



**PARLIAMENT OF THE CAYMAN ISLANDS  
COMMITTEE OF PUBLIC ACCOUNTS**

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**OWEN ROBERTS INTERNATIONAL AIRPORT (ORIA)  
TERMINAL REDEVELOPMENT PROJECT**

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*Official transcript relating to the Official Report of the  
Standing Public Accounts Committee Meeting—27 January 2021*

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**PAC Members Present:**

Mr. D. Ezzard Miller, MP, Chairman  
Mr. Bernie A. Bush, MP, Member  
Mr. Austin O. Harris, Jr., MP, Member  
Mr. Christopher S. Saunders, MP, Member

**Apologies:**

Ms. Barbara E. Conolly, MP, Member  
Mr. David C. Wight, MP, Member

**In attendance:**

Ms. Patricia Priestley, PAC Clerk  
  
Mr. Kenneth Jefferson, Financial Secretary/Chief Officer  
Ministry of Finance and Economic Development  
  
Mr. Matthew Tibbetts, Accountant General  
Ministry of Finance and Economic Development

**Audit Office:**

Mrs. Sue Winspear, Auditor General, Office of the Auditor General  
  
Ms. Angela Cullen, Deputy Auditor General, Office of the Auditor General  
  
Mrs. Brittany Clarke, Professional Audit Trainee, Office of the Auditor  
General

**Witnesses:**

Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority  
  
Mr. Albert Anderson, CEO, Cayman Islands Airports Authority  
  
Ms. Sheila Thomas, CFO, Cayman Islands Airports Authority  
  
Mr. Roy Williams, Senior Project Manager, Major Projects Office

**OFFICIAL VERBATIM TRANSCRIPT**  
**STANDING PUBLIC ACCOUNTS COMMITTEE**  
**WEDNESDAY**  
**27 JANUARY 2021**  
**9:15 AM**  
*Meeting with Witnesses*

**“OWEN ROBERTS INTERNATIONAL AIRPORT (ORIA)  
TERMINAL REDEVELOPMENT PROJECT”**

Verbatim transcript of the Standing Public Accounts Committee Meeting held on Wednesday, 27 January 2021, at 9:15am, in the Chamber of the House of Parliament, George Town, Grand Cayman.

*[Mr. D. Ezzard Miller, Chairman, Presiding]*

**The Chairman:** Good morning, everyone.

Let the record show that we have a quorum present and I am calling the meeting to order at 9:15am. We have apologies from Mr. Christopher Saunders who is unable to make the meeting today.

Today we will be discussing the report by the Auditor General on the Owen Roberts Airport as it relates to the new terminal that was built, so I will ask Mr. Clarke to please bring in the first witness.

*[Pause]*

**CAYMAN ISLANDS  
AIRPORTS AUTHORITY**

**ADMINISTRATION OF OATH  
OR AFFIRMATION**

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I swear by Almighty God that the evidence I shall give to this honourable Parliament shall be the truth, the whole truth, and nothing but the truth.

**The Chairman:** Good morning, Mr. Guyton. First of all let me express the Committee's gratitude for accepting our invitation to attend this hearing.

As you would have been made aware, we are here today to discuss the Owen Roberts International Airport (ORIA) Terminal Redevelopment Project. The only rule is that when you are asked the first question you to state your full name and the position you represent so that it appears in the official record.

We start off as we usually do by asking the Auditor General to give a few opening remarks about the project.

**Mrs. Sue Winspear, Auditor General, Office of the Auditor General:** Thank you, Mr. Chairman.

Good morning to you, members of the Public Accounts Committee, witnesses, officials from the Ministry, colleagues, and every one listening in. Thank you for the opportunity to make some opening remarks.

The report we are considering today is the Owen Roberts International Airport (ORIA) Terminal Redevelopment Project, which was a progress update report as at August, 2018.

As I said, the audit was carried out in 2018, therefore it was while the project was live and it provided a snapshot in time. My Office carried out this performance audit at the request of the Public Accounts Committee and it assessed progress made with the terminal redevelopment project as at August 2018, in relation to time, cost, and quality.

The report issued at that time contained a number of issues that were confidential and commercially sensitive and that could have created significant challenges and potentially additional costs to the public purse had they been reported publicly. These issues related to the final estimated costs of the project and the performance of the lead consultant on the project.

The report was made public in January 2019, hitherto only having been given to the Members of the Legislative Assembly, although at this time, a number of the issues remained commercially sensitive and so the report included a number of redactions. The Public Accounts Committee (PAC) decided not to hold a hearing at that time because the project was still ongoing and they preferred to wait until the commercially sensitive issues had been resolved to allow proper public scrutiny. The audit covered three main areas:

1. Project management and governance;
2. Timescales for the project; and
3. The total estimated cost.

We found that a separate business case for the project was never prepared; instead, the Cayman Islands Airport Authority relied on the master plan and the Outline Business Case that was prepared for the redevelopment of all three of its airports back in 2013. Project management was hampered by the poor performance of the lead consultant appointed to do this, which led to numerous delays.

At the time of our report, the project was expected to be largely completed by December 2018 and fully operational by February, 2019; this was much later than the originally planned completion date of March, 2018. As at August 2018, the total estimated cost of the project was \$64.37 million—this was almost 20 per cent more than the contracted prices and 24 per cent more than the initial cost estimate of \$51.9 million. Around \$5 million of this additional cost was as a result of changes made to the scope of the project by the board of the Airport Authority after contracts had been signed and Exhibit 2 on page 19 of the report sets out the changes in estimated costs between May 2014 and August 2018.

Since the report was written, my Office has kept the project under review and provided updates to the committee at regular intervals. My latest understanding is that although the project has not yet reached final close due to ongoing negotiations, the final costs are now almost certain.

I look forward to supporting you today and have with me Ms. Angela Cullen and Mrs. Brittany Clarke who undertook the audit.

Thank you.

**The Chairman:** Thank you, Auditor General.

Mr. Guyton, as Chairman of the board, can you tell the PAC what kind of general governance structure was put in place by the board to manage this project?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Morning.

My name is Thomas Guyton; I am the Chairman of the Cayman Islands Airports Authority Board of Directors.

In terms of governance, there was a steering committee set up early on, let me go to my notes for the details. The steering committee met regularly and reported to the board monthly, unless there was reason to report to the board more often than that. Steering committee was briefed by the lead consultant on a regular basis.

Decisions on variations cost overruns up to \$50,000 were made by the steering committee; anything over \$50,000 was referred to the board. The board was not involved in day-to-day management of the project.

**The Chairman:** Can you tell us where you are now, what time you expect to have complied with all the

contractual obligations for this project and what the final figure is likely to be?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Yes, I think there is one more meeting to be held next week or the week after. I can tell you at this point all five elements of the project are complete; the final cost will be no more than \$74.3 million.

**The Chairman:** Is there any particular explanation why this has taken roughly two years after completion?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I think if you had to point to one major factor it would be underperformance of the lead consultant, RS&H [Group].

Numerous delays; an example, when the drawings were first submitted they were submitted as a hundred per cent drawings, we later found out they were no more than 75 per cent completed, resulting in the Bill of Quantities being based off 75 per cent completed documents.

**The Chairman:** Who accepted these drawings as being complete?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I cannot answer that. I think you have our Project Manager coming in later.

**The Chairman:** Was the board not involved in such a major decision as to deciding on advice from your consultants whether drawings were completed or not?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** There is no expertise on our board to determine if a complex set of drawing was 75 or 100 per cent completed. We were relying on the experts involved including Public Works Department, Major Projects Office (MPO), and our own project managers.

**The Chairman:** The Project Manager was not required to report to the board that he had received drawings that were complete or incomplete before the green light was given to proceed with the project?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I think it was Denise Stabler at the time. I am sure if she realised at the time that they were incomplete she would have reported that to the board.

**The Chairman:** Who was your Project Manager consultant?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Our Project Manager from Public Works Department was Denise Stabler. She had to leave mid-project and Roy Williams Public Works Department finished the project. Jim Scott from Public Works Department was also involved.

Public Works Department and Major Project Office have done a great job for us. How they did not discover the inadequacies in the original drawings is beyond me.

**Mr. Austin O. Harris, Jr.:** Thank you, Mr. Chairman.

I want to say good morning to the witness and thank him for attending this morning. I want to stick with the lead consultant RS&H, as outlined by the Auditor General's report.

First of all Mr. Guyton, I understand that there is presently a dispute, if you will, between the Airports Authority and RS&H that may or may not involve litigation. Can you tell this Committee whether that dispute and all of its moving parts has been dealt with or are there still outstanding matters involving that dispute that may limit the questions that this Committee may ask?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** In terms of legal action that is still pending as to whether that is advisable or not. I believe a decision is going to be made in early February on that as well.

In terms of monies outstanding, we have that in hand now. We know the total costs.

**Mr. Austin O. Harris, Jr.:** Alright. This is a follow up and again, if any of these questions tend to border on some of the challenges of that litigation, I trust that you would say so.

As I understand from the Auditor General's report, RS&H was not the first choice out of the tender; they did not win the tender. In fact, another company won—Chalmers Gibbs, I believe—but it quickly became apparent that the company that won the tender lacked the requisite experience and/or abilities to deliver the project, so a decision was taken to swap the lead consultant from Chalmers Gibbs to RS&H and if my notes are correct, the director of Public Works, the then Project Manager from the Major Project Office and the Chairman of the Central Tenders Committee agreed to the swap.

Is that correct?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** That is correct.

**Mr. Austin O. Harris, Jr.:** It was also noted, that RS&H did perform satisfactorily during the design development stage from January to October 2015, but the Airports Authority first raised their concerns about

RS&H during phase 1 of the project, which occurred between October 2015 and September 2016.

What were some of the deficiencies early on, outside of the drawings that the Airports Authority first had concerns about, as it related to RS&H?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Outside of the drawings, you would have to talk to the Project Managers. The first red flag that we were aware of on the drawings were the electrical submissions to Building Codes Unit (BCU).

I think at the end of the day there were 14 separate submissions before those drawings passed BCU; that was the point where it started becoming evident that the drawings were not 100 per cent accurate and complete.

**Mr. Austin O. Harris, Jr.:** As it relates to those drawings and of course, the overall 24 per cent increase in overall cost of the project, how much did those delays impact the overall increase in the overall deliverable price?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Let me defer to the Project Manager because he is the numbers man and he has all that broken down for you. He can answer that to the penny.

**Mr. Austin O. Harris, Jr.:** Alright. Let me ask you another question.

The oversight that the Chairman just asked about, as I understand it, the Project Steering Group made the project decisions and the Cayman Islands Airports Authority board ratified those decisions, so it was a combination oversight of your board and the Project Steering Group. Is that correct?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Yes.

**Mr. Austin O. Harris, Jr.:** The Strategic Outline Case for the project stated that the Project Steering Group would meet monthly and those reports would be provided to the board of Directors of the Cayman Islands Airports Authority so as to ensure that governance framework. Was that the agreement?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Correct.

**Mr. Austin O. Harris, Jr.:** We understand that shortly after RS&H became the lead consultant, one of the earlier signs, perhaps even before the delays in electrical drawings and what not were experienced, that the first signs of trouble came as a result of there being no monthly meetings for the initial five months,

namely July and November 2014; and then only seven meetings in the year March 2015 to February, 2016, which would have covered both the design stages of the project and the initial phase one of the project.

Was this a red flag also, in terms of the performance challenges that the board may have had with RS&H?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I do not necessarily think so.

My understanding is that the committee was informed there was just a lot of background technical work going on. There may not have been formal meetings, but at no time was the steering committee or the board left in the dark.

**The Chairman:** Just one supplementary: how did the steering committee report to the board, was it done verbally or in writing in the form of a structured report?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Both. We had verbal briefs, PowerPoints, diagrams, drawings, numbers; it just depended on the phase of the project.

**The Chairman:** But at all times that they made these verbal or PowerPoint presentations there was a document to which the board could refer and of which we could get copies of now, if we ask for them—of all of those reports?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Yes, obviously you can get any copies of anything that was presented. I cannot say there was a document for every meeting, but we were briefed at every meeting to my recollection.

**Mr. Austin O. Harris, Jr.:** Thank you, Mr. Chairman.

Just a kind of after-the-fact question: what lessons did the Cayman Islands Airports Authority board learn from the Owen Roberts International Airport redevelopment project, whether they relate to the lead consultant or the overall project?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** One of the big issues was that the cost consultant was employed by the lead consultant. I think one of the lessons learned by the MPO and ourselves would be to also hire a cost consultant on our own staff.

Do not set the budget before design work.

Final Business Case, as the Auditor General has advised, although I will say the Final Business Case would have been very close to the Outline Business Case in this situation. There was very little difference in the signed contract values versus The Outlined Business Case estimated values.

**Mr. Austin O. Harris, Jr.:** The Auditor General's Office noted, and it is certainly not unique for the Airport Redevelopment Project but, one of the major factors relating to the increase in overall cost was the various variations in project scope. I think the report totalled an overall 92 different variations to the project that contributed, if not were responsible, for the increase in the estimated project cost which according to the initial Outline Business Case was \$51.9 million, and then increased to a total of \$64.4 million as of August 2018.

Do you accept that in large part, these variances led to those cost overruns?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** There are a couple of different pieces to that.

There were 412 variations due to errors and omissions in RS&H's drawings—that was over half of the variations and they cost over \$12,372,000 for correction.

Tenet variations during the course of the project: 72 amounted to \$531,000.

There were 79 just for unforeseen situations at a cost of \$1.150 million and there were 236 that came before the board at a total of \$5.6 million.

On the board approved variations, I will say that the board never approved any variations until money was found, separate and apart from the original budget to pay for them.

There were \$4.7 million—just to back up...

To fit this project end of the budget we had to strip a lot of desirable elements from the project. In 2017, 2018, 2019 we had a large windfall in cash at the airport and because we had the cash, we went back and revisited some of the things that had been stripped from the project—I think there is a listing of all the board-approved variations—and we did approve to add some back in.

For the most part, those items had been bid in the early bid documents so we had a price; we had just cut them from the original bid to fit into the budget. I know the Auditor General described them as cost overruns, but we knew exactly how we were going to pay for those; it was not intended that they would be paid for out of the original budget. We had cash ring-fenced for those add-ons.

**The Chairman:** Was there an amendment done to the contract to make sure that these things were going to be done at the original submission cost?

Why were all these additions not the subject of a separate contract?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I cannot really answer your second question but yes, everything was documented, costed and presented to the board for approval before

we approved it and as I said, cash was found and ring-fenced. It was from supplemental cash.

**The Chairman:** You said they were in the original design and the original budget but you took them out for cost purposes and to lower the price of the contract?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Yes.

**The Chairman:** Okay. Did that happen before or after the project was bid?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** It happened over the course of the project. An example would be rain-covers. To fit into the budget, we had to eliminate several sections of the rain-covers in the front of the terminal and once money was found we put them back in.

Another example would be an upgrade in the glass to hurricane glass. Even though the airport terminal is not a designated hurricane shelter, we felt it would be worthwhile to upgrade the glass to hurricane glass, since we had the money and construction was ongoing.

**The Chairman:** But the hurricane glass was in the original proposal and it was taken out for cost purposes?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I believe so but I am not 100 per cent certain on that.

**The Chairman:** On a side point: have you taken the advice in your answer to the Member for Prospect, that the thing learnt is that you hired a cost consultant?

Have you done that for the ongoing project on the air side of the airport; do you have your own in-house cost consultant?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Again, I would defer to Mr. Williams, the project manager. He can give you all the details; he is running that project for us.

**The Chairman:** But Mr. Williams is not an independent entity running the project; the board uses him to manage it and the question is: have you given him instructions to have an independent cost consultant?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Actually, he works for the Major Projects Office and we rely on them to manage the project. I am sure they have an independent cost consultant, but I am not involved at that level of detail.

**The Chairman:** Does he not take guidance from you in terms of the scope of the project? The management of the project is left entirely to the Major Projects Office and you just accept their recommendations?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** We approve the design documents.

Basically, again, we (the board) are not construction people; we are not construction managers. We have to defer to the experts. Major Projects Office has done an amazing job for us; we have 100 per cent confidence in their abilities. I believe that project is nearing completion now as well.

**The Chairman:** Mr. Bernie, then Mr. Wight.

**Mr. Bernie A. Bush:** Through you, Mr. Chair. Knowing what you know now, and by the way, those rain coverings you just spoke about—

**Mr. Austin O. Harris, Jr.:** Canopies?

**Mr. Bernie A. Bush:** Still getting wet; they are not much use. Knowing what you know now, what do you think you and the board should have done differently?

*[Inaudible interjections]*

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** That is a difficult question to answer because process was followed, a Request For Proposal (RFP) was put out, tenders were reviewed.

RS&H has a world-wide reputation. They build airports, this is what they do. This was not their first project. They were highly qualified on paper. I do not know what went wrong with them. They fired their on-site—well, it was not on-site, he was in and out—project manager in the middle of the project. I do not know what we could have done differently. Based on the submissions and the bids for the project, there really wouldn't have been a better choice than RS&H on paper.

**The Chairman:** Mr. Wight.

**Mr. David C. Wight:** Thank you Mr. Chairman and good morning to the Chairman of the Airport Authority, Mr. Guyton.

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Good morning.

**Mr. David C. Wight:** Having stated earlier that the board is not involved in the day-to-day decisions, can you know let the Committee know how the board is kept up to date on progress, and how the board was



involved in making key decisions relating to the project?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Okay.

Our CEO, Albert Anderson and our Chief Officer, Stran Bodden were members of the steering committee and were authorised, within contingencies in the project budget, to approve changes in variations up to \$50,000 which were day-to-day decisions.

The board was updated monthly. If there was a major over \$50,000 decision to be made we were available for special meetings.

Sorry, does that answer your question?

**Mr. David C. Wight:** Yes it does in a way, but then also...

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Sorry; I think that governance structure is outlined in the business case itself, it describes the governance structure and the setup of the steering committee reporting to the board.

**Mr. David C. Wight:** Okay; thank you.

**The Chairman:** Can you tell us who the members of the project steering committee were?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I don't know that off the top of my head, other than our two board members.

**The Chairman:** So the board was not involved in the appointment of this steering committee?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Not all members, no.

**The Chairman:** So who appointed members that you were not aware of or you did not approve of?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** With respect, it has been almost six years, I do not recall how the steering committee was selected and set up.

**The Chairman:** But the evidence you have given is that you relied very heavily on this steering committee. So the only people that reported to the board from that steering committee would have been your CEO and who else?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** The CEO, the project manager and also Mr. Stran Bodden were on that committee. I am not saying I did not know who was on the committee, I am just telling you now I don't remember

who was on the committee during the course of the project.

Mr. Anderson dealt with him on a daily basis so he will be able to tell you exactly...

**The Chairman:** But he was a member of the committee, so the committee did not report to him, the committee only reported to the board?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** No.

Well, in the governance structure, yes, the committee reported to the board. The committee representative that actually reported to the board was the CEO, the project manager when necessary...

**The Chairman:** So was the Ministry involved in this steering committee and what kind of role did it play therein?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** The chief officer was on the steering committee and he also sits on our board.

**The Chairman:** And no one saw any possibilities of conflict there?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** No, sir.

**The Chairman:** Okay, wow.

Just to follow-up on the Member for Prospect's question about the possibilities of legal action: you indicated that there may be a possibility of that but you also gave evidence earlier that you expect to finalise the figure and meet all the contractual obligations on the project in one more meeting to be held in the next couple of weeks.

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Whether or not we pursue legal action is separate and apart from the final accounts.

**The Chairman:** So, this final amount of \$74 million... Do you have a breakdown of the project costs—that is, the building, and furniture?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I believe so.

You would like to know the final costs?

**The Chairman:** Yeah. I think you gave us that already—\$74,030,000.

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Yes, sir.

**The Chairman:** Okay.

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:**

Construction phase 1	\$3.787 million
Baggage handling system	\$2.80 million
Consultant labour (RS&H)	\$4.425 million
Furnishing and equipment	\$1.04 million
Construction phase 2	\$61.97 million

**The Chairman:** Is that the final figure or was that the contracted figure on the original contract?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** It will be no more than that figure.

**The Chairman:** Right, but what was the original contract for the phase 2 construction?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** The original \$44.046 million and then there were board approved additions of \$4.3 million, bringing it to \$48.352 million.

**The Chairman:** But the agreed figure for construction costs is \$67 million versus the \$44 million contracted for?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** For phase 2?

**The Chairman:** Yeah.

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Well it was \$44 million, plus board additions of \$4.3 million for a total of \$61.9 million

**The Chairman:** Yeah, but 44 plus 4 does not give me 60...

*[Pause]*

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** No, no; I am saying the budget—the contracted cost was \$44 million plus \$4.3 million in additions from the board; the final figure, the close out, was \$61.9 million.

**The Chairman:** It was 61.9?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** For phase 2.

**The Chairman:** Okay.

**Mr. Austin O. Harris, Jr.:** Mr. Chairman.

**The Chairman:** Yes, go ahead Mr. Austin.

**Mr. Austin O. Harris, Jr.:** You mentioned that the amount payable to RS&H was in the region of \$4.25 million, but you also acknowledged that the delays in regular meetings to inform the Project Steering Group and the board of directors, plus the flaws in the design contracts led to the increased cost.

Is there any planned action to recoup that \$4.25 million that was paid to RS&H?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Again, that is the subject of a meeting to be held in early February to make a decision as to whether or not legal action is advisable.

**Mr. Austin O. Harris, Jr.:** As a follow-up, Mr. Chairman:

I think everyone in this room will agree that the overall project provided value to the Cayman Islands in terms of its continued growth. I think the Auditor General's Office acknowledged that the redevelopment of the terminal was essential for the growth of the Cayman Islands economy. To increase the number of passengers—both residents and tourists—it was essential to improve the flow of the airport and improve their travel experience overall.

While the borders have been closed, since March of 2020, not a lot of movement has taken place in the airport. As part of Heroes' Day, I recently had the opportunity to at least walk through it with my colleagues, and it is a far cry improvement compared to what it was. So I think it goes without saying that the project, at face value, certainly is an improvement on what existed prior and certainly should be able to accommodate the growth that the country may experience in tourism, as well as domestic air travel.

My concern, however, is that the project started out on shaky footing from the very beginning. The initial tender—awarded by the Central Tenders Committee—questioned the experience and capability of the company that won the tender.

In a meeting of the minds that included the Central Tenders, the Procurement, the Major Project Office and Public Works, the decision was taken to take on RS&H, as you stated in testimony, because this is their business. They build airports and certainly on paper, they looked or seemed to be the most qualified, but it did not take long for the problems with that lead consultant to raise their head, whether it was delays in the meetings provided to the oversight group to the Airports Authority, or design flaws that led to cost overruns.

Why was the decision not taken from much earlier on—as it had been to swap lead consultants in the beginning—to address the deficiencies that were being identified by RS&H? What was the motivation on the part of the Airports Authority board to—for lack of a better word—continue to give RS&H the benefit of the doubt?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I believe that there was no point where we felt like it would be beneficial to fire the lead consultant and start over. At all times when that discussion was had, it would have been much more expensive and cause significant additional delays.

As the project matured we had the Major Projects Office (MPO) come on board with highly competent project managers. We finished the project largely because of them and in spite of RS&H, but to get

another lead consultant on board and bring them up to speed, there was never a point where we felt like that was the best course of action.

Also keep in mind, when we started this project the terminal was operating at double its design capacity and throughout the course of the project, over five years, we had a boom in tourism; we had to stay open every day and accommodate passengers. It was just a difficult project from the outset.

**The Chairman:** That was known in the very beginning so that cannot be a reason why we had all of this 'mess up' if you want to call it that.

What was the justification and purpose of the changes that the board agreed to from the original design/drawings?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Again, there were improvements to the finished product basically that we found we could afford over the course of the project; for the most part, they were elements that had been stripped out to meet budget.

**The Chairman:** Okay, but were they basically to increase the capacity of the building? Was there any expansion of the footprint for any of that or was it just design and flow?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Yeah, no.

[I have a list here somewhere that I can dig up for you](#) but no, it was not a square footage increase; it was improvements to different elements of the design.

**The Chairman:** Okay. So none of those increased the handling capacity or the lifespan of the building? I think originally the lifespan of the building, in terms of being able to serve the traveling public, was supposed to be 25 years, and if you read the current press reports we are already at capacity.

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I would not say we are at capacity, but we are definitely approaching the trigger points for additional capacity much quicker than was forecast. When the design was done they took an optimistic, pessimistic, and current trend line

estimates; pre-COVID we were well ahead of where we expected to be at that point.

As with all airports, this airport should have capital projects ongoing at all times, and if we need to expand, we expand. There are plans in place to expand the current footprint, additional terminals.

**The Chairman:** It is our understanding that there was quite a delay in the purchasing of the baggage handling equipment; is there any explanation for that?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I believe the lead consultant again, RS&H, was something like a year late in the design drawings for that.

**The Chairman:** So those were not part of the original design drawings that were accepted by your project manager as being complete?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** That is correct. That was a separate project.

**The Chairman:** Okay.

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** A channelling system.

**The Chairman:** I think the outgoing baggage handling is covered, it is under a roof; the incoming baggage handling is exposed to the elements.

Is there any truth to the reports that because it has been exposed to the elements we have lost all warranty on it? What is the board doing to replace those pieces of wood and temporary roof that have been out there now for a couple of years?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I am not sure on the warranty question. I did not know we had a piece of equipment fail because of exposure to weather.

We have a design for an additional roof on that side. Again, it was something that should have been in the original design but because of COVID budgeting it is on hold at the moment, but we do have a design and I believe we have gone out to bid on it but we just have not pulled the trigger.

**The Chairman:** I find it difficult to accept your contention that you are 100 per cent confident in your project manager when he accepted these drawings without these... I mean, even me would expect that something like baggage equipment would be under cover and that is something that any layman should be able to pick up from a set of drawings.

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I think after the fact I would agree

with you. Early on in the project—it is a complex project and it was missed.

**Ms. Barbara E. Connolly:** Through you, Mr. Chairman to the witness: the Project Steering Group has met monthly since August 2016 and attended monthly design workshops and project updates in the early design stage of the project. However, the Auditor General's report identified a number of gaps in the Projects Steering Group meetings.

There were no meetings for five months between July and November 2014. During that time, the procurement process for the lead consultant (RS&H) for design cost and contract administration carried out only seven meetings in a year from March 2015 to February 2016. During this time, the contract for phase 1 construction was signed and the tender documents for phase 2's construction were issued. There were no meetings in the six months between March and August 2016; during this period, the contract for construction of phases 2, and 3 were signed. These were important key milestones.

Can the witness say why regular meetings were not held during these crucial times?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I can tell you what I have been told in response to the auditor's findings.

There are times in all projects when there are intense periods of technical work, for example during drawing, tender document production, tender review periods when there is less need for steering committee meetings to take place. During the October 15<sup>th</sup> to September 16<sup>th</sup> period, less steering committee meetings are needed as phase 1 was a more straightforward phase of the project; also a lot of technical work was underway on drawings for phase 2.

Our view is that steering committee members were generally kept well up to date and were aware of issues and risks, as most were regularly involved in technical and other meetings throughout the course of the project. However, we accept that records of decisions made by steering committee members outside of steering committing meetings could have been more consistently recorded in the next steering committee meeting minutes.

**Ms. Barbara E. Connolly:** Through you Mr. Chairman to the witness: going forward, in terms of oversight groups, because an oversight committee is actually supposed to meet regularly to make decisions, receive regular updates on progress, and access emerging risks and issues and agree on corrective actions to be taken.

So my advice is: going forward, based on the strategic outline or what should have actually transpired was and based on the Strategic Outline Case is those monthly meetings may have identified

some of those risks, if they were held on a monthly basis.

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I agree.

**Mr. Austin O. Harris, Jr.:** I am just sticking with cost for a moment; \$51 million was the original expected cost according to the Outline Business Case (OBC). We understand from the latest figures that that number presently sits at \$74 million.

Does \$74 million represent the final cost for the Owen Roberts International Airport redevelopment project as was laid out in the initial Outline Business Case?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Yes, and just a note on that: the Outline Business Case base number was \$51.9 million in 2014, not accounting for construction inflation.

In addition, the Outline Business Case clearly included a 25 per cent risk allowance for expected risks over the course of the project, based on it being a 30 year old building and not knowing what we did not know going in. If you adjust the \$51.9 million for construction costs and apply the 25 per cent risk factor, you come to—I think it is \$71.08 million. We came in at just around three per cent over that figure.

Also, I would just like to say that we did have Cabinet and FCO approval for the business case, which included the 25 per cent risk allowance on the \$51.9 million 2014 base number.

**Mr. Austin O. Harris, Jr.:** Speaking of that risk allowance, the Outline Business Case, as you correctly mentioned, suggested a risk allowance of between 20 per cent and 30 per cent. However, the actual allowance for the contingency throughout the phase, I think phases 1 and 2 of this project, was set at 6 per cent of estimated construction costs for phases 2 and 3, or approximately \$2.5 million.

I wonder, because you mentioned this twice already: was this reduction in risk allowance—from 20 or 30 per cent as recommended by the Outline Business Case to 6 per cent—done to meet budget at least at face value? What was the thinking that cost overruns could be as little as 6 per cent when the Outline Business Case stated 20 or 30 per cent? Certainly, when we look at the numbers it would appear that the Outline Business Case was accurate.

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** There are two different figures: the 6 per cent is contingency for construction variances; the risk allowance was out there. We obviously were not going to tell the contractor that we knew that could happen. RS&H lobbied hard to reduce contingencies down to 6 per cent and they felt

confident that they could complete the project within that 6 per cent.

**Mr. Austin O. Harris, Jr.:** We acknowledge the cost overruns and we acknowledge that they were significantly more than was initially estimated in the Outline Business Case; however, I think it is important to note that despite some media publications, particularly one as early as October 2020 that suggested the project would top CI\$100 million in total, the project never reached anywhere near \$100 million.

Well, perhaps close to it at \$74 million, but the \$100 million price tag as has been stated, and to date, never been amended in the news media, is not correct. Would you agree with that statement?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Absolutely. As I said, the airport redevelopment project which had five elements will end up costing not more than \$74 million or within three per cent of the Outline Business Case that was approved by Cabinet and the FCO.

I believe what happened, where that \$100 million figure came from, is that they combined two completely separate capital projects at the airport, but as I said before, the airport will have capital projects ongoing every year if we do what we should do, in terms of modernising and keeping up with our competitors.

**Mr. Austin O. Harris, Jr.:** The project was funded by the government injecting \$15 million in financial support and the remainder of the funding was planned to come from the Airport Authority passenger facility charges, but given the significant cost overruns, we understand that some of those monies had to be borrowed. Can you state how much money was borrowed to ensure the completion of this project?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** There was no borrowing to ensure the completion of this project.

The borrowing is related to the airside works project that's been during the COVID period here, so obviously our revenue has dropped off to zero, but the terminal building was funded and was originally intended to be funded entirely out of passenger facility charges. The government wanted the project hurried up because of the under-capacity situation we were in. So I think they injected the \$15 million to tighten the timeline by two years.

**Mr. Austin O. Harris, Jr.:** Just for clarification, whether it be for news media that may be preparing to pen a second article or the general public who are listening and trying to understand the differences in projects: we had the Owen Roberts terminal redevelopment which dealt with the expansion of the

terminal, the passenger waiting area, the departure lounge, et cetera.

Then we have a second project which includes the airside redevelopment which, in my mind, includes the expansion of the runway as well as the delivery of the taxiway, I think that's the right language. Is that the extent of the second air-side redevelopment or are there other factors involved in it?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** There are a couple other elements; I mean, the airside works project was driven by audit findings and we were required to resurface the runway if we were going to continue receiving the British Airways or any triple sevens.

While we had paving works going on, we added a couple of elements which would be the parallel taxiway from the end of the runway back up to the main apron. We expanded the main apron to properly accommodate the triple sevens and to give us additional parking stands, which were sorely needed, and lengthening of the runway to the extent that we could towards Crew Road.

**Mr. Austin O. Harris, Jr.:** For the benefit of the listening audience and certainly for my own elucidation: both the terminal redevelopment project and the airside redevelopment project were put in place specifically to increase the number of passengers—both tourist and domestic—to a certain figure. However, we also heard in testimony that whether it be the attractiveness of the Cayman Islands, I think largely by the success we have enjoyed with the COVID pandemic, and if I may be so bold to say that we have proven to be one of the safest places on the planet, I think that will also lead to the attractiveness for visitors to come to our shores.

Can you state to this Committee the anticipated shelf life—if you will—of the existing project enhancements both of the terminal and the air-side? How many visitors or how many movements were those two projects combined expected to manage on an annual basis, and how much more in your estimation, is that growth going beyond that number and obviously in need of further development?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** [I don't have those numbers at hand. I can get them for you](#), but I can tell you that we are working from a 20-year master plan that includes trigger points and passenger volumes.

On the master plan we do have a greenfield terminal site to the north of the new apron. There is also the possibility of a concourse building along the new apron and tying into the new terminal. We are updating the 20-year master plan at this time to take into consideration the accelerated growth pre-COVID

because we feel like it is going to come back. I feel like we are in good shape.

The terminal building that you talked about overcrowding and beyond capacity, it is really only on a Saturday that that happens and up until now, we have said yes to everybody who wants to come between 12:00 and 4:00 on a Saturday basically.

We have to implement slot management systems and we have to offer incentives to have airlines consider other days other than Saturdays. I think the hotels also like to change all their guests on a Saturday, so Saturday is really the only problem that we have; all other days of the week we have plenty of capacity. So that is another issue we have to deal with, there are other ways to deal with it other than just continuing to build.

I think the next phase immediately, if we need capacity is to expand the new departure and arrival halls to the south; there is room there to gain quite a bit of square footage. We are taking in the upstairs space and fitting that out as additional passenger handling area as well. Originally, that was going to be a VIP lounge but we had no takers on that, no airlines seem to be interested, so we said *well, rather than do that, let us add*, and I believe we picked up another 200-odd seats upstairs plus a lounge area.

So the master plan is a great document. On the air-side works; again, the parallel taxiway was just one component from the master plan, eventually there will be a parallel taxiway from end to end. We have stretched the runway as far as we can stretch it right now without closing Crew Road or going into the North Sound. There are some quick wins we could do; we could extend 400 feet of runway and safety area into the North Sound that would only have to support a truck not an airplane, and we would gain back 400 feet that were taken for an end safety area.

There are options; I mean I wish we had 300 more acres of land but we do not, so I think it's very important that we stick to the master plan. We do not allow anything to be built that is not on the master plan; we feel like it will be adequate for years to come.

**Mr. Austin O. Harris, Jr.:** On that question, and it is just a two-part response: we talked about the need to potentially increase the square footage in terms of your footprint. At least at the moment in the planning stages does that include horizontal expansion, that is, some of the properties that may be commercial today may one day, at least at the drawing board, encompass an Owen Robert's International overall footprint, or is the view, as you stated in terms of increasing passenger capacity to go vertically, adding a third or fourth floor to the airport?

What are the expansion methodologies or some of the ideas that are being tossed around, in terms of what that future expansion will look like?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Well I do not think there is any consideration of vertical expansion on the existing site but any future building—again, it is a greenfield, so we would build whatever is required. The connector building between the current building and the greenfield terminal could very well be a two-story concourse, much like where you board Cayman Airways in Miami.

In terms of extra land, it costs money. We feel we have acquired all the land we can around the existing runway; it is unfortunate we did not acquire land 20 years ago but, there is a lot of room for expansion with the land and the master plan that we have.

**Mr. Austin O. Harris, Jr.:** Is there any consideration as has been rumoured? I mean you said it yourself, certainly it would be nice to have an additional 300 acres of land but we simply do not.

Do you see Owen Roberts International terminal—both the land side and the air side—serving the long-term future needs of the Cayman Islands or do you and your board envision that perhaps a fit-for-purpose airport may have to be developed in the future, perhaps on an alternative site where there are 300-plus acres available?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I would say that our board is focused on the property that we do have. It was a struggle to get a \$74 million terminal funded; I can imagine the cost of a greenfield land acquisition runway... You know, that is for the government to decide.

**Mr. Austin O. Harris, Jr.:** But just for the avoidance of doubt and of course, the ongoing rumour mill, there are no plans, drawings or otherwise on the table right now looking at an alternative site?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** No, not our board. I think that is beyond our remit.

**Mr. Austin O. Harris, Jr.:** Thank you.

**The Chairman:** Okay.

Mr. Guyton, you mentioned earlier in response to Mr. Austin that the project was intended to be funded from your own revenue. The problem that I have with that answer is: when can we expect your audited 2016/2017 accounts, your 2018, 2019, and 2020 accounts?

Is there any particular reason why, with all of this going on, your board has not been able to produce accounts?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** I believe we are waiting on the audit.

**The Chairman:** I do not think so but I will let the Auditor General answer.

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Mrs. Winspear, can you help me there?

*[Inaudible interjection]*

**Mrs. Sue Winspear, Auditor General, Office of the Auditor General:** Through you Mr. Chairman: yes, you are waiting on the audit but we believe that we are waiting on information from the client, but we do have a separate session on Friday to discuss that.

**The Chairman:** *[...Inaudible]* to that session, so I just wanted to get his view.

So the board's view is that it is the Auditor General's Office fault that the accounts have not been done?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Yes, the accounts are done in fairness to the CIA management team. There are Auditor General Audits, CA audits, COVID measures, and two major capital projects, so if they have not given the resources they should have. I think they will be catching up quickly, but the accounts are done. I am confident of that.

**The Chairman:** Okay; of course.

**Mrs. Sue Winspear, Auditor General, Office of the Auditor General:** Sorry Mr. Chairman, just to clarify: the accounts are done; obviously they are not audited. We will talk further on Friday. We have been trying to engage with the Audit and Risk Committee on the board as well, but without success so far.

**The Chairman:** Okay; any other questions?

**Ms. Barbara E. Connolly:** Mr. Chairman through you, I have one final question going back to the lead consultant.

As a result of the lead consultant's poor performance from early days, did the board at any time consider terminating that contract?

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Again, the board was not involved in day-to-day management of the project; we relied heavily on the project manager, the steering committee, and Major Project's Office and at no time during the project was it recommended that we consider firing the lead consultant.

**The Chairman:** Are there any other questions?

*[Pause]*

**The Chairman:** If there are no other questions, thank you very much Mr. Guyton for coming before the Committee.

Thank you very much.

**Mr. Thomas Guyton, Chairman, Cayman Islands Airports Authority:** Thank you for having me.

**The Chairman:** Thank you.

We will take a suspension and come back at 10:50 am.

**Proceedings suspended at 10:25 a.m.**

**Proceedings resumed at 11:10 a.m.**

**The Chairman:** The Committee is called back to order; let the record show that we have a quorum present.

*[Pause]*

## CAYMAN ISLANDS AIRPORTS AUTHORITY

### ADMINISTRATION OF OATH OR AFFIRMATION

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** I swear by Almighty God that the evidence I shall give to this honourable Parliament shall be the truth, the whole truth, and nothing but the truth, so help me God.

**Ms. Sheila Thomas, Chief Financial Officer, Cayman Islands Airports Authority:** I swear by Almighty God that the evidence I shall give to this honourable Parliament shall be the truth, the whole truth, and nothing but the truth, so help me God.

*[Pause]*

**The Chairman:** Good morning, Mr. Anderson and Ms. Thomas. On behalf of the Committee, I want to express our appreciation and gratitude for you attending this hearing. You would have been informed that the hearing is about the Owen Roberts International Airport Terminal Development project.

We have some questions to ask you about the project; the only rule is that when you answer the first question, you state your full name and title so that it appears in the official Hansards. Mr. Austin, you can lead off.



**Mr. Austin O. Harris, Jr.:** Thank you, Mr. Chairman. Certainly I would like to echo the Chairman's remarks by welcoming the two witnesses this morning and thanking them for their attendance.

It is generally accepted that the Airports redevelopment project was necessary for the continued growth of the country; it certainly has fulfilled much of its expectations in terms of providing better space and flow of both tourist and domestic air travel. We also accept and understand that in the media's standpoint the terminal redevelopment project, in many cases, gets lopped into the airside redevelopment when we talk about overall costs, but I think it is important to stipulate as identified earlier this morning, that they represent two separate projects, albeit on the same site.

We are here today to determine whether or not the money spent in this project represented value for money, as well as to examine some of the decisions and complexities that were evident throughout this project. In that vein, I would like to begin by focusing on the governance framework of this project. We understand that this project was being delivered through the Cayman Islands Airports Authority or a statutory authority and not the Major Projects Office, as is outlined under the Public Authorities Law.

We also understand that you, Mr. Anderson as Chief Executive Officer for the Airports Authority led the Project Steering Group that provided oversight for this project. My first question to Mr. Anderson is who appointed the Project Steering Group? How did you and other members receive your appointment to that steering group?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Mr. Chairman, I joined the Airports Authority in March of...

*[Inaudible interjection]*

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** I am sorry—I am Albert Anderson, Chief Executive Officer at the Cayman Islands Airports Authority.

I joined the Authority in April of 2014 and at that time, the steering group was already established, so I cannot speak to who appointed the team. At that time, it included people from the Department of Environment and other government agencies. As the project developed, the steering group changed; I think I became the chairman in late 2014.

The membership today—and it has changed over time because various people left—includes the Chief Officer for the Ministry of District Administration, Tourism and Travel, the project manager, the head of the Major Projects Office and four members of the CIAA management team.

**Mr. Austin O. Harris, Jr.:** Thank you.

You mentioned that the Project Steering Group was already in place when you arrived at the Authority. Can you state who appointed you to the Project Steering Group?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** The chief officer.

**Mr. Austin O. Harris, Jr.:** The chief officer.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** He was the chairman of the steering group at the time.

**Mr. Austin O. Harris, Jr.:** The chief officer of the Ministry was the chairman of the Project Steering Group—

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** At the time.

**Mr. Austin O. Harris, Jr.:**—prior to your appointment.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes.

**Mr. Austin O. Harris, Jr.:** I am curious. At the time that you were chairing the Project Steering Group, were you also a member of the board of directors and performing your role as chief executive officer of the Authority?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes, I was.

**Mr. Austin O. Harris, Jr.:** Did you at any time perceive a conflict in the responsibilities and obligations of either the Project Steering Group or, of course, your substantial position as CEO?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** No, I did not.

**Mr. Austin O. Harris, Jr.:** What were the reporting lines as it relates to the Project Steering Group? Who did you report to and who did you receive instructions from?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** I reported to the board and received instructions from the board.

**Mr. Austin O. Harris, Jr.:** And you were a member of the board?



**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes, a non-voting member of the board.

**Mr. Austin O. Harris, Jr.:** A non-voting member.

The Owen Roberts Terminal development project received its guidance initially through the Outline Business Case, (OBC) which was prepared in 2014. The OBC was approved by Cabinet on the 5<sup>th</sup> August 2014 and thereafter, by the Foreign and Commonwealth Office under the Framework for Fiscal Responsibility which we were compliant with, on the 15<sup>th</sup> August 2014.

Phase 1 for the Owen Roberts International terminal did not begin until a year later in September 2015 with phase 2 commencing the following year, on May 2016. The OBC stated that the project would take eight years to complete, however, it was decided that the project should and could be delivered in a much faster time scale of three years. When was this decision taken and by whom?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** That was done probably in late 2014, I cannot remember the exact date, but it was around late 2014 or early 2015. It was discussed at the Steering Committee and then there was a discussion with the board on it. I believe we did a presentation to Cabinet or Caucus and throughout that process we decided to shorten the timeframe.

**Mr. Austin O. Harris, Jr.:** The Project Steering Group, as stipulated by the OBC, were to receive monthly project updates from the lead consultant and we understood that that was not necessarily always the case. In particular, we heard testimony that there were occasions when the Project Steering Group would go months without an update from the lead consultant. In one case, it was three months, in another case it was five months, and I think it was 10 months before the Project Steering Group received its first update from the lead consultant.

In your opinion as chairman of the Project Steering Group, what were the reasons for these delays, particularly given that the project started but the lead oversight body in the governance framework—the Project Steering Group—were not informed for up to 10 months of work that had already begun? What were some of the reasons why that occurred?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** The Project Steering Group were certainly kept informed. The meetings were not consistent in that timeframe for a couple of reasons:

1. A large part of that timeframe was the design stage; not much happening. The consultants

were in the process of designing the project; and

2. In 2015 – 2016, phase 1 of the project was being built. Phase 1 was a very simple phase of the project; basically pouring concrete, so the Steering Group stayed in touch.

I think this is an area where they should probably have continued to meet and record the way things were going but the members of the Steering Group, if we recall, I said were members of my management team. They were also part of a team of people who worked on a weekly basis with the contractors and the consultants on being able to continue airport operations while the construction was happening. So they were very close to the project.

Some discussions were had by email and I accept that the meeting should have been held to record when they were updated.

**Mr. Austin O. Harris, Jr.:** Thank you.

The cost of the Owen Roberts terminal redevelopment was estimated at \$51 million in 2014; the final figure came in at just a little over \$74 million, in terms of the terminal itself. This increase in overall cost came as a result of a number of variations or changes to the scope of the contract. The Project Steering Group was among the first to make amendments to the scope in August 2015.

After the contract design the project was awarded, and the procurement of phase 1 was completed, the Airports Authority board decided that it wanted to make a number of changes to the scope of the project. There were three, in particular, which included:

- New parking facilities
- Landside canopies to provide protection for passengers against the weather; and
- Bringing forward the planned implementation of new generators.

In phase 2, at the request of the Cayman Islands Airport Authority, a further three changes in scope were added; that included:

- Upgrading to hurricane-grade windows;
- Upgrading offices of the second floor; and
- Replacing old sections of roof, based on quality inspections.

We heard from the chairman of the board that there were an astounding 412 variations to the contract made by the lead consultant, RS&H and that there were a further 90 changes made by the contractors, 60 of which had to do with—I believe—the design errors and omissions that were made by the consultants; so, 500-plus variations made to this contract.

Mr. Chairman, using only the 2014 OBC as a guide, my question to the witness is: why was a Final

Business Case not developed and published, given the significant change in scope from the original design plans? I know it was discussed, but it never materialised. Why was that?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes, there was some discussion about the Final Business Case.

I think there was some confusion as to when it needed to be done and that was primarily because the project came together in several different parts—there was phase 1, there was a baggage handling system, there were phases 2 to 5—and they were all bid separately. There was no one point, until late in the programme when we knew what the total bid contract or months would be. I should not say late in the project but certainly quite a while after the start of phase 1. That discussion was going on at the time but at the end of the day it was an oversight in terms of the Final Business Case.

I do believe that the Final Business Case would not have been significantly different from the OBC, which is a comprehensive document that covers most of the requirements of a business case. The only major change would have been that the costs in the Final Business Case would have been the actual contracted costs, not estimates, and the risk allowance in the OBC would have been captured and nailed down in the Final Business Case.

**Mr. Austin O. Harris, Jr.:** We understand that the oversight of this project was managed by the Project Steering Group, as I mentioned earlier, and not the Major Project Office that is outlined in the Public Authorities Law and I believe the reason for that was that this development started before the Public Authorities Law took effect. However, that does not excuse the fact that the process for oversight could have, and some might argue should have, been amended to become compliant with the Public Authorities Law. In your estimation, why was that not done?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Well, from a contractual and construction perspective the Major Projects Office were the oversight. They fed back into the steering committee, and there were two members of the Major Project Office on the steering committee, so to say that the project was not overseen by the MPO is, I think, not correct.

**Mr. Austin O. Harris, Jr.:** Is it your testimony that whilst you as CEO of the Airports Authority, the chief officer of the Ministry and other laymen members of the Project Steering Group were not engineers, contractors experienced in airport redevelopment, that the Project Steering Group was satisfied that the requisite expertise required to provide oversight for a

\$50 million plus project was sufficient in the membership that made up the Project Steering Group?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes, we were. The membership from the Major Projects Office brought the expertise from the construction side and the membership from the Airports Authority...A key part of this project was keeping operations going while the construction was happening, so it was crucial that we had people who managed operations at the airport as part of the steering committee.

**Mr. Austin O. Harris, Jr.:** Given that this project occurred over a number of years, going back to as early as 2015—now six years after the fact—whenever the Public Accounts Committee or any other body is charged with the obligation of dissecting the decisions made after the fact and are reliant on witness testimony; but accepting the fact that six years is a long time—I barely remember what I did yesterday let alone six years ago—asking questions to those persons who had oversight six years after the fact can be somewhat difficult and I appreciate that.

However, an important part of the governance framework requirements—either as outlined under the Public Authorities Law or as accepted as general best practice—requires that proper minutes, meetings and documentation exists that would allow auditors or any committee to dissect the decisions that were made and understand those decisions based on the written record.

We were told that the Project Steering Group had input into all the decision-making as part of this project was concerned. But, we also understood from the record and from the Auditor General's report that this decision-making did not occur in the setting of a properly constituted, regularly scheduled monthly meeting. Instead, some of these decisions occurred in a sort of round-robin format, whereas they were determined over email correspondence. So, it was not a single meeting but a question was asked on Monday and by Thursday, after several back and forth, a decision was made regarding either a change order or variation or whatever challenges that the Project Steering Group had to make.

An example of this was the procurement process for the baggage handling system which was, as we understood, determined by email. What was missing, according to the Auditor General's findings, was any kind of formal records that would enable this Committee or the Auditor General's Office to be able to dissect the decisions made and understand the reasoning made six years in the past.

Can you tell this Committee:

1. Why the Project Steering Group took the position to make decisions based on

email correspondence and not a formal meeting; and

2. Why does there appear to be an absence of a formal record that can show how those decisions were arrived at?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes, I agree that there were those situations where communications or decisions were made by email or sometimes discussions on the phone.

This was at the very beginning when we had, I think, not as much guidance as we had later on in the project. By late 2016—I am pretty sure it was late 2016—things started to flow more smoothly, the committee met regularly and we got it to where it should have been but I agree that it did not start out the way it should have.

**Mr. Austin O. Harris, Jr.:** Given that, as heard earlier, there will be—and should certainly be expected to be—ongoing redevelopments of the existing Owen Roberts footprint, we have just completed the terminal redevelopment project, we are engaging in the airside redevelopment, which includes the extension of the runway, the inclusion of the taxiways, and we anticipate that we will see further ongoing expansion over time, as does occur in every major international airport in the world.

However, given the fact that you only came on as CEO in 2015, you were thrust into a major oversight role as chairman of the Project Steering Group for a major project having cost the public purse some \$74 million to date, can you state to this Committee:

1. What lessons have you learned?
2. What things would you do differently, particularly given the fact that we have airside projects that are still ongoing?
3. Would you agree that, whilst it was not followed in the Owen Roberts International terminal redevelopment, a final OBC should be the standard procedure when dealing with major capital works going forward?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes, I think a number of lessons were learned; the last one you said is probably the most significant one, which is to make sure we complete the process of a Final Business Case. The need for a continuous record of decisions and actions that were taken, I think is also a lesson learned.

I think we went into this project with the mindset that this is the money that we have and we have to squeeze everything into it, and in my view, going forward, it should start differently. It should start with a *'what is it that we want?'* and if it ends up *'this'* but we

only have *'this'*, then we find a way to work either with that or around that.

Just to go back a little bit, I believe this was the first major project that eventually fell under the new Procurement Law. The Procurement Law was not in place when it started. I might be wrong and the Auditor General can correct me, but I think it may be a good case study for future projects, as to how we can improve generally, but the Final Business Case, the continuous records of decisions...

I think also one of the lessons that the Project's Office has learned is that we have to have the main cost consultant for the project on our team, because it held us up immensely on this project that they were not directly under our control.

I am sure there are a lot more that the project manager can speak to but for me, those are the key points.

**Mr. Austin O. Harris, Jr.:** As the Chief Executive Officer of the Cayman Islands Airports Authority you are responsible for the day-to-day operations of the airport which include dealing with the air traffic of passengers, be they tourist or domestic; anticipating the expansion and growth in this area—whether as a direct result of government efforts or the success we have achieved in protecting our community from the COVID pandemic.

I believe I say without fear of contradiction, that the Cayman Islands represents one of the safest places on the planet as it relates to COVID-19, and that in and of itself has to be an attractive quality for visitors to the Cayman Islands. We see the virtual nomad system where persons are coming here to work and whatnot, so there are many different avenues and certainly once our borders open, as difficult as the economy is for many today, that will improve and we can anticipate large volumes of air travel.

My final question is: as CEO—regardless of what we could have done better and the lessons that have been learned in this redevelopment project, and the ongoing redevelopment—are you satisfied, that the Owen Roberts terminal redevelopment project achieved its overall objectives and is working for the airport and the people who use those facilities?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes, absolutely. I think we got great value for money for what was delivered.

Cayman's success has proven that we are probably going to have to do more, earlier than we thought we would. Just as an example, from 2014 to 2018 the growth of passengers through Owen Roberts was about 45 per cent and that is way above what was projected. The most likely growth rate was somewhere around two to three per cent per annum, so we had a step change and that step change went

on while we were doing this project, which also impacted the delivery of the project.

I think we now have a terminal in place that can handle that capacity; however, it is not just about the size of the terminal, because we can build it twice as big as it is now and we might still have congestion if all the traffic comes in at one o'clock on Saturday, so it is about looking at ways to mitigate that outside of construction. Things like slot management, which we are actively looking at now, and working with the hotels to see how they can help us spread the traffic. That is a discussion we have had before and we need to pick it up again.

From a longer term view, interact more with the Department of Tourism. We interact quite regularly with them; in fact, the whole sort of trajectory of growth was done with their input in 2014 and we are continually in touch with them, but I think we need to make it more organised so that it happens when it should.

**The Chairman:** Bernie.

**Mr. Bernie A. Bush:** Through you Mr. Chair.

Can you explain to the listening public why the decision was not made to help people getting off planes who are still getting wet with gateways, runways—whatever you want to call them?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Jet-ways, from the aircraft straight into the terminal.

Basically, that came down to cost. I have had this discussion several times with various people and I do not think most people understand the total cost. One jet-way, probably a second-hand one, will cost anywhere between \$500,000 and \$700,000 just to buy it; then there is a lot of infrastructure that has to be put in place to support it.

The cost that we were advised by our consultants to put the whole infrastructure in place, was anywhere from \$2 million to \$2.5 million per jet-way, understanding that to put in two jet-ways is not going to solve the problem on a day when we have eight or ten aircraft on the ground.

**Mr. Bernie A. Bush:** Mr. Chairman through you.

That same figure was thrown out here in Parliament and one thing about technology in this day and age, you can always find out what the cost is in our sister Caribbean countries. I can categorically say that you gave a better explanation than what was given in here, because you spoke of the infrastructure that goes around it.

I know the jet-ways, brand-new and category five rated for hurricanes, were nothing up in some of those figures I am hearing banded about, but then you did speak of the structure to deal with it. The public is constantly asking, how could you all build the airport

and we are still getting wet coming off the planes? With these overrun costs, I guess you could have found some money someplace to put them in, because the public is not too pleased about that, but I guess they don't count.

Through you Mr. Chairman, the last question is: is there anything that you would have done differently from what you all learned through this?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** I guess that is a similar question to what were the lessons learned, so yes there are quite a few things we would have done differently, as I previously explained. I think the core basis of how we went about dealing with the project is just one of the things that we should have done that we did not and that we need to get right the next time.

If I can just go into the airside project for a bit, I think some of the lessons that we learned from this project we corrected on that project, and so far it is going quite well.

**The Chairman:** Mr. Anderson, the CEO who gave evidence earlier deferred many of our questions to the steering committee and the project manager.

One of the things that comes out in the Auditor General's report, and evidence given by the CEO this morning, is that the steering committee accepted plans which they thought were a 100 per cent complete, but he described as being only 75 per cent complete.

Was it the steering committee that accepted the design plans and started the project without knowing whether they were complete? What kind of review of the plans did the steering committee do?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** The steering committee reviewed the plans from a functionality and probably from an aesthetics perspective, to make sure that functionally, it would meet the requirements that we were after. There was no one on the steering committee who could have looked at those plans and said, for example, *they got a sewer pipe and it stops right here but it should be going over there*. There was no one that could look at that kind of detail and say that the plans were incomplete.

It is only now that we have seen all of the changes that we had to make in order to complete the construction that we realised that the plans were actually incomplete. These plans went through Planning and Building Control. Fortunately, on the electrical side they picked up quite a few issues early on in the project, which caused the first delay on phase 2; they had to redo the electrical plans quite a number of times before the Planning or the Building Control people passed the electrical and that was clearly a very useful exercise.

In terms of some of the other things, there were a number of things that would have gone through Building Control and Planning as well, and none of those issues were picked up. There was a vast amount of documents with a vast amount of information on them. There is certainly no one on the steering committee that could have picked that up.

**The Chairman:** I will agree on the technical side, but something as simple as the baggage handling; the outgoing baggage handling was well covered in the drawings obviously but the incoming baggage was exposed to the weather. I mean, that is something that any layman should have been able to pick up.

Why were those kind of things not picked up by the steering committee or the project manager?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** I can tell you that when I look at it myself there is a cover over the baggage handling system; it is just not deep enough. I did not have enough expertise in my head to understand that it is not deep enough to keep the rain out. But yes, someone could have picked that up beforehand and ensure that it was right.

**The Chairman:** The CEO suggested that there were some 412 changes to the actual drawings, an example you just gave was the sewer pipe. Was that picked up by the contractor or the project manager, and how would these changes come about?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** I think it was the contractor but I am not 100 per cent sure; but there were a number of changes that were identified by the contractor and had to go back to the design team to actually design what should have been there. Then of course, that would have been an increased cost because the contractor did not bid for that.

**The Chairman:** Did you supply a certified Bill of Quantities for the contractor to bid on or was the contractor expected to do their own Bill of Quantities?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** No, the Bill of Quantities was done by our consultant.

**The Chairman:** Okay; and that was certified as being accurate and that was what the contractors bid on?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes.

**The Chairman:** I just want to understand how the steering committee seems to be structured from the evidence that you and the CEO have given.

The steering committee was made up by management of CIAA, board members, persons from the Ministry and persons from the Major Project Office?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** The only board member on the steering committee was me.

**The Chairman:** This morning the CEO said that Mr. Stran...

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Sorry, I am sorry, yes.

**The Chairman:** Okay.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** The chief officer was also there.

**The Chairman:** The question I am leading up to is: where are the checks and balances, if everyone who should be checking what is going on is on the same committee, and no one seems to be independently reviewing the things that are ongoing?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** I suppose you could say that there should be someone independent. The makeup of the committee when I first came on board—and this was in the concept stage when the master plan was being done—I had more people from different areas of government: the Department of Environment, I think MRCU was on it and a few others.

At that time, that is probably more of what you were talking about, the kind of people that would probably reduce the chance of there being a conflict, but as the construction started, it just made sense that we would have operational people on the committee because we had to make decisions on the fly, on a day-to-day basis, and the best people to do that were the people who were on the ground trying to get passengers through a building that was being constructed, so it made sense that we had operational people on the committee.

**The Chairman:** Was the steering committee the group that made the decision on price charges by the contractor related to the changes that you all approved or was there an independent...?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Sorry, can you repeat that?

**The Chairman:** Was it the steering committee that made the decision to accept the pricing by the contractor on these 400-odd changes?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** In some cases, yes. In some cases it had to be done. I mean, it was like, *you are on the ground this has to happen* and you just had to say *'go ahead and do it'* and then the price comes later. In many of those cases the price is not finalised until you actually have the final account.

**The Chairman:** Did the steering committee require the contractor to use the same pricing formula that he used to price the original contract, whether that was an hourly charge or a project charge?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes, the same rates that he used to bid was what he had to use for any changes.

**The Chairman:** Okay.

Something that seemed to have been the basis of all the problems was the decision by the Tender Assessment Committee.

They had a consortium of consultants who bid on this, but it seems from information that we have, that the Tender Assessment Committee made a decision to select only RS&H to be the project consultant for drawings and building, et cetera. What was the basis of that decision?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** I think there probably needs to be some clarity around that. There was a consortium who bid under the name of Chalmers Gibbs and that group of companies—I don't know if I am allowed to call the names, but there was a group of companies...

**The Chairman:** You are in Public Accounts Committee, you can call them.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** There was a group of companies including AMR, JEC, Chalmers Gibbs, the RS&H and I think that's it or I may have missed one.

**The Chairman:** ARUP.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Sorry?

**The Chairman:** The ARUP Group. I don't know who that is but that is the information that I have.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Okay.

They put in the winning bid under Chalmers Gibbs. The lead project manager at the time—and that speaks to the whole assessment committee—decided that of that group of people, the one with the most airport construction experience was RS&H; but it was done under the name of Chalmers Gibbs.

The request was not to change who won the bid, it was to change who would be the lead consultant on the project because they were the ones with the expertise and the skillset that was demonstrated by the documentation they provided and research that was done, that they had done this before.

**The Chairman:** But in doing that, you eliminated all local knowledge.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** No. Sorry, no we did not; they were still all a part of the group, they were just being led by RS&H, instead of Chalmers Gibbs.

**The Chairman:** That was the consortium with existing local knowledge that produced plans that were only 75 per cent complete and electrical drawings that had to go to the BCU 14 times, as the CEO said, before they could get it right?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** It was that group.

**The Chairman:** Wow. Okay; but there was no one in that group that had Mechanical, Electrical, Public Safety, Fire (MEPF) experience, yet they were selected.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Well...

**The Chairman:** Which is probably the reason the sewer pipe was short of the connection.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** The lead consultant had MEPF expertise on their team. That is all I can say.

**The Chairman:** Evidence given by the CEO this morning suggests that on the recommendation of the steering committee, the board just kind of arbitrarily eliminated certain things in order to meet budget.

Is that the process or was there some kind of rationale used like, *'well, we can we can do without this now to keep in the budget'*, as opposed to all of these things that you had to add back. For example,

the 15 pound-windows which were in the original drawings went down to six or nine pounds to reduce price, but in the middle of it you had to go back to the 15 pound.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yeah.

**The Chairman:** Is there an explanation for that kind of decision making?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yeah, I mean, if you just take the windows as an example: early on there was a discussion in the concept stage before drawings were actually finalised, to say, *yeah, we could go for this but this is going to drive the cost up quite a bit so if we do this we meet the requirement. The place is not a hurricane shelter, so it will be fine.*

Then we found out that the money available to us when the project was about to start was more than we thought we would have so that was when then the decision was taken. Well, that particular one actually came later on after the construction had started but it was because funds were available that we made the decision to put some of these things back in. I think the architects call it 'value engineering' when you adjust things to fit within a price envelope, but when we found out we had more funds available, then we said, *well then, maybe we should put it back to what we wanted to start with.*

**Mr. Austin O. Harris, Jr.:** Mr. Chairman.

**The Chairman:** Yes, go ahead.

**Mr. Austin O. Harris, Jr.:** If I may just ask one question along the same lines that I think you are focusing on now.

We accept the witness testimony that the decision was taken by all and sundry, which included members from the Major Project Office and the Public Works Department to swap out the lead consultant from Chalmers Gibbs to RS&H based on what was identified. I think the chairman of the board stated that RS&H dotted all the "I"s and crossed all the "T"s and looked good on paper.

We were also told that the lead consultant performed satisfactorily during the design and development stages of the project from January to October 2015; but it was later discovered during phase 1 between October 2015 and September 2016, that there were a number of concerns regarding the performance of RS&H, who again at this stage, were swapped out because they were considered to be the expert in this area.

There were concerns related to the time taken to respond to the contractor's requests for information—and this is found on paragraph 35, page 14 of the Auditor General's report; concerns over the

submitting of approvals and pricing, concerns over the agreement to the contract variations, which earlier on we stipulated exceeded 500 different variations over the life of the contract, as well as submitting monthly status reports.

A key aspect to the governance framework which seeks to ensure value for money is that key decision makers are kept informed of the project's risks and issues as they happen. We are informed through the Auditor General's Office that the early concerns identified over the performance of RS&H never reached the Project Steering Group. These concerns were raised by the Airports Authority but the Airports Authority decided, for whatever reason, that it was not significant enough to raise those concerns with the Project Steering Group that had overall oversight.

I am curious as you gave testimony earlier that you served both as chairman of the Project Steering Group but also fulfilled your role as a non-voting member to the Cayman Islands Airports Authority board. Why is it that the early concerns of performance by RS&H were raised and identified at the board level, but it was decided not to raise it as a red flag at the Project Steering Group level?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** I think that goes back to my previous comments that those discussions, I am pretty sure were had with the steering group members but not necessarily in a meeting setting. It also goes back to the fact that we need to have those meetings and record that we did these things. So, again, that is one lesson learned.

**Mr. Austin O. Harris, Jr.:** Do you believe if those concerns had been brought to the attention of the Project Steering Group at that early stage, action could have been taken to address the performance issues sooner, versus waiting until the project was much further advanced; things like the baggage handling system, the incomplete design drawings, the challenges in receiving the approvals, all of which were the responsibility of RS&H?

Do you believe after the fact, that had those red flags been raised earlier, we may have avoided some of the challenges and in particular, cost overruns that certainly raised their ugly head further on in the project development?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Action was taken with RS&H, just to clarify that—even though it may not have been recorded in a steering committee meeting—in terms of voicing our concerns and demanding improvement however, they would improve for a while and then fall back.

To the extent that the RS&H lead project manager for the job was fired, I think at some time in

early 2017, and was replaced with another guy who was not much better and was fired in late 2017. We then got a third project manager who was much better but had a lot of baggage to deal with from what happened previously. We had no issue with this particular project manager; he was very responsive and seemed to be doing all the right things, but there was too much that had already happened and it just led us down a pretty bad path with RS&H.

As I said, the steering committee were aware of what was going on. I think the actions that were taken would have been the same if we had recorded those discussions. I believe we tried everything we could with RS&H, however, the main action that could have been taken would have been to release RS&H and take on a new set of consultants but that would have had any number of problems and additional costs.

I am sure, with my limited construction knowledge—and I have had this discussion with the head of the MPO—it would have cost us a lot more to engage a new architect to take over work that someone else had started and ask them to complete it within the same budget.

**Mr. Austin O. Harris, Jr.:** Can you state whether RS&H receive the contracted \$4.096 million which was their portion for services rendered, despite these performance concerns?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes; they were paid and no one has said that they did not deliver what they were contracted to deliver; they just did not do it in the right time frame. The main impact on this project was delays; delays, delays, delays.

We stopped paying RS&H sometime in early 2018, maybe around April or May and they continued to work until past July, but we told them that we were not paying them any more money and they had to finish what they committed to do.

**Mr. Austin O. Harris, Jr.:** But these delays, as you just gave testimony, had a value—

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes.

**Mr. Austin O. Harris, Jr.:** And these delays contributed to the cost overruns.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes.

**Mr. Austin O. Harris, Jr.:** And these delays, whether they be plans or otherwise being incomplete; despite looking good on paper and having more experience in airport redevelopment, as we heard in witness testimony, these delays and actions—or lack

thereof—by RS&H, cost the taxpayer more money, yes?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes, however, let us take the missing sewer pipe, for example: if that had been there at the beginning, we still would have had to pay for it. So yes, it did cost more; how much that would be, is difficult to calculate. All of that is the basis of this ongoing dispute that we have now with RS&H.

**Mr. Austin O. Harris, Jr.:** Just a final question: are there any plans or considerations for pursuing action against RS&H at this time or any future period?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** That is a matter of discussion with our legal counsel. We have a meeting with them soon to try and close out the final account and it depends on how all that goes.

**The Chairman:** Just a couple of follow-up questions: did the Major Project Office ever advise the steering committee of the inherent risk in starting this project with incomplete drawings?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** No, I do not think that the incomplete drawings came to light until after the project started.

**The Chairman:** Was reviewing the drawings one of the responsibilities that the Major Project Office was employed to do?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** I cannot say specifically that that was one of the requirements; the high level thing was to manage the project, whatever that entails.

**The Chairman:** Okay.

We talked earlier about the how the contractor submitted their claims for additional things that were not part of the original contract; did the steering committee do its own assessment? I think you said earlier that JEC was still involved in the sign-off of cost or were those prices just sent to JEC with the expectation that they would review the cost in terms of the original contract?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Whenever there was a change, it was managed by both the contractor and JEC. They would come up with a rough order of magnitude for the cost because in many cases, you had to keep the job going, you had to proceed with the work; so we get this order of



magnitude, give the go ahead, and then the final cost would be worked out later between the cost consultant, JEC, and the contractor.

**The Chairman:** Did that figure require approval by the steering committee?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** No; not in all cases. As I said, in many cases, the work would have been done before they got the figure because they just had to keep things going.

**The Chairman:** My concern is that, having to do it the way you had to leaves room for overcharging. Was it ever discovered that the contractor was in fact, using the opportunity for delays or changes to increase their prices in terms of what it was expected they would earn from the project?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** No, I cannot say that we ever suspected that. There were committed to providing whatever work they did at the same rates that they bid on and it was the job of the cost consultant to make sure that was what was happening. We never suspected that was happening. The problem we had was with the delays happening in the first place and then a further delay in the cost consultants and whoever else from RS&H agreeing the final price with them.

**The Chairman:** And the cost consultant you are referring to would have been JEC?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yes; but we did not hire JEC directly, they were hired through RS&H. They were part of that consortium.

**The Chairman:** Ah, okay.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Any communication about cost, consultation was done with RS&H. They were our contractor for that.

**The Chairman:** So you have no reason to suspect that the contractor did not get any additional billing because of the delays caused by somebody else? They just bore that on their own and only relied on what it would have costed them to do it if there had not been any delay?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** No, I will not put my head on the shopping block and say that. All that I am saying is that we do not suspect that they got paid any more than they should have.

**Mr. Austin O. Harris, Jr.:** Just one final question. Again, accepting that like every other major airport in the world, where redevelopment is constant and ongoing, the airport terminal has been expanded, but as you have identified, we are 45 per cent capacity, when we were expected to be at 10 per cent capacity; so clearly the timelines are expedited.

We have runway expansions, taxiway expansions, ongoing considerations for footprint expansions, both horizontally and vertically, and because we accept that many lessons were learned as a result of this exercise, has there been or will there be a post construction evaluation that the Authority or the Ministry will complete that will guide the Ministry in future redevelopment projects? Can you say if it has been done or if there are plans for this post-construction evaluation to be done?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** It has not been done but I think it would be a good process for us to go through; I have no problem moving that forward.

**Mr. Austin O. Harris, Jr.:** Thank you.

I think it would be a value not only to this Committee but because, as stated before, the ongoing projects are just that, ongoing, so thank you.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Okay.

**The Chairman:** Earlier, the CEO suggested—in fact he guaranteed—that the final cost is going to be \$74,030,000...

*[Inaudible interjection]*

**The Chairman:** Was it \$30,000 or \$300,000? Which one is it?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** It is \$74.03 million, whatever that is.

*[Laughter]*

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** It is \$74,030,000.

**The Chairman:** It is \$74,030,000, that's what I thought.

Maybe I misunderstood what he was saying. He said there is a meeting in a couple of weeks to finalise the allocation of that \$74 million—we just round it off to \$74 million. If you do not have agreement on the cost centres, how can you have a final figure?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** There is a figure that the contractor has put forward and we are pretty sure that the cost consultants are in agreement with that. What we need is the final document that says that and lays out all the reasons why that is the right amount; that is what has been missing for some time that we have been trying to get, and the meeting next week is all about getting that right.

**The Chairman:** But if you do not get that agreement next week it will go further off into the future, because we are what—about two years looking for a final figure?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yeah. I mean, it has been a struggle. Lots of communications and not much action on their part for reasons that only they know, but our intention next week is to have this meeting and take a good record of all the reasons why they are saying they cannot do it; and if that proves to be the best we can get, then we will have to just close it out there.

**The Chairman:** Because my understanding is that the final figure would be a totality of expenses that have already been agreed and paid for various entities; or is it the expectation that once you come to this final figure, there are additional payments to be made to make up that figure?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** No; once we come to that final figure, there is one more payment we have to make; this is just money we are holding that would take us to that figure and then we are done.

**The Chairman:** Okay.

Are there any other questions?

Thank you very much Mr. Anderson. I appreciate you coming down and explaining this complicated process to us.

Thank you.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Thanks for having me, sir.

**The Chairman:** The Committee is suspended until 2 pm.

**Proceedings suspended at 12:18 pm**

**Proceedings resumed at 2:08pm**

## **MAJOR PROJECT OFFICE (MPO)**

### **ADMINISTRATION OF OATH OR AFFIRMATION**

**Mr. Roy Williams, Senior Project Manager, Major Project Office:** I swear by Almighty God that the evidence I shall give to this honourable Parliament shall be the truth, the whole truth, and nothing but the truth.

**The Chairman:** Good afternoon, Mr. Williams.

On behalf of the Committee I would like to thank you for taking the opportunity to come and talk with us. The only rule is that when you are asked the first question, you state your full name and title and what you represent, so that it will be correctly recorded in the Hansard.

Mr. Austin, are you going first?

**Mr. Austin O. Harris, Jr.:** Yes, sir.

**The Chairman:** Okay.

**Mr. Austin O. Harris, Jr.:** Thank you, Mr. Chairman; through you, good afternoon to the witness.

We have heard testimony throughout the day that the cost overruns experienced by this project certainly does not make it unique, in terms of government projects, there are always cost overruns, but the Auditor General's report placed the responsibility for much of these overruns squarely on the lead consultant that was selected for this project and I do not think there is much disagreement where that is concerned.

The project, estimated to cost \$55.1 million at the start of the OBC, ultimately ended at \$74 million at the end of the day with some 90 variations requested by the contractors, which include Arch & Godfrey and McAlpine; 60 of those 92 were blamed on the design work and recommendations of the lead consultant, requiring the project manager, which I assume is you, to play a more hands-on and direct role.

I have a few questions. We see that the overall oversight was the responsibility of the Project Steering Group and the Cayman Islands Airports Authority. It was a project that was delivered not through the Major Project Office, although there were members of the Major Project Office on the Steering Group, but instead, delivered by the Authority.

We also heard evidence that few of the members of that Steering Group had any real world knowledge in engineering or major construction design to manage the scope that was this contract, so my first question is: what is your background? What qualifications do you bring to the table as the Project Manager for the Owen Roberts International Airport Terminal project?

**Mr. Roy Williams, Senior Project Manager, Major Project Office-Public Works Department:** Good afternoon and I thank everyone for allowing me to speak.

My name is Roy Williams. I am the Senior Project Manager and I work for the Major Project Office, seconded to the Airports Authority.

To answer that question on my background: I am a licensed professional engineer in the state of Maine, USA. I have been in airports for over 15 years—actually 20 now; I have to think of the five years that I am here.

My role in my last airport was deputy director of engineering and facilities, so I am very familiar with the way airports 'breathe' is a better word—how the flow through airport security help passengers move around. I think I was more than qualified to take on phase 2 of the project. I was not here for phase 1 of the project.

**Mr. Austin O. Harris, Jr.:** In terms of the errors identified, it was stated that it appeared at first glance that RS&H seemed qualified on paper but in terms of their actual performance, it left something to be desired.

There were—I am trying to find it and forgive me for hopping around but the Chairman elected me to go first, so I have to make sure I am on point.

There were issues with the design and managing the costs associated with the contracts; there were issues with the tendering for contracts and contract administration, and there were challenges with the various designs which had to be amended.

Why did we allow RS&H to continue as lead consultant on this project, given the number of issues that were seemingly identified perhaps from very early on? I note that to date, whilst litigation has perhaps been discussed, there has been no decision to challenge RS&H on the works delivered. The outstanding question I have is: how was it allowed to continue for so long?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** I can only speak from July 2016 when I arrived. I spent maybe two weeks with my predecessor but in 2016, when I identified what was going on in the project, it probably took two to three months before I realised that the design team was very fragmented. There was not a lot of synergy between them and I was playing a major role in trying to get all those to work together.

To answer your question: when a major project starts and you have a design entity, you try to work with them to try and see if you can help them up and get them to do what they need to do, so that was my primary role at the beginning. I think it was five or six months in, that I got a phone call on Monday morning from the RS&H project manager saying that he was let go, so obviously there was a lot of

dissatisfaction behind the scenes there at the consultant level.

Coming back to your question; to release the design entity at that stage where we had an active contractor constantly hounding for requests for information, submittals and answers to anything would have stopped the project; it may have taken a week or a month, but it would have stopped the project and by stopping the project you would have then gone into a contractual delay and the meter would have then started to tick. There is always optimism that you can work through the problems with the design team, unfortunately.

I believe that the third RS&H project manager was actually quite good; he was basically digging out of a hole at that point, but he brought it to the end. Those are the reasons why you would not get rid—they would have to be so bad, that then all hope is lost but that was not the case with RS&H.

**Mr. Austin O. Harris, Jr.:** The project from a cost management perspective had an OBC that was prepared in 2014, approved by the Cabinet on the 5<sup>th</sup> August 2014, and then by the FCO on the 15<sup>th</sup> August 2014; but the actual start of phase 1 of the project did not occur until a year later in September 2015, with phase 2 beginning in May 2016.

Again, from a cost management perspective, there was no Final Business Case offered up on this project as well to give the assessment steering committee or even the board of directors of the Cayman Islands Airports Authority anything more than estimated costs.

This Final Business Case and the absence thereof may have happened before your arrival but from your experience in previous capital projects, how important in the overall cost management process, do you believe a Final Business Case is necessary as part of the procurement rules to ensure effective value for money is achieved in capital projects of this size?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** To answer your question, it is very, very important.

A Final Business Case is taking the tendered prices and applying them to get an approval to move forward, but it also gives a chance to add the things that you need to add, which would not necessarily be shown in the OBC.

For instance with the airside project, which we have just finished, the Final Business Case showed two contingencies: risk and the want of additional things because Cayman is limestone, with the airside project there was the risk when you dig a hole, you know, you could hit caverns. I think the FBC for the airport, if it had shown the risk outlined in the OBC, which was put together by PWC, which is very normal, 25 per cent—I would have gone a little bit higher if it

was me—again, I think it would have looked a lot better.

**Mr. Austin O. Harris, Jr.:** This is my final question on this point: I asked this question of the CEO when he gave testimony earlier and he indicated he thought it was a good idea and he would move it forward.

To your point, given that the airport, in particular, is presently engaged in other project works: the air side, the terminal which is what the report is based on was the first project but the second project now is the airside. We also heard that there are other expansion projects, either planned or expected in the not too distant future; the most immediate, I think, will be the terminal again, in terms of space, because of the expansion and growth of the attractiveness, if you will, as a jurisdiction, and therefore the ability to move passengers both tourist and domestic.

It was recommended that a post-project evaluation be conducted on the lessons learned, both from a governance framework, as well as perhaps the Strategic Outline Case, the OBC and then a Final Business Case on costing and all of that. Would you agree that a post-project evaluation would be useful, particularly in terms of future projects that the Airports Authority may see itself engaged in?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** Absolutely. This is very normal; to have a close-out of the project is to look at lessons learned. I believe the MPO is starting to look at that.

Now that I have finished the airside projects the only active project we have in construction at the moment is the school. Nonetheless, the MPO is growing and we are trying to put some standards together and one of those would be a post-project look as to how we can support our clients, in this case the Airport Authority, and do better.

**The Chairman:** Can you explain to the Committee what your engagement terms of reference were to the Airports Authority?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** I was the Senior Project Manager for the terminal expansion and the airfield projects. I was directly responsible for the steering committee meetings, to present to the steering committee on the progress of the project, and also to present to the board.

At the beginning when I first arrived, the board was once every couple of months, but as the project evolved, that escalated into once a month and it has been like that ever since for the last three and a half years. My role as the senior project manager is to look after the interests of the Authority during the project.

**The Chairman:** Would that have included a review of the drawings to make sure that they were complete prior to signing contracts and whatnot?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** Again, that was before I arrived—the contract was signed in May.

To give you an example, this is very standard practice, during the airfield project I get the final tender drawings and I do a page turner with the client; so I would literally go through every page to see if that is something they want.

Now the technicalities: there are certain things I can look at, but there are some things that I am not qualified to do, for instance, the electrical piece; you can only do so much because you are actually employing the design entity for their expertise to put these drawings together.

**The Chairman:** It seems that nobody had any responsibility to make sure that the design drawings were anywhere close to reality, because the CEO gave evidence this morning that his best guess was that they were only 75 per cent complete.

We had several witnesses talk about this “complicated project”, but it is not really a complicated project. It is mostly a single story building; it has mostly open areas and two belts, one that takes baggage out and one that brings baggage in. I mean it is not that complicated. It is not a ten-story building that we are doing.

Why was it possible for the consultant people, RS&H, to deliver drawings that were accepted that were only 75 per cent complete?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** Let me go back to your point about a complicated building: Yes, from a physical standpoint, it does not look complicated but the complications in this project was or is, in any airport that is operational, this terminal was ripped apart, meanwhile allowing passengers to leave the parking lot and get on and get off a plane, and get back to the parking lot. That is the complication, with the security access line constantly moving, channelling people through from a security standpoint and checking them in much smaller footprints while we are building. That was the complication.

Now, I cannot speak for the drawings. I am surprised that there was not some sort of oversight or certainly a conversation with RS&H, such that they would do a page turner with the client, with individual departments—for instance, the security department—to understand if what they have designed actually works for them. I think that there was a miss there early on before contract signing.

**The Chairman:** I understand that the former senior project manager was asked to do a cost review in 2018. Did you ever have sight of that cost review?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** I did.

**The Chairman:** How much did that cost review differ from the original contract and was the cost review before or after the contract was signed? I would think it would be after, if it was in February.

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** That is correct, yes. Denise Stabler was the previous. "*The Stabler Report*" as I refer to it was pretty much a report on what happened prior to July 2016 and the cost piece of that is how it grew from \$51.9 million to \$56.2 million.

A lot of the content of that report was about how RS&H failed to deliver certain things that were needed—one of those being the baggage handling system—which was a huge impact on phase 2. The report was not just costs but about the state of the project leading up to July 2016.

**The Chairman:** Given the final figure that we were given this morning of \$74 million, the review does not seem to have had a very controlling effect on the over spend.

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** Well the review was done in 2018, it would not have any effect on the...

**The Chairman:** Okay.

I understand that the original contract included a Bill of Quantities. When there were changes to the design, whether as a result of decisions made by the board or by the steering committee, how was the pricing of those changes calculated?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** If there is a change, it could be the contractor, the designer or the client that instigates a change. If it was, say, the contractor, they would put in a variation instruction request, and they would add a ROM (Rough Order of Magnitude). That ROM would then be logged in the Quantity Surveyor's spreadsheet and then once the job had been done or... Sometimes we did not know what the cost of that variation would be until it was completed. As the project evolved, RS&H and the cost consultant were very slow in responding, probably because there was no money in the project for them; for the last year of the project they were not getting paid but they had the contractual obligation to

finish, so it was very difficult sometimes to get information out of the RS&H team.

**The Chairman:** When the contractor did a ROM, was it signed-off on site by you, by some member of the steering committee or by CIAA staff to ensure that what was sent for the cost consultants JEC to pay was close to accurate or were they allowed to go directly to the cost consultant to get paid, once you approved a ROM?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** The cost consultant would sign-off on the change and there was never any signage from me or Mr. Albert. We looked at the monthly requisition, at the changes, based on what the cost consultant came up with and that is when we would agree.

**The Chairman:** So you all did not certify the need for a change before they were allowed to... You relied on a monthly report from the cost consultants.

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** That is correct.

**The Chairman:** But what was your role as project manager if it was not to ensure that something that was being asked for was justified and cost properly, and that if they said they would use 20 blocks they actually used 20 blocks and not 10?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** But that is what the cost consultants for. That is what we are employing them for; to be our gatekeeper on these costs. I am not qualified to count the blocks, as it were.

**Mr. Austin O. Harris, Jr.:** If I may just pick up on the point of cost and time delays, as it relates to the project completion.

I think the Auditor General's report indicated that the project was estimated to be largely completed by the end of 2018, but not fully completed until the end of February 2019. The changes relating to the delays and the completion date were many:

- Phase 1: The project was supposed to start April 2015, but it did not start until two months later and this was largely because of the delay in establishing or developing the OBC.
- The consultancy services, cost and contracts were due to start in October 2014 but because RS&H lacked the necessary company registrations it did not start until three months after the fact.

- Obtaining Building Control Unit's approval for the electrical works were delayed some 36 weeks because of deficiencies in the drawings provided by RS&H, and then of course the big one as you just pointed out;
- The awarding of the contract for the baggage handling system was delayed a further 10 months because of poor tender materials, again prepared by RS&H.

In these circumstances, and if I may be so bold, particularly in this time of year, which is an election year, persons like to have someone to blame, and usually that person to blame is the government. In this case, a project that was estimated to cost \$51.9 million, but when it was all said and done, as we heard today, was \$74.03 million, an increase of some 35 per cent in cost overruns. It is easy to point your finger and blame the government and say, "*Well, here is another example of government contracting.*"

However, page 18 of the Auditor General's report, seeks to draw out the culprit in this blame game question. Paragraph 54, which is found on page 18, states that in February 2018 the former Senior Project Manager was re-appointed to review the estimated cost of the project submitted by the consultants with a view of identifying the reason for variations from the original estimate and identifying whether they were a result of:

1. A change in scope requested by the clients—and we know there were many.

Certainly the Airports Authority, according to the report was responsible for six major changes, but likewise, RS&H we understood from testimony, were responsible for 412; or,

2. Was it the result of errors or mistakes in the original plans, many of which may be attributed to RS&H

I made a number of statements based on the report that seems to point a finger at RS&H, but presumably you were reappointed in February 2018, to answer this question. What was your determination?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** No, that was not me.

**Mr. Austin O. Harris, Jr.:** It was not?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** That was the Denise Stabler report.

**Mr. Austin O. Harris, Jr.:** Oh I see; I apologise, I apologise. Well, maybe I will get the opportunity to ask that question to someone else. Forgive me.

**The Chairman:** As Senior Project Manager, did your Office give any consideration or make any recommendation to the Cayman Islands Airports Authority that they should retain their own cost consultant?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** Yes. It is very normal to have the cost consultant working for the owner because that is basically the senior project manager's wingman or wing-woman, to work through the lead consultant; you have no control over the cost consultant; everything has to go through the lead so yes, absolutely, that would be a recommendation from the MPO from future projects to have...

**The Chairman:** My question is: did you recommend it for this project and the steering committee said, *no, they would prefer to have it working for the lead consultant?*

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** Again, I was here in 2016. Those decisions would have been made much prior to that.

**The Chairman:** Yes, but it is never too late to correct a decision when you are having this kind of inflation.

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** I do not recall ever saying that. Again, to switch cost consultants midstream... Again there is a huge learning curve to understand what is going on.

I do know that the cost consultant was hired late in the early stages, and that makes it very vulnerable to mistakes because the cost consultant does not grow with the design. So no, I would not recommend releasing the QS and getting somebody else midstream, for the same reason I would not release the design team.

**Mr. Austin O. Harris, Jr.:** Mr. Chairman.

**The Chairman:** Yes, go ahead.

**Mr. Austin O. Harris, Jr.:** I just want to go back to the question that was put to the former Senior Project Manager—and I thank you for the correction that it was not you.

As I understand it, the former Senior Project Manager, I think you stated her name is Denise Stabler?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** Correct.

**Mr. Austin O. Harris, Jr.:** She would have been preparing this answer for the project manager so, whilst you did not answer whether or not the reasons

for variations and cost overruns were a result of a change of scope by the client or mistakes made in the original plans, you are familiar with the answer she provided.

Could you inform this Committee what her conclusion was to that specific question?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** The Denise Stabler report, the cost evaluation was only from the \$51.9 million to the \$56.2 million, which is shown in the audit report. She had no idea what was going on once she left, so the report which was drawn up in 2018 was for us, the MPO, to get a full understanding of what was going on at that time, to try and identify what happened.

**The Chairman:** But why was she asked to evaluate that when it was driven by a board decision? We were given evidence this morning that that \$5 million plus was a board decision based on wanting to re-insert things they had taken out for budget constraints.

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** Again, I was not here; I do not know.

**The Chairman:** Okay.

**Mr. Austin O. Harris, Jr.:** To your point, Mr. Chairman: paragraph 18 on page 10 of the report stated that the board requested a number of changes, including upgrading the hurricane glass and canopies for the passengers, but these were requested for upgrades not accounting for the significant increases in cost. I just wanted to provide that clarification—that it is clearly stated in the report.

**The Chairman:** Can you explain why it has taken this long to come to a final account for a project that was basically operational two years ago?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** The project ended on July 31<sup>st</sup> 2019. The cost consultant, RS&H, was to supply us with the final account within three to six months; six months went by and we were no further forward.

It was revealed at that point that RS&H wanted more money before they released the final account; it was their leverage, as it were. It turned out that the cost consultant needed more money from RS&H, and RS&H wanted to pass that cost on to the Authority. Of course we denied this; there was a lot of back and forth, and that was the beginning of legal advice.

I should also add that, probably in May 2020, we received a final account that was very, very poorly written—there were many errors, many still provisional

sums and repeat numbers. We just literally threw it back, and there was a back and forth with RS&H to come up with a final account that actually made sense and we are still not there yet. We are close, but not there yet. We are meeting in early to mid-February to discuss this.

**The Chairman:** I get the sense that there is no urgency to complete this thing; “*We will ask for this and if we do not get it, we will wait a couple of months*”.

You need to have a meeting now but it is a month from now before you have the meeting. We were given evidence this morning that could assure us that it would not exceed \$74,030,000, but you are now saying that you do not really have a final agreement.

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** We do not have a final account.

**The Chairman:** What is the difference?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** So we have a draft final account with a number, which is the \$61.9 million. If anything, it will get lower, it will not get any higher.

**The Chairman:** Well, in 2018 the project was said to have overrun to cost \$64 million. How come the project has not been completed, there is no work being done, but we are looking for another \$10 million in cost?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** You are referring to the 2018 audit report.

**The Chairman:** Right.

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** That was produced in 2018, we still had a year's worth of construction to go at that point. Like I said, the project finished, construction-wise, in July 2019—a full year later.

**The Chairman:** But the majority of the construction had been completed, it was mostly interior work, et cetera, that had to be done.

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** No, that is not true. We still had the second floor administration level and the south arch to do; what I call phases 4 south and 5 were still ongoing; the hurricane glass on the south side was still being installed right through to

past his Royal Highness' visit, so there was still active work going on the south side.

**The Chairman:** But...

*[Inaudible interjections]*

**The Chairman:** Yes, please.

**Mrs. Sue Winspear, Auditor General, Office of the Auditor General:** Thank you Mr. Chairman.

To sort of pursue this line: when we did the report, we were working to try and work out the revised final cost, which is where we got to the \$64 million in Exhibit 2.

**The Chairman:** Right.

**Mrs. Sue Winspear, Auditor General, Office of the Auditor General:** I suppose it would be helpful, if we are potentially going up to \$74 million, to understand which of the areas. Is it all on phases 2 and 3 construction?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** Well, in 2018 it will be in all areas basically; phases 4, 5 and 2 south. Phase 2 south was broken into five sub-phases. It gets very complicated.

**The Chairman:** Stick a pin. Those were all under contract of a price for the contractor. These were not new contracts that were being signed that were not part of the original contract.

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** This is correct, yes, however...

**The Chairman:** Okay. So the question is: having agreed on whatever the cost was and awarded a contract, why did those areas cost \$10 million more than it cost originally?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** So contractual claims for delay; again, phase 2 south—I cannot remember when that came online, I would have to look in there—because we did not have a baggage handling system, phase 2 which was all supposed to be completed together, was actually broken into phase 2 north and south. So, the \$10 million was a myriad of variations relating to many things; it could be design changes, unforeseen changes, client changes...

To give you an example, when we got into a demolition of the departure hall, the bag search area had to be demolished, while the operations needed a

bag search area, so we actually built a temporary bag search room. This was never on the tender drawings.

**The Chairman:** But all of that should have been anticipated in the design and the planning of the project. Everyone knew that this was going to be a project that had to be done while it was operational. The decision that it would continue to operate was not a decision after the design and the costing were done.

Are you telling me that none of that was taken into account when they did the original costing and planning for the rollout and development of the project?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** That is correct. RS&H did not allow for things like this; but I come back to the risk allowance: there are certain things in an operational airport, a very, very complicated facility where you need a risk allowance to combat these things. An architect cannot think of everything and sometimes things...

For instance, if you have a head of a department of say, Immigration, if that leader changes or maybe a regulation changes during construction... This construction went on for three years; sometimes regulations can change the way you do things.

For instance, the in-transit lounge; there was not a need for an in-transit lounge so all of that was changed. All of this is risk that you take on but you cannot plan on it.

**The Chairman:** While I agree with you, here is the problem that I have with that statement: how is it possible then that the Civil Aviation Authority—the steering committee—reduced the risk from 20 plus per cent to six per cent?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** Oh, now that I do not know. I cannot answer that. I was not here.

**The Chairman:** It seems to me that this project was just started wrong.

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** Correct. In my experience, a project will end the way it starts, and I believe that this project was poorly set up by the design team.

**The Chairman:** No, sorry, they cannot blame the design team for that, because the design team only did what the Civil Aviation Authority Board asked them to do. It was the Civil Aviation Board who should have been instructing the design team what they needed and they certainly should have been aware of all the



things that you just mentioned; all these difficulties that were going to crop up.

Evidence before us is that the reason RS&H was selected was because they were so good and they had done it in so many other places, but I guess they are not here today so they are taking the blame for everything. We will see what happens if we decide to call them.

I do not know if there is very much more that we can ask because we are basically not getting anywhere. No one is taking responsibility for anything; it is just, *well you know, it was this, it was that.*

As Project Manager, did you have any reason to suspect that the contractors used the delays to inflate their price; were they rewarded for delays that were not their fault and allowing prices to increase?

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** No, I have no inclination of that.

**The Chairman:** Are there any other questions?

Okay sir, I thank you very much for your time and I wish you well.

**Mr. Roy Williams, Senior Project Manager, Airport Development, Public Works Department:** Thank you very much.

*[Pause]*

**The Chairman:** Tomorrow morning we have the contractor, McAlpine, and the Chief Officer for the Minister coming in.

The meeting is adjourned until 10 am tomorrow morning.

**At 2:52 pm the Public Accounts Committee adjourned until Thursday, 28 January 2021.**