

TENTH PARLIAMENT OF GUYANA- FIRST SESSION (2012)

NATIONAL ASSEMBLY

NOTICE PAPER NO.12

Marriott Questions

- (i) Can the Hon. Minister provide a copy of the agreement between the Government of Guyana and China Shanghai Construction Group for the Construction of the Marriott Guyana Georgetown Hotel?

Answer: The Government of Guyana has not entered into an agreement with China Shanghai, but rather Atlantic Hotel Inc. has entered into a contract with S.C.G International (Trinidad & Tobago) Ltd. (a subsidiary of Shanghai Construction Group China) on the 16th November 2011. Copies of the Contract between AHI and SCG are attached hereto. However, Section 1.10 of the executed contract prohibits the Employer (AHI) from making disclosures of the Contractors Documents meaning drawings, software or other documents required under the contract, without the consent of the contractor; as such these sections of the documents are not included in this submission.

- (ii) Can the Hon. Minister provide a copy of MOU/Agreement(s) entered into with Atlantic Hotel Inc.?

Answer: There are several agreements/MOUs entered into by Government and/or Government agencies with Atlantic Hotel Inc. which are listed below and copies attached hereto.

1. Tax Agreement between the Government of Guyana and Atlantic Hotel Inc. dated 14th April 2011
2. Investment Agreement between Government of Guyana and SCG dated November 15th, 2011.
3. Lease Agreements for Tracts P and R (referred to below)

- (iii) Were any feasibility study and any environmental impact study done prior to Agreement (s) being signed? If so, can the Minister provide a copy of each?

Answer: Yes, there was market feasibility study conducted by the Marriott Hotel Group and one conducted in 2010 by an independent American firm which is being updated for 2012. There is also a draft ESIA report which is awaiting final issuance by the EPA pending the receipt of building permission. These documents are confidential at this time; however, the Government is willing to have a closed door presentation that will allow certain details of

these documents to be made available under the condition of utmost confidentiality and discussed with key opposition members without these documents being made public.

- (iv) In relation to the financing of the Marriott hotel, could the Minister give the facts on the financing structure and arrangement of this Project, namely, how much equity has been committed and by whom, how much will be borrowed from which bank, and whether any (and how much) State funds have been spent and are committed?

Answer: No State funds from the Consolidated Fund have been allocated to this project or are expected to be allocated from the budget. The financing structure includes:

- (i) Equity participation of USD12M [\$8M (Private)/\$4M (NICIL)];
 - a. US\$8 M will come from private investors; while various groups have expressed interest, to invest a portion or part of the US\$8 M investment, a selection of this investor has not been made (the closing date of a publicly advertised Expressions of Interest (EOI) is March 12th). Once one or more private investors are selected, the party/parties will need to be approved by both Marriott and Republic Bank, given that the 67% shareholder will be deemed to be the majority partner.
- (ii) Senior debt syndicated by Republic Bank (Trinidad & Tobago) Ltd. of D\$27M; there is a binding Term Sheet that relates to the debt and the terms and conditions;
- (iii) Subordinate Loan Stocks of USD\$15M invested by the NICIL.
- (iv) Outfitting costs for the Entertainment Complex estimated at US\$4 M that is expected to be funded by the operators (casino, nightclub, and restaurant) once these operators are selected via an RFP to be issued.

NICIL will review periodically after completion of the project, the timing for the sale of its investments.

NICIL has spent or will spend less than US\$2 M on development costs for the project including design costs to ADUA and preliminary costs prior to Financial Close; these costs are not part of the capital structure of AHI.

- (v) Is there any Government Guarantee to any financial institution or Chinese company?

Answer: There is no Government Guarantee to any financial institution or Chinese Company for this project. NICIL and the majority shareholder(s) will have to stand behind certain risks—costs overruns and any debt service shortfall until certain debt service ratios are achieved. However, these risks are considered to be minimal given the Feasibility Studies, the deal structure and the form of the “FIDIC Plant and Design Build Contract.”

(vi) Who are the shareholders of Atlantic Hotel Inc.? Could the Minister provide documented evidence of this?

Answer: NICIL is currently the sole shareholder of Atlantic Hotel Inc. However, once the private investor is identified the share capital will be increased to facilitate the equity participation and the shares will be divided accordingly, based on the capital structure.

(vii) Who are the owners of the land on which this Marriott hotel is to be built? Could the Minister provide the copy of the transport or title or lease?

Answer: NICIL is the owner of the land which the Marriott Hotel will be built by virtue of the Vesting Order No. 61 of 2010. AHI will have the option to purchase this land once the project is built for a price of US\$1 M. In addition, there is a 99 year lease issued by GLSC for Tracts P and R (sections of the sea defence) in favour of Atlantic Hotel Inc. This is the area earmarked for the promenade. Other than the promenade, no physical permanent structures can be placed Tracts P&R. Copies of the Vesting Order and the Lease Agreements are attached to this answer.

(viii) How much management fee is going to be paid per annum, and to whom, for operating this US\$52m hotel?

Answer: the Marriott Hotel group through one of its subsidiaries will be managing the hotel in accordance with standard Marriott rates per annum set out in the Management Agreement of 2010 comprising of a Management Fee which is a percentage of gross revenue with an Incentive Fee being a percentage of Operating Profit as well as other fees based on services are also applicable based on international norms. The actual percentages cannot be disclosed due to confidentiality clauses contained in agreements. However, the Government is willing to have a closed door presentation that will allow certain details of these documents to be made available under the condition of utmost confidentiality and discussed with key opposition members without these documents being made public.

(xi) What rate of return is the taxpayer going to get per annum?

Answer: This will be based on the hotel performance and dividends declared over time or the sale value of NICIL shareholding and common shares as a block. The subordinate loan stock is expected to be repaid as principal only.

Minister Answering: Minister of Finance.