



Infrastructure UK

Government of Anguilla
Clayton J. Lloyd International Airport
(AXA) Redevelopment Project: IUK
Review and Strategic Advice

March 2015

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1. Summary and Recommendations

1.1 The Government of Anguilla airport project is at an early state of maturity and there is much work to be done to properly establish the project and provide a robust basis for it to progress. The focus of the IUK review and the recommendations made in this report reflect the project's status.

1.2 Through the Tourism Master Plan (TMP) the project has a strong strategic case, with a clear need and set of economic benefits. This strategic case appears to be well supported by Anguillan politicians, officials and the wider population. While the strategic case set out in the TMP provides an excellent starting point, this needs to be built on urgently with the establishment of a dedicated project team and the development of a thorough, robust and persuasive business case.

1.3 Set out below are the recommendations which emerge from our review. These have not been listed in priority order and no explicit weighting has been given to them. Section 5 (*Next Steps*) suggests which tasks should be tackled in the short term in order to establish the project and take it forward in proper order.

1.4 We suggest the GoA develops an action plan for the implementation of our recommendations and presents this to the Executive Council, seeking endorsement to a clear way ahead for the project. Officials should move quickly and aim to have this ready following the outcome of the forthcoming elections.

1.5 Given the significance and fundamental nature of our recommendations, our overall rating of the delivery confidence for the project is Amber/Red. This means that in our view successful delivery of the project is in doubt, with major risks or issues in a number of key areas and urgent action is needed to address these and properly establish the project.

RECOMMENDATIONS

Recommendation: *In parallel with the airport development project the GoA should develop a national infrastructure plan or island development plan for Anguilla that scopes, timetables and prioritises the related social and economic infrastructure investments that the airport development is dependent upon to achieve the outcomes set out in the Tourism Master Plan.*

Recommendation: *The project team should rapidly develop a project vision statement and related set of project objectives and seek endorsement to these from Executive Council.*

Recommendation: *The GoA should adopt the HM Treasury 5-case model for development of the business cases for its airport redevelopment project and urgently develop a Strategic Outline Case as the first set in this process and before beginning any procurement activity with the market.*

Recommendation: *The GoA and AASPA do not issue the draft Expression of Interest and do not commence procurement until the business case has been developed through to Outline Business Case stage and has been approved by Executive Council.*

Recommendation: *The GoA should appoint an appropriately qualified Project Director to lead and be solely dedicated to the project. The GoA also needs to establish a small project team around the Project Director, including a PMO function, to support delivery of the project and reach-back to a wider group*

of specialists and functional leads within GoA and/or AASPA. GOA will need to make available an adequate admin and personnel budget for this.

Recommendation: *Suitable expert and independent Commercial, Financial and Technical advisers, with knowledge of the regional aviation market, need appointing through competition to provide the specialist input required to develop the business case and prepare the project for market. These advisers need to have deep and proven links to experienced North America or UK resource bases.*

Recommendation: *The project's governance arrangements should be reviewed and new arrangements approved by Executive Council including consideration given to:*

- establishing a project board or sub-committee of the Executive Council to provide direction, monitor progress and make decisions;*
- drafting clear Terms of Reference for this group; and*
- developing a scheme of delegation for the decisions that will need to be taken at project team, project board and Executive Council levels.*

Recommendation: *The GoA should mandate the project's use of options appraisal to determine the scope, scale, cost and value for money of the preferred approach to the airport's redevelopment.*

Recommendation: *The GoA must ensure that the project's options appraisal, reference project, value for money and affordability assessments and commercial model are supported by a thorough financial assessment of the existing airport operation (the base case) and a robust assessment of the potential aviation market delivered by an appropriate market expert to understand potential routes, carrier interest, estimated passenger numbers and associated runway and airport facility requirements.*

Recommendation: *The GoA must develop a realistic and sufficiently detailed timetable for delivery of the project, which includes clear milestones, a critical path and integrated parallel workstreams for business cases, procurement and land and property related activities (i.e. land acquisition, Environmental Impact Assessment and planning approval). Alongside the timetable the GoA should also produce a budget estimate for its delivery costs (including the costs of advisers). Early endorsement of both these documents should be sought from the project board and the Executive Council.*

Recommendation: *The GoA should establish a competitive process for its airport redevelopment project and resist entering into any prior exclusive agreements or Letters of Intent with 3rd parties.*

2. Introduction

2.1 The Foreign and Commonwealth Office (the “FCO”), through the Overseas Territories Team, has engaged Infrastructure UK (“IUK”), a division of Her Majesty’s Treasury, to undertake a review and provide commercial support services in respect of the Government of Anguilla (the “GoA”) Airport Redevelopment Project (the “Project”). Our review has been undertaken by Paul Illingworth, Project Director and Sree Maddineni, Finance Specialist both from IUK’s Delivery Team.

2.2 IUK’s role has been to review the project, provide advice and make recommendations to the FCO and GoA, focusing principally on its project development and management methodologies, its business case and procurement processes, and the commercial and financing proposals. Our terms of reference are attached at Appendix 3. The aim is to help ensure that project delivery is well executed and that commercial and financing proposals are viable and deliverable. Given the relatively early stage of development of the project however, there are not any developed commercial or financial proposals for us to comment on and accordingly the emphasis of this report is on putting in place the necessary developmental approaches to ensure the project is launched in the right manner and to increase the prospect of a successful procurement.

2.3 The information to inform our review has been drawn from a combination of document review and meetings with key project parties or individuals identified by GoA officials. A list of the documents reviewed is outlined in Appendix 1 and a list of those parties and individuals we spoke with is provided at Appendix 2. Discussions were held during a 5-day fact-finding visit to Anguilla, including a tour of the existing Wallblake Airport and facilities.

2.4 This report identifies existing examples of good practice and success, and also areas which we consider need addressing, including in some cases our proposals as to how they might be tackled. We appreciate that some of the points we make may already have been identified and understood by GoA; we highlight them in any event to reinforce their importance and to provide a holistic view.

2.5 Our findings and recommendations are based on the information provided and meetings held, and the views expressed in this report are honestly and impartially held on the basis of that information. This report does not, however, represent legal, financial or technical advice on the GoA’s scoping, design, legislative, commercial or contractual arrangements for its airport.

2.6 Infrastructure UK would like to thank the Governor, the Chief Minister and their colleagues for their hospitality and support during our visit and especially to thank Mr Bancroft Battick for his insights and forbearance with the visit programme. We appreciate the open, honest and constructive manner in which individuals engaged with us.

3. Background and Current Status

3.1 The strategic case for airport redevelopment is well made in the Tourism Master Plan published in 2011 and this has widespread support among politicians, government and AASPA officials and the general public.

3.2 Progress with the project has been slow and it remains in the concept stage, not grounded in a business case or reference scope and design. The nature of our review and the commentary provided in this report reflect that the project is at an early stage of maturity and that limited project documentation is available.

3.3 Expert independent technical, financial/commercial, aviation sector specialists and legal advisers have not yet been appointed to the project and procurement of a provider to undertake the airport redevelopment has not commenced. There is also no readily identifiable or dedicated project team in place and land acquisition, planning and Environmental Impact Assessment (EIA) processes have not yet started.

3.4 The GoA assembly has recently been dissolved in the run up to an election of new members. This has created an unusual political backdrop to our review, although there is widespread political consensus on the need to redevelop the airport, principally to increase tourism, and therefore drive economic growth/productive capacity.

3.5 There is much evidence that high risk projects can fail in both public and private sectors; in government this is most likely to be because the process of establishing a vehicle to deliver the project is incomplete or flawed. Common failings include:

- Insufficient sponsorship and leadership at both political and official levels,
- Unrealistically tight timescales and/or immovable delivery deadlines,
- Absence of, or limited, options analysis before solutions are decided upon,
- Lack of a business case to establish absolute goals and desired outcomes,
- Scope not finalised before the project starts,
- No agreed budget for project development or delivery,
- No contingency planning,
- Delivery resources (which may include suppliers) lack capability and/or capacity, and
- Lack of robust implementation plan and/or of strategic risk management plan.

To address these issues the UK Government mandated the application of a *Starting Gate* review for every major new initiative, which is to take place well before any delivery project gets properly underway. Its purpose is to help projects identify practical delivery issues much earlier in the policy-to-delivery lifecycle and so help major projects succeed from the outset. This IUK review in Anguilla has similarities with an UK Starting Gate review (Appendix 5 provides a link to the Starting Gate Guidance).

4. Discussion and Issues

4.1 Wider Context and Key Dependencies

4.1.1 The Tourism Master Plan (TMP) published in 2011 provides a good starting point for the strategic context for the redevelopment of the airport. The TMP sets out three scenarios (low, medium and high) for increased stay-over tourist numbers and we understand there is widespread support for the medium scenario (7% p.a. over 10 years) including endorsement by Executive Council. However, our field work indicated that differences of opinion exist over the extent of airport expansion needed to support this growth in tourist numbers. There are clear implications for the development of Anguilla from this medium scenario including for the redevelopment of the airport. This analysis should form the bedrock of the Strategic Case element of the business case (more below).

4.1.2 The identified actions flowing from the medium scenario in the TMP also create key dependencies with the airport redevelopment project because as the TMP identifies, without a well-developed and articulated tourism product the desired increase in the number of stay-over tourists is unlikely to be met. The TMP covers the period 2010-2020, a 10-year period which is already half way expired and implementation of the actions from the TMP appears to be slow. Consideration will be

needed of the extent of implementation of the TMP and progress towards 7% annual growth in tourist numbers – the TMP may need re-base-lining to reflect time expired. **It will be extremely important for the dependency between this implementation plan and the airport redevelopment project to be coordinated and carefully managed.**

4.1.3 More widely, a redeveloped airport with larger aircraft and increased visitors to the island, possibly arriving in peaks and troughs, has implications for the development of both social (e.g. taxis) and economic (e.g. roads) infrastructure in Anguilla. Furthermore, whilst there is currently spare capacity in the hotel sector to absorb increased stay-over tourists, more capacity will be required, possibly with a different accommodation mix, in the 5 years plus timeframe. This development will need managing and coordinating. We suggest the rapid development, in parallel with the project, of a National Infrastructure Plan or Island Development Plan for Anguilla that identifies and prioritises these requirements, supported by a clear strategic statement of need. These related requirements need timetabling over the short, medium and long term coupled with an investment plan as to how they will be funded and financed. This work should be led from the Ministry of Infrastructure and/or the Ministry of Tourism and not through the Project Team for airport redevelopment.

Recommendation: *In parallel with the airport redevelopment project the GoA should develop a national infrastructure plan or island development plan for Anguilla that scopes, timetables and prioritises the related social and economic infrastructure investments that the airport development is dependent upon to achieve the outcomes set out in the Tourism Master Plan.*

4.2 Vision, Objectives and High-level Requirements

A Vision Statement for the project should be developed from the TMP, which makes clear the outcome that is being sought from the project and against which success can ultimately be judged. The Vision Statement should be underpinned by a set of clear and measureable objectives and high-level requirements that can be developed into criteria for the qualitative evaluation of options. As appropriate these should reflect multiple outcomes in addition to increased productive capacity through tourism, such as the need to improve access for residents (e.g. for healthcare, family and employment purposes). These elements help define the “Why?” of the project and are the bedrock of the Strategic Case for the project.

Recommendation: *The project team should rapidly develop a project vision statement and related set of project objectives and seek endorsement to these from Executive Council.*

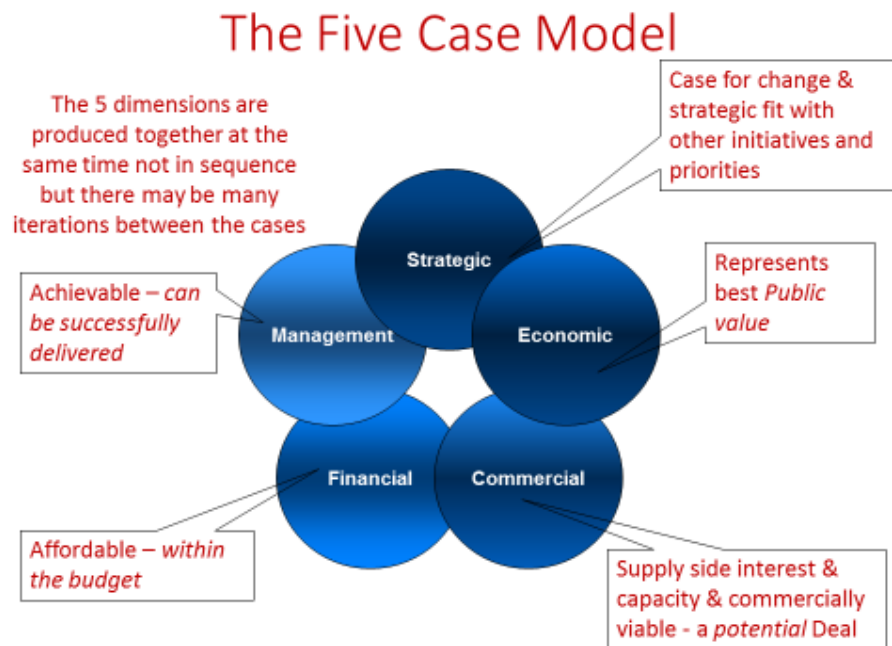
4.3 Project Discipline

4.3.1 Our comments in this section address business cases, procurement and related processes, such as planning and the inter-relationship and dependency between these strands. This is more than process and is about the application of best practice discipline to project development and delivery. When applied successfully these disciplines provide a robust basis for any project and ensure:

- buy-in from decision makers and key stakeholders as the project progresses,
- the resolution of outstanding issues and proper allocation of risks, and
- the development of credible and commercially viable proposals for investors.

4.3.2 Business Cases - We recommend using the HM Treasury 5 case model as a best practice framework for the development of the business case, through its three principal stages being: Strategic Outline Case, Outline Business Case, and Full Business Case. Appendix 5 contains a link to

guidance and template documents for the 5 case model and the attached document entitled “PPP/PFI Project Preparation And Evaluation Guidance” sets out a ‘How to’ guide to the production of a 5 Case model.

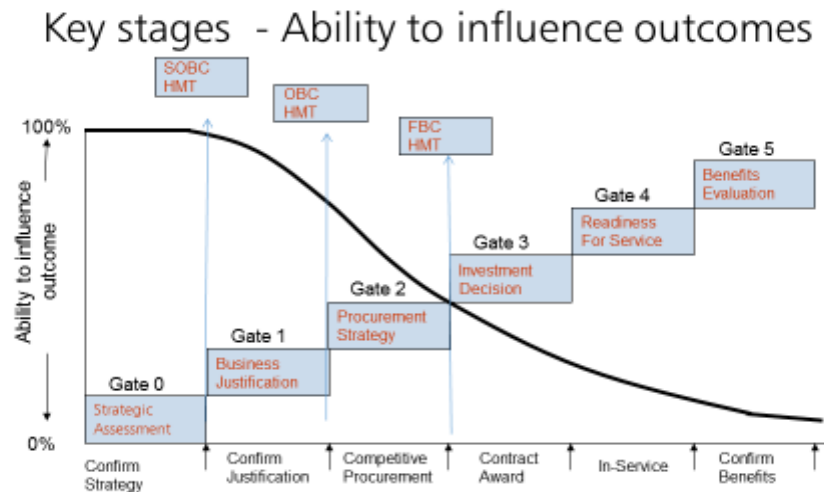


4.3.3 Policies, strategies, programmes and projects will only achieve their spending objectives and deliver benefits if they have been scoped robustly and planned realistically from the outset and the associated risks taken into account. The business case, both as a product and a process, provides decision makers, stakeholders and the public with a management tool for evidence based and transparent decision making and a framework for the delivery, management and performance monitoring of the resultant project. Through the 5 case model the business case in support of a new project must evidence that:

- the intervention is supported by a compelling case for change that provides holistic fit with other parts of the organisation and public sector– the “**strategic case**”;
- the intervention represents best public value – the “**economic case**”;
- the proposed deal is attractive to the market place, can be procured and is commercially viable – the “**commercial case**”;
- the proposed spend is affordable – the “**financial case**”;
- what is required from all parties is achievable – “the **management case**”.

4.3.4 It is urgent that the GoA develops a Strategic Outline Case (SOC) to define the project and secure widespread endorsement to what it is intended to achieve. This would provide a platform for establishment of the project architecture and basis for discussions with stakeholders, advisers and interested parties to support development of the Outline Business Case (OBC). More information about the suggested content of the SOC is set out under section 5.4 below. The OBC must be developed and approved before the procurement begins to demonstrate to stakeholders, bidders and potential investors that there is a well-defined and managed project, that is value for money and

affordable. Our extensive experience in the delivery of projects and National Audit Office reviews of effective project delivery in the UK emphasise the vital importance and positive effect on overall project outcomes of the work done in the early stages of project development. The diagram below illustrates how the ability to influence successful project outcomes reduces as the project passes through the project lifecycle:

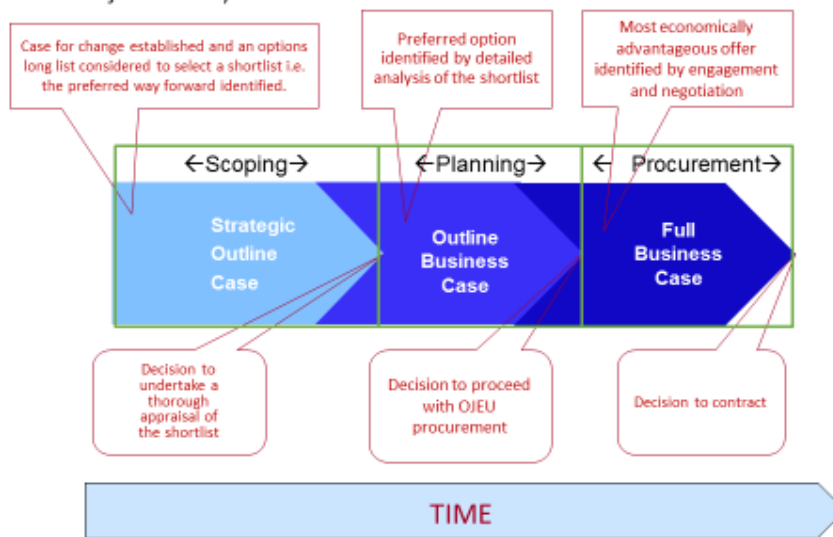


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Recommendation: The GoA should adopt the HM Treasury 5-case model for development of the business cases for its airport redevelopment project and urgently develop a Strategic Outline Case as the first set in this process and before beginning any procurement activity with the market.

4.3.5 Procurement - Bidding can be expensive in a global market with competing projects and potential providers and investors have extensive choice about which projects they participate in. Therefore projects need to come to the market in a structured, well developed and credible state to ensure the interest and commitment of potential providers and to support an effective competition which produces a number of affordable and well thought-through proposals. It is well proven that effort spent properly developing a project up-front will save time in the procurement and is much more likely to result in quality, affordable proposals from the market.

Alignment of the Stages of Project Business Case Development with the Project Lifecycle



4.3.6 We have reviewed a draft Expression of Interest (EOI) document for the project which AASPA proposed to issue. We strongly advise against issuing the EOI at this stage until an SOC and subsequent OBC have been developed. Unsurprisingly the EOI is unable to define the project requirements in enough detail or identify the proposed delivery approach (i.e. PPP or D&B etc.) because it is not founded on a business case which has explored these issues properly, so will not send the right message to potential bidders and investors. The EOI appears to include development of the business case in the scope of work for the prospective provider, which is a high risk and unusual approach. Issue of the EOI at this level of project maturity is very likely to lead to issues and significant delay later in the process, with loss of credibility, possible loss of market and a potentially expensive mistake.

Recommendation: *The GoA and AASPA do not issue the draft Expression of Interest and do not commence procurement until the business case has been developed through to Outline Business Case stage and has been approved by Executive Council.*

4.3.7 Related processes – Significant progress will be needed with land acquisition, an Environmental Impact Assessment (EIA) and planning approval before taking the project to market, but especially before issuing a Request For Proposals (RFP). Reputable and serious bidders will not involve themselves in too many unknowns or uncertainties or take the risk of an unsuccessful outcome to these processes and may even refuse to bid if they think a successful outcome could be in doubt. **Without the outcome from each process bidders will be unable to bid a binding price and a robust evaluation of the quality and characteristics of bids will be very difficult.** Planning approval will require completion of the EIA and a clear path to acquisition of any additional land required, including by exercising Compulsory Purchase (CPO) powers if necessary.

4.3.8 The purpose of the EIA is to assist the local planning authority when making a decision on planning permission for the airport project. The EIA will consider the effects the project may have on the environment and will help enable the local planning authority to take this into consideration when making a decision and formulating any planning conditions. Features of an EIA can range from the impact of the project on fauna/soil, waste disposal, and water purity to architectural and archaeological heritage, and social and economic impacts. Indirect impacts will also be considered. The UK follows a five stage process and further detail can be found through the web link in Appendix 5.

4.3.9 The SOC will set out a reference project which is the preferred option from the options appraisal, and is properly scoped, designed and cost estimated to meet the requirements of the project. A reference project will therefore determine the extent of additional land required, will provide a starting point for the EIA (although this will be iterative, with changes to design and methodology possibly required to accommodate environmental and social concerns) and a basis for an outline planning application.

4.4 Capability and Capacity

4.4.1 A Project Director needs appointing who is dedicated to the project and whose sole job it is to lead it and ensure it is delivered. GoA will need to make available an adequate admin and personnel budget for this. The common requirements of this role and attributes of the person filling it are set out in Appendix 4. It should also be recognised how these requirements might change through the project lifecycle, particularly if the chosen approach to project delivery is commercially more complex such as a PPP or Concession.

4.4.2 A project team has not yet been established to deliver the project and until this happens it is difficult to imagine much progress being made. As a minimum the Project Director will require administrative support and some PMO (project management office) capability which could be provided through a lead adviser (more below) or secondment(s) from the adviser community if a suitable candidate with project management experience is not available from within GoA or AASPA. The Project Director will also need access to other specialists embedded in AASPA or the GoA (e.g. finance, technical etc.). This support need not be full-time and dedicated to the project but could be provided through 'reach-back' arrangements to other parts of the GoA or AASPA for particular specialists or functions and the basis of their input agreed between the project, the individuals and their managers.

Recommendation: *The GoA should appoint an appropriately qualified Project Director to lead and be solely dedicated to the project. The GoA also needs to establish a small project team around the Project Director, including a PMO function, to support delivery of the project and reach-back to a wider group of specialists and functional leads within GoA and/or AASPA. GOA will need to make available an adequate admin and personnel budget for this.*

4.4.3 The project team is likely to follow a "thin client" model where the GoA client team is small and greater reliance is placed on the expert external advisers to resource the tasks required and to operate more as a delivery partner to the GoA. Suitably experienced advisers will need appointing from commercial/financial, technical and legal disciplines. The implications of a thin client model will need reflecting in their terms of reference and the project should consider, in light of its client resource and capability, the appointment of a lead or managing adviser through which technical and legal advisers are provided and managed, normally on a sub-contract basis. We have seen this approach work effectively on other projects where the lead or managing adviser is able to manage the production of deliverables and coordinate the provision of advice to ensure coherency and consistency across advisers. Experience with other projects in the Caribbean region, including the Cayman Port and the BVI airport redevelopment projects, suggests that the project should be sufficiently attractive to the advisory market to support a competitive tender for the work. We advise against simply renewing the engagement of CFAS without testing the market. It is important that the advisers have specific experience of project development, project and corporate finance and the aviation sector and preferably experience of working in the region. We believe, and it has proven valuable on other projects in the region, that the advisers should either be North American or UK

based or have proven and demonstrable links to these bases. The quality and experience of proposed individuals should be tested through the provision of CV's and reference projects as case studies, and their method statements should set out how links to their North American and/or UK offices will operate, including the extent of Partner oversight, and the extent of access to stakeholders in the aviation sector (e.g. airlines). We suggest the GoA liaises with other Governments in the region and use their experience and template documentation for the competition and appointment processes.

Recommendation: *Suitable expert and independent Commercial, Financial and Technical advisers, with knowledge of the regional aviation market, need appointing through competition to provide the specialist input required to develop the business case and prepare the project for market. These advisers need to have deep and proven links to experienced North America or UK resource bases.*

4.4.4 Alongside establishing a project team the GoA should also review its governance arrangements for the project. Whilst the big decisions will ultimately be taken at Executive Council, there are other decisions that should be delegated and fall to the project team or a project board as appropriate. The Project Board should bring together senior decision makers and key stakeholders to manage inter-dependencies and secure buy-in and make recommendations to Executive Council for approval at key stages to the project. Terms of Reference should be drawn up outlining purpose, responsibilities, membership and meeting regularity for the group. Alongside the TORs a clear scheme of delegation should be designed making clear the remit of decision taking at each level and the escalation requirements. Both of these should be approved by Executive Council.

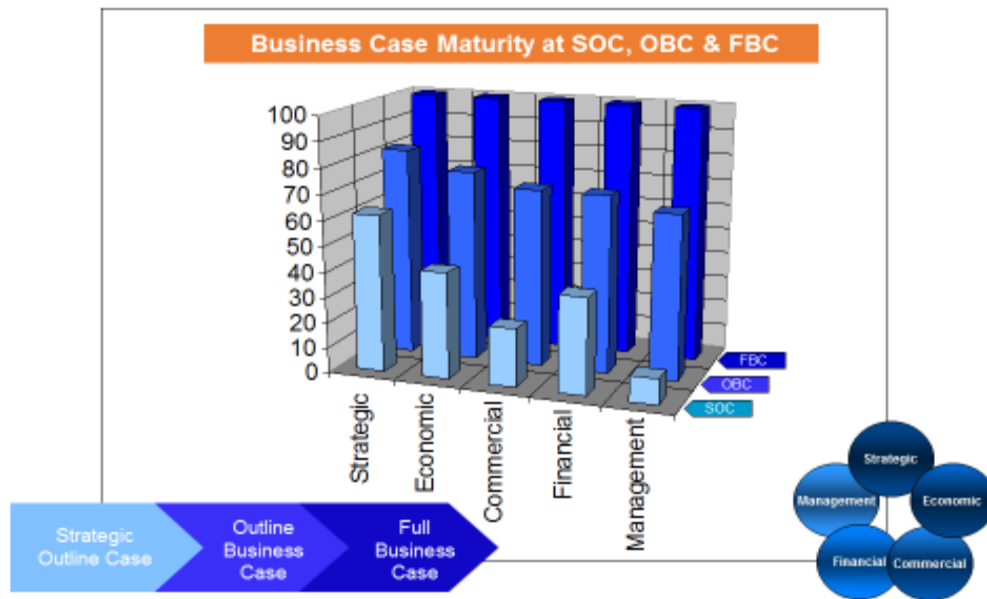
Recommendation: *The project's governance arrangements should be reviewed and new arrangements approved by Executive Council including consideration given to:*

- *establishing a project board or sub-committee of the Executive Council to provide direction, monitor progress and make decisions;*
- *drafting clear Terms of Reference for this group; and*
- *developing a scheme of delegation for the decisions that will need to be taken at project team, project board and Executive Council levels.*

4.4.5 All of these are important inputs to the Management Case, providing evidence and helping build confidence that the team is set for success and has political support from Executive Council.

4.5 Development of the Business Case

4.5.1 As outlined under *Project Process* above the GoA should apply the HM Treasury 5 case model (guidance in Appendix 5) to development of its business cases for the project. This guidance should not be slavishly followed and its application should be tailored to be appropriate and proportionate to the project, but it will provide a helpful framework and discipline for development of a robust project. The focus of the Strategic Outline Case (SOC) should be on establishing the Strategic and Economic Cases so there is a solid base from which to develop further the Commercial and Financial cases in the OBC and all five cases in the FBC should be in a full state of maturity, informed by market data from the procurement process:



4.5.2 The SOC should be built around three fundamental elements:

- The outcome that the airport redevelopment is seeking to realise and the purpose for the project in achieving that;
- The overall financial position for the airport including the historic, current and forecast figures for both the income streams and costs drivers; and
- Option appraisal of the possible approaches to redevelopment of the airport.

4.5.3 The process should be incremental to ensure stakeholders and decision makers are bought into aspects of the project as they are developed rather than being presented with a SOC in final form (e.g. the project Vision and Objectives should be taken to Executive Council or the project board for endorsement as soon as they are ready to secure political backing at an early stage). This approach will provide transparency of project activities for decision makers, building their confidence and enabling them to monitor progress and give effective direction.

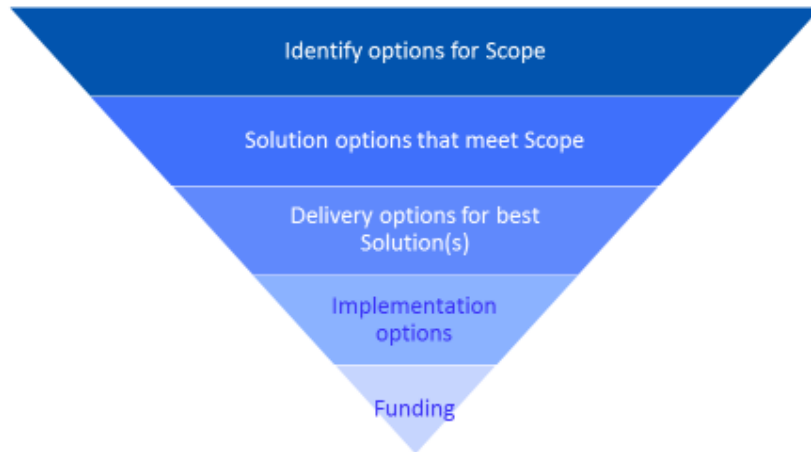
Strategic Outline Case (SOC)

4.5.4 **Strategic Case** - This needs to document and secure buy-in to the vision statement for the outcome the project is seeking to achieve and its objectives for how that success will be measured. The strategic case should demonstrate that the project's outcome is complementary to and integrated with the TMP and other parallel initiatives. These high-level requirements will help shape the scope and scale of the project and provide a framework against which options can be evaluated on a qualitative basis. Development of the benefits case is essential to the cost benefit analysis (or CBA) and drives the economic and value for money analysis for different options. Economic analysis should follow HMT "Green Book" principles (see Appendix 5 for a link to the HM Treasury Green Book guidance).

4.5.5 **Economic Case** – The option appraisal to scope and scale the airport requirements will likely derive low, medium and high scope scenarios and should include a "do nothing" option as a baseline

for assessing other options against. This element of the business case helps define the “What?” for the project.

Identifying the Preferred Way Forward - The Options Filter



Development of the options will be an iterative process involving the following factors among other things:

- Target passenger numbers to meet the desired increase in stay-over tourists.
- Source markets from which tourists have traditionally been sourced and new markets that preference surveys and benchmarks suggest can be opened up.
- Airlines that operate from those source markets or would be able and prepared to operate from them.
- The aircraft fleets used by those airlines and their capacities, capabilities and runway requirements.
- Requirements for ancillary facilities driven either by renewal obligations (e.g. for health, safety, security or fire) or for enhancement reasons (e.g. to improve the passenger experience).
- The affordability of the proposed options in terms of capital cost.

4.5.6 The economic case will need an evaluation framework against which these options can be judged on a qualitative basis and these should be drawn from the strategic case, principally the project objectives. This evaluation should also be supported by a quantitative cost benefit analysis of the options weighing the value of the benefits against the costs of each option.

Recommendation: *The GoA should mandate the project’s use of options appraisal to determine the scope, scale, cost and value for money of the preferred approach to the airport’s redevelopment.*

4.5.7 **Commercial Case** – The SOC should include a high-level statement of requirements, a commercial risk assessment (including political and regulatory risks), high-level risk allocation matrix, and a commercial issues list. A short-list of commercial options to deliver the reference project should be created including Unitary Charge based PPP, Concession and public sector with traditional design and build. Assessment of these options will centre on each option’s ability to meet the requirements, deal with the risks and address the issues and is likely to be no more than qualitative at this stage.

More detailed qualitative and quantitative analysis will be required at the OBC stage to select a preferred delivery approach.

4.5.8 Financial Case – This should demonstrate that in high-level terms the preferred option is affordable when commercial revenue (aeronautical and non-aeronautical) and possibly GoA revenue (e.g. tax) streams are set against costs. If this is unproven at this stage the case will need to set out the further work required to demonstrate affordability in the OBC. The budget for project development should also be set out covering the costs of staff, advisers, materials and accommodation and approval sought for Executive Council to that level of project spend.

4.5.9 Financial analysis for the project must include the overall financial position for the airport including the historic, current and forecast figures for both the income streams and costs drivers in order for investors to understand the viability of the airport as a standalone entity. This analysis needs to contain details on existing financing arrangements including the cross subsidy provided by AAPSA from its other operations, commercial agreements in place with FBO and airlines, maintenance budgets, remuneration packages for staff, and tax treatment. A financial model will need to be built which can run the different options considered in the SOC using assumptions based on the work of the technical advisors, and from discussions with airlines for capital costs, income streams, funding sources and contingency requirements. This analysis will demonstrate the project's overall affordability in terms of capital costs and ongoing revenue requirements, as well as providing profiles for the cash-flow impact. Further guidance for transport specific business cases can be found through the Web based Transport Analysis Guidance (WebTag) and a web-link is provided in Appendix 5. WebTag guidance focuses on the role of transport modelling, and more broadly the transport appraisal process used to support business case development.

Recommendation: *The GoA must ensure that the project's options appraisal, reference project, value for money and affordability assessments and commercial model are supported by a thorough financial assessment of the existing airport operation (the base case) and a robust assessment of the potential aviation market delivered by an appropriate market expert to understand potential routes, carrier interest, estimated passenger numbers and associated runway and airport facility requirements.*

4.5.10 Management Case – This will need to demonstrate that there are sufficient skilled resources in place to deliver the project and that appropriate governance arrangements are in place to manage it and make timely decisions at key stages. The extent of parallel process will need outlining including land acquisition (sufficient to deliver the preferred option), planning and the EIA and how these relate to each other and the proposed procurement process. There will be finish to start relationships between all these processes (e.g. planning approval will be dependent upon a successful EIA) and this will need reflecting in a detailed project timetable with an identified critical path.

Outline Business Case (OBC)

4.5.11 The OBC will see greater development of each element of the business case, with more detail provided on the commercial and financial cases in particular. The OBC will need to demonstrate that the project is ready to go to market and address among other things:

- Re-validation of the Strategic Case including the vision and project objectives.
- Evidence that other initiatives on which the project depends are being progressed to appropriate timescales to ensure supporting infrastructure and a revised tourism offering will be in place.
- A fully scoped reference project supported by design development.
- Re-run of the option appraisal and CBA to update for any new information or costs.

- Appraisal of commercial delivery options on a qualitative and quantitative basis to determine the most appropriate approach and demonstration of its commercial viability.
- The business case assumptions should be supported by market analysis of potential providers and also the aviation market (passenger numbers through an investment grade forecast and airline interest through letters of interest).
- Full demonstration of affordability supported by a revenue and costs model.
- A robust plan and timetable for project delivery, particularly the procurement phase, and evidence that all the required project architecture is in place to achieve success.
- Evidence that dependent processes are progressing appropriately and that mechanisms are in place to deal with their misalignment (e.g. can tenderers price their design if planning and EOI processes are not complete?).

4.6 Timetable and Development Costs

4.6.1 Based on the information that we have and the immature state of the project it is extremely difficult to set out a suggested timetable for the project even in high-level terms. We could set out a generic timetable, and the guidance in Appendices 5 and 6 contains examples, but we question the value of doing this. It would be much more effective for the project team to do this with advisers, stakeholders and decision makers as an early task and informed by their knowledge and experience and the guidance provided in this report. Our expectation is that the project is likely to take more than 2 years from today to get to contract signature, but this will be dependent on how smartly the team is able to work, its resource capability and capacity, its budget and its ability effectively to coordinate parallel workstreams. The nature of the reference project and the commercial approach adopted will also have a bearing on timetable (e.g. a PPP or Concession will be more complicated and time-consuming to implement than a D&B contract).

4.6.2 If much of the project architecture recommended in this report is put in place it could take the team 3 to 4 months to develop the SOC. It could also take c2 months of set-up activity (e.g. to appoint advisers) before the project is ready to really get started on SOC development. Completing the SOC in this timeframe will be dependent on the project team and its advisers having access to all the information and data needed on the current airport operations and having to generate only limited information where it does not already exist.

4.6.3 It is equally difficult to estimate an overall budget for project development and the project team will need to build a budget estimate once a timetable has been produced, methods of working are understood and the rates for advisers are known. We estimate that the cost of completing the SOC stage could be USD300K to USD350K, but this estimate is sensitive to how the project team uses its advisers and the extent of unanticipated additional work to baseline the existing airport operations. It may be possible for the GoA to agree a fixed fee with its advisers for all or some elements of the work, although the effectiveness of this approach and the willingness of advisers to fix their fees will be influenced by the project team's readiness and the quality of information available.

Recommendation: *The GoA must develop a realistic and sufficiently detailed timetable for delivery of the project, which includes clear milestones, a critical path and integrated parallel workstreams for business cases, procurement and land and property related activities (i.e. land acquisition, Environmental Impact Assessment and planning approval). Alongside the timetable the GoA should also produce a budget estimate for its delivery costs (including the costs of advisers). Early endorsement of both these documents should be sought from the project board and the Executive Council.*

4.7 Lake Arambys Letter of Intent

4.7.1 Prior to our visit we were provided with copies of an outline proposal and long version Letter of Intent (LoI) submitted by Lake Arambys to the GoA on an unsolicited basis. We were subsequently provided with a short form LoI and were able to discuss the proposal with the Chief Minister, his ministerial colleagues and representatives of Lake Arambys during our visit.

4.7.2 We have established that the outline proposal is not yet supported by a robust business and financing plan, is not underpinned by a financial model and that potential equity and debt providers have not yet been approached to provide commitment letters or letters of support. These elements are essential for any proposal to be properly considered and any such consideration would need to include thorough due diligence by GoA officials supported by expert independent commercial, financial and legal advice, before any arrangement were entered into. We understand the proposal is for large scale redevelopment of the airport, of a scale that would support a tourist scenario in excess of the high scenario outlined in the TMP. We understand that the medium scenario has been approved at Executive Council and adopted as GoA policy, so the Lake Arambys proposal would appear to be in conflict with this.

4.7.3 The proposal for procurement is absent any competition, so its acceptance would conflict with the UK Government/GoA agreed FFSD. Furthermore, the proposal would not be consistent with international standards of best practice in procurement. As currently drafted, the LoI also provides Lake Arambys with exclusivity and therefore forecloses on all other options. We recommend that the airport redevelopment is subjected to a competitive process to ensure appropriate specification, risk management and value for money. We also question the proposal that GoA contributes the existing airport at nil value based on an assumption that the existing land, assets, operating licence and custom or good will (including AASPA's seemingly successful long term contract with the FBO) have no value. We strongly suggest that any consideration of sale, privatisation or development of the airport includes a robust and independent market valuation of the existing airport and that this is properly reflected in any project model.

4.7.4 We understand that at this stage the Lake Arambys proposal has not been approved by the Executive Council and that this is required before GoA Ministers or officials are able to enter into the proposed LoI. We strongly recommend that Executive Council does not consider signing a LoI and should instead follow a robust business case development process and hold a competitive procurement in accordance with international standards of best practice. If ultimately, having done a full business case development and options appraisal, the GoA decides that a form of joint venture model is the right model for this project then we suggest GoA considers seriously the possibility of taking a stake in the project vehicle to provide transparency and a share of possible returns, albeit recognising GoA would also be taking a share of the risks. GoA's stake need not necessarily be in cash, but could be a reflection of the value, at least in part, that the land, assets and good will would be contributing through the existing airport. Appendix 5 provides a link to HM Treasury Joint Venture guidance which officials may find helpful should they go down this route.

Recommendation: *The GoA should establish a competitive process for its airport redevelopment project and resist entering into any prior exclusive agreements or Letters of Intent with 3rd parties.*

5. Next Steps

5.1 In the near term we recognise that Ministers and Officials of the GoA and the Governor may wish to discuss our advice further and we are happy to do this via conference call or video conference.

This would provide opportunity for us to elaborate further and for others to clarify their understanding.

5.2 The immediate key steps for the project are:

- to appoint a Project Director,
- create a small dedicated project team,
- establish appropriate project governance arrangements,
- procure the services of relevant advisers, and
- begin the development of the Strategic Outline Case (SOC).

We anticipate that this is unlikely to happen prior to an election and officials will wish to seek the agreement of incoming Ministers before acting, but in the meantime there is scope to:

- draft a project timetable,
- develop budget proposals for the development phase,
- draft terms of reference for the project governance,
- identify individuals for the project team, and
- create an outline work plan and tender documents for project advisers.

5.3 If the GoA wishes we can discuss how Infrastructure UK might be able to support the project going forward. Any such support would need to be on an ad-hoc basis via the FCO OT Economic Advisor and focused on assurance and strategic advice around key project milestones. As with any UK project, Infrastructure UK support is not a substitute for a capable project team supported by expert independent advisers.

Appendix 1 – Documentation

Title	Version
Expression of Interest – CJLI Airport Expansion	Unknown
Governor’s letter to the Chief Minister	1 July 2014
Chief Minister’s letter to the Governor	12 June 2014
CFAS Ltd letter to the Chief Minister	6 January 2012
DFIS: Anguilla Barriers to Growth and Priorities for Reform Report	February 2015
Draft Lake Aramby’s proposed Letter of Intent	Unknown
Anguilla Medium Term Economic Strategy 2010-2014	Final draft 19 August 2010
Anguilla Airport Lake Arambys Proposal	5 February 2014
GOA Sustainable Tourism Master Plan 2010-2020	Final Report 13 September 2011
GOA Tourism Statistics Summary	August 2014
Census Findings	June 2012
CFAS Sangster International Airport Case Study	24 June 2008
The Way Forward (aircraft performance) – runway extension	Unknown
The European Union’s EDF Programme for Anguilla – Support to the Anguilla Air and Seaport Authority (AASPA)	10 April 2013
AASPA Tariff Book 2014-15	Unknown
Signed CFAS Agreement	22 July 2011
Copy of AASPA Airport Income Statement	December 2014
Copy of AASPA Income Statement Year to date	December 2014
Copy of AASPA Blowing Point Income Statement	December 2014
Copy of AASPA Road Bay Income Statement	December 2014

Appendix 2 – Meetings

Organisation/Position	Individual
CEO AASPA	Vanroy Hodge
Governor of Anguilla	Christina Scott
Head of Government Office	Steve Mccready
Airport Manager AASPA	Lindon Hodge
Deputy Airport Manager AASPA	Jabari Harrigan
Director Physical Planning	Vincent Proctor
Director of Lands & Surveys	Leslie J. Hodge
Anguilla Air Services	Karl Thomas
AHTA and ATB	Mrs. Gilda Gumbs and Mrs. Candis Niles
AUF party	Various including Victor Banks
FBO Owner and Chief Executive	David Lloyd
Chamber of Commerce	Carlton Pickering
DOVE party & Independent candidates	Clifton Niles, Pam Webster and Sutcliffe Hodge
PS MICUH	Larry Franklin
Chief Projects Officer	Rawle Hazel
Hon. Attorney General	Rupert Jones
Director of Economic Planning	Shantelle Richardson
PS MHA	Aurjul Wilson
Finance Manager, AASPA	Sherman Williams
Chairman, Anguilla Tourist Board	Ralph Hodge
Chief Engineer, CuisinArt	Rory Purcell
Chairman, Rider Levett Bucknall	Martyn C W Bould
Chairman and Co-CEO, Arambys	Brent Woodson
Chief Engineer, GOA	Bancroft Battick
Chief Minister	Hubert Hughes
Ministry of Tourism	Jasmine Garraway
Special Adviser to the Chief Minister	Patrick Hanley
Lake Family Representative	Noel Egan

Appendix 3 – Scope and Terms of Reference

1. Scope of Work

IUK will use a consultative visit and “gateway review” style methodology to assess the current work that has been undertaken on the airport expansion and PPP proposals. IUK will then produce a written report with recommendations on what GOA should do to optimise their chances of getting an airport development successfully procured.

The objective of the IUK visit will be to assess the current proposals for the development of the airport infrastructure in Anguilla. This will involve an initial review of existing documentation, followed by a 5 day site visit and discussions with the key people involved. A report will be produced which should deal with, inter alia:

- Understanding and articulating the strategic context of infrastructure development
- Evaluation of key potential business case inputs
- Identification and consideration of:
 - potential options for finance, including public and private finance
 - suitable commercial models (including PPP) and procurement approach.

IUK’s review is intended to help support the project achieve a successful outcome from its proposed procurement exercise and address any current issues, making recommendations where appropriate.

2. Terms of Reference

IUK’s work will comprise three elements: Pre-reading and preparation; Fact-finding mission; and Reporting and Presentation. These elements are described in more detail below. Assuming IUK is able to undertake its Fact-finding mission in week commencing 2 March, the target completion date for the review report will be the end of 31 March 2015.

a. Pre-reading and Preparation

IUK will focus on relevant and available project related documentation including the business case and the procurement strategy. The purpose will be to understand the wider project context (including market context), the proposed commercial structure (including the options considered), the proposed procurement process, and issues arising.

As well as building IUK’s understanding, pre-reading will begin to build an evidence base for the review and support the formulation of lines of enquiry for meetings with key parties and individuals during the Fact-finding Mission. The meeting schedule will be finalised during this period.

b. Fact-finding Mission

The Fact-finding mission will provide IUK with the opportunity to discuss the procurement elements of the Project face-to-face with key parties and individuals in order to establish facts, seek opinions, generate evidence for the review report and provide in-situ support. Through these meetings IUK will hope to test its understanding of the context and current issues and explore the current thinking of key stakeholders and decision makers.

Over 5 days IUK will seek to meet with a number of parties or individuals including:

- Larry Franklin, PS MICUH (PS for Infrastructure)
- Foster Rogers, PS Economic Development
- Bancroft Battick, Chief Engineer
- Vanroy Hodge, CEO AASPA (Anguilla Air and Sea Ports Authority)
- Lindon Hodge, Airport Manager

This is a draft list and the meeting schedule will be agreed ahead of the IUK mission in conjunction with GOA officials and the FCO.

c. Report Writing and Presentation

IUK will provide the FCO and GOA with a short and pithy evidence based report, drawing on the documentation reviewed and meetings held with key individuals. The report will include an overview of the current situation, a conclusion and RAG based overall confidence rating, key findings, and recommendations to help ensure an optimum procurement approach and process. Additionally the report will deal with, inter alia:

- Understanding and articulating the strategic context of infrastructure development
- Evaluation of key potential business case inputs
- Identification and consideration of:
 - potential options for finance, including public and private finance and PPP;
 - suitable commercial models and procurement approach;
- scope for further engagement in implementation, delivery and procurement by IUK.

Appendix 4 – Project Director Role and Attributes

Purpose

The Project Director is the individual responsible for delivering the project. The Project Director leads and manages the project team, with the authority and responsibility to run the project on a day-to-day basis.

Roles and Responsibilities

The Project Director operating within agreed reporting structures is responsible for:

- Designing and applying an appropriate project management framework for the project (using relevant project standards).
- Managing the production of the required deliverables (including business case, procurement strategy and procurement process documents).
- Planning and monitoring the project.
- Adopting any delegation and use of project assurance roles within agreed reporting structures.
- Preparing and maintaining the Project Plan (or Project Execution Plan).
- Managing project risks, including the development of contingency plans.
- Liaison with other related or dependent projects to ensure that work is neither overlooked nor duplicated and that timetables are appropriately integrated.
- Overall progress and use of resources, initiating corrective action where necessary.
- Change control and any required configuration management.
- Reporting through agreed reporting lines on project progress and stage assessments, including escalation to the Project Board and Executive Council.
- Liaison with appointed project assurance roles to assure the overall direction and integrity of the project.
- Adopting technical and quality strategies.
- Communications and Stakeholder management to ensure timely and accurate information and securing the buy-in of relevant key individuals or organisations.
- Identifying and obtaining any support and advice required for the management, planning and control of the project including the support of other GoA and AASPA officials and external project advisers.
- Managing project administration.
- Preparing a Lessons Learned report.
- Preparing any follow-on action recommendations as required.

Skills and Attributes

The Project Director should be capable of:

- Applying standard project management approaches to the specific requirements of the project.
- Leading, directing, managing and motivating a team.
- Delivering to defined timetables and budgets.
- Tailoring expert knowledge to meet specific circumstances.
- Planning and managing the deployment of resources to meet project milestones.
- Building and sustaining effective communications with others as required.

- Applying quality management principles and process.
- Possessing commercial awareness and experience of procurement processes.
- Background in delivering infrastructure projects.
- Knowledge of the aviation sector preferable.

Notes

The Project Director should ideally be appropriately trained in project management techniques and processes. It is essential that the skills and experience of the Project Director are matched to the requirements of the project.

Appendix 5 – Good Practice Guidance

Below is a list of websites and good practice guidance we believe are relevant to the GoA in the context of its airport project and may be helpful as it continues to develop the project. We are happy to provide on request copies of documents listed or discuss their contents further.

HMT Guidance

The 5-Case Model and the Green Book: <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

PPP/PFI Project Preparation And Evaluation Guidance: sets out a 'How to' guide to the production of a 5 Case model [enclosed document not provided as a link].

Department for Transport Guidance

DfT's web based transport analysis guidance: <https://www.gov.uk/transport-analysis-guidance-webtag>

Infrastructure UK

Home page: <https://www.gov.uk/government/organisations/infrastructure-uk>

International page: http://webarchive.nationalarchives.gov.uk/20130319161430/http://hm-treasury.gov.uk/infrastructure_international.htm

Link to the IUK Project Initiation Route map – this is a process that may help you decide how to package the project, which form of contract to use and design the client organisation for effective delivery: http://webarchive.nationalarchives.gov.uk/20130319161430/http://hm-treasury.gov.uk/iuk_cost_review_index.htm and

<https://www.gov.uk/government/publications/improving-infrastructure-delivery-project-initiation-routemap>

PPPs for Emerging markets:

<http://www.ppiaf.org/sites/ppiaf.org/files/publication/How-to-engage-with-private-sector-Clemencia-Farquharso-Yecome-Encinas.pdf>

National Infrastructure Plans – these are UK examples that might help provide ideas for the approach to an Anguillan development plan or infrastructure plan:

<https://www.gov.uk/government/collections/national-infrastructure-plan>

Joint Venture Guidance – if the GoA decides to appoint a development partner to work alongside the government:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/225321/06_joint_venture_guidance.pdf

Environmental Impact Assessment Guidance:

<http://planningguidance.planningportal.gov.uk/blog/guidance/environmental-impact-assessment/>

HMT/IUK website (Cost Review): report on an IUK study into improving the efficiency of infrastructure delivery

<https://www.gov.uk/government/collections/infrastructure-cost-review>

UK Major Projects Authority

Starting Gate Guidance: <https://www.gov.uk/government/publications/major-projects-authority-assurance-toolkit>

MPA Assurance Toolkit: <https://www.gov.uk/government/publications/major-projects-authority-assurance-toolkit>

NAO Reports

While these reports focus on the PFI sector they provide excellent best practice and lessons learned guidance with wider applicability

Lessons from PFI and other projects: <http://www.nao.org.uk/report/lessons-from-pfi-and-other-projects/>

Performance of PFI construction: http://www.nao.org.uk/wp-content/uploads/2009/10/2009_performance_pfi_construction.pdf

Improving the PFI tendering process: <http://www.nao.org.uk/report/improving-the-pfi-tendering-process/>

NAO guide to initiating successful projects: http://www.nao.org.uk/wp-content/uploads/2011/12/NAO_Guide_Initiating_successful_projects.pdf