonstop scheduled/charter flights from Milan, Italy.

Bahamas Air will also play a vital role in providing additional airlift to Grand Bahama from the US by providing Grand Lucayan packages to attract more visitors to the resort.

Mr. Speaker:

The side opposite has made plenty of noise during the negotiations about the future of the Grand Lucayan.

They are good at talk.

They are very poor when it comes to acting.

Talkers they are. Doers they are not.

An examination of the PLP record in Grand Bahama reveals their hypocrisy and their lack of vision and a lack of compassion.

The Royal Oasis in Grand Bahama closed its doors sometime in 2004.

It remains closed today.

The International Bazaar which adjoins the hotel is now a ghost town and is largely in disrepair.

The PLP government at that time failed to act and did not intervene to save the resort from closing.

We have learned the lessons from previous governments about the damage that may be caused by inaction.

I note that while the PLP may whine and complain and talk out of both sides of their mouth in this debate, they are likely to support the Resolution.

If they really are against what we are doing to help in the rescue and recovery of Grand Bahama, they should be upfront with the people of Grand Bahama.

The PLP should stop pretending.

Either they are with the people of Grand Bahama or they are not.

Mr. Speaker:

What we are doing today is not about saving the status quo.

What we doing today is providing opportunity and hope for Grand Bahama and for The Bahamas.

The previous owners of the Grand Lucayan were not prepared to invest in the future of the property.

So it is incumbent upon the Government of The Bahamas to serve as a catalyst for the redevelopment of the Grand Lucayan.

Mr. Speaker:

Our vision and plans for Grand Bahama concern not only the redevelopment of Grand Bahama.

And there remain other tremendous prospects for Grand Bahama that will provide hope and opportunity for Bahamians from across our archipelago.

I see a day coming, when Bahamians from Nassau and from throughout the Family Islands will go to Grand Bahama because of the jobs and business opportunities of a booming economy on that island.

When that day comes, we will remember what we did this very day to begin the renewal of Grand Bahama.

With the decision to purchase the Grand Lucayan and to prepare for its resale, this Government is demonstrating that is prepared to act.

The time for talk is over!

This FNM Government is acting to restore and to redevelop Freeport and Grand Bahama.

I support the Resolution with great hope for the future and with firm resolve.

I thank all of those, including the many public servants and private citizens, who have been involved in this process.

We are doing the right thing!

May God bless the people of Grand Bahama, and may God bless the Commonwealth of The Bahamas.

Thank you Mr. Speaker.