

THE INTERNATIONAL AIRPORT PROJECT AT ARGYLE

by

Dr. The Honourable Ralph E. Gonsalves
Prime Minister of St. Vincent and the Grenadines

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(1) INTRODUCTION

In the Election Manifesto of 2001, the Unity Labour Party (ULP) promised the electorate to address the problem of air access to and from St. Vincent and the Grenadines, including the elaboration of plans to build an international airport on mainland St. Vincent.

Since our election to office on March 28, 2001, the ULP administration has, accordingly, put into effect the following relevant public policies on air access and airport development, namely:

- (1) Establishing a hub for St. Vincent and the Grenadines at Hewannora International Airport in St. Lucia;
- (2) Seeking to make connections easier in and out of Grantley Adams International Airport, Barbados, although we have not succeeded in having a seamless hub as at the less-used international airport in St. Lucia;
- (3) Assuming, and playing, a leading role to keep LIAT in the skies so as to ensure competitiveness in the regional air transportation business;
- (4) Working together with other member-states of the OECS to reshape, for the better, the regulatory and oversight arrangements for air transportation, including building the institutional mechanisms in the quest to ensure the achievement of "Category One" status;

- (5) Streamlining, and upgrading in practical ways the airport facilities in St. Vincent and the Grenadines;
- (6) Elaborating practical plans for the imminent commencement of the construction of a jet airport at Canouan;
- (7) Fashioning plans for the soon-to-be-commenced rehabilitation of E.T. Joshua Airport as an interim measure pending the construction of an international airport at Argyle; and
- (8) Pushing vigorously for the building of an international airport at Argyle to such an extent that this project has started already, though the actual construction is yet to commence.

My focus in this speech is on the International Airport Project. Thus, I will not today speak to any of the other public policies relating to enhanced air access for St. Vincent and the Grenadines except where those other public policies connect with the International Airport Project.

(2) WHY DO WE NEED AN INTERNATIONAL AIRPORT?

I begin first by answering two queries posed by some persons:

- (1) Does St. Vincent and the Grenadines really need an international airport?
- (2) And if we need one, can we afford one?

Fundamentally, both questions are inter-related. Having studied this issue for many years, it is clear to the ULP administration and its leadership that the full realisation of the potential of our country's growth and development hinge on an international airport, among other vital considerations.

The requisites of economic diversification and regional and international competitiveness demand an international airport.

Our country's tourism potential would not be fully realised unless we build an international airport. And tourism is likely to be our main foreign exchange earner for a long time to come.

Further, the integration of the economy of St. Vincent and the Grenadines with those of the OECS, CARICOM, the wider Caribbean, Latin America, North America and Europe is limited to the extent that there are huge restraints in air access. Foreign investors often shy away from St. Vincent and the Grenadines when the limitations of air access arise due to the absence of an international airport. Indeed, at the recently-concluded Conference of Heads of State and Government of CARICOM in July 2005, I made the point that the absence of an international airport in St. Vincent and the Grenadines and Dominica is a regional integration issue of the first order. There can be no level playing-field for this reason, among others.

Moreover, air access difficulties constitute a practical brake on the movement of our nationals who reside in North America and Europe in returning to their homeland as frequently as many of them would like. The international airport will engender a greater oneness between the components of our nation at home and overseas in much the same way as the easy availability of advanced telecommunications facilities has done.

In replying to the query: Can we afford an international airport? I retort with another: "Can we afford not to have an international airport?" I appreciate the genuine concern about the huge cost of constructing and operating an international airport. I realise that the international airport in the short-to-medium term will not be able to generate enough revenues to pay for the costs of its construction. However, in the long-run it will be economically viable. In any event, without it we are likely to be severely hampered in our thrust for further economic development.

The huge cost of the International Airport Project enjoins us, however, to find the most creative methods of financing it so

as to lessen the burden while maximising our benefit. I shall speak fully on the financing issue later.

(3) **WHY IMPROVE E.T. JOSHUA AIRPORT IF WE ARE GOING TO BUILD AN INTERNATIONAL AIRPORT AT ARGYLE?**

Some persons who have seen recent newspaper advertisements under the rubric “Pre-Qualification of Contractors, E.T. Joshua Airport, Airport Expansion Project” ask the question: “Why improve or expand the E.T. Joshua Airport if the Government is planning to build an international airport at Argyle?”

The simple answer is that the E.T. Joshua Airport requires some immediate improvements and these cannot wait until the international airport is constructed and opened for business some five or six years away. Immediately we need to rehabilitate and expand the terminal building, to reconfigure the access road at the airport, to expand the aircraft apron area complete with airfield lighting systems, to upgrade the drainage systems, to resurface the runway, to improve and expand cargo facilities, and to protect further the airport’s sea defences, among other minor structural and functional matters. Most of this work cannot be left for anytime later, international airport or no international airport. We do not live in an ideal world and on this I have to play the hand which I have been dealt.

Actually, we are proceeding through force of necessity to implement, by and large, the so-called “Option One” — the only affordable option — at the E.T. Joshua Airport which was recommended in 1998 by the international consultants known as Marshall Macklin Monaghan (MMM). This project at the E.T. Joshua airport is financed mainly by a soft-loan, negotiated by this government, from the Kuwaiti Fund for Arab Economic Development in 2002. The total cost of this project is slightly over US\$12 million.

One expensive component of this project at the E.T. Joshua Airport is the rehabilitation and expansion of the airport terminal which is expected to begin in November 2005. The government has ensured that the renovated and expanded terminal building is being designed in such a way as to allow it to be easily converted into a shopping mall or other similar commercial enterprise. We are having such a design in preparation for the new commercial centre into which the site of the E.T. Joshua Airport would be converted when we relocate to the international airport at Argyle.

(4) **WHAT INSTITUTIONAL ARRANGEMENTS HAVE BEEN PUT IN PLACE FOR THE INTERNATIONAL AIRPORT?**

Shortly after the ULP came to office in 2001, we took several policy decisions regarding air access and airport development. As I indicated earlier, one such policy decision was to move sure-footedly to lay the basis for the elaboration of the International Airport Project.

First, we did a thorough study and analysis of all relevant airport development reports which were drawn up over the many years hitherto.

Secondly, I began to explore funding possibilities with several friendly governments, international agencies and private sector entities.

Thirdly, through the government's analysis and discussion with professionals in the public service, in the private sector locally, and abroad, several creative ideas for funding the airport, emerged.

Fourthly, the government created an International Airport Oversight Committee under my Chairmanship. This Oversight Committee included some members of Cabinet and senior public servants with technical expertise on various issues relating to the planning, financing and the construction of an international airport. This Oversight Committee was further sub-divided into two technical sub-committees, one focusing

on the financing and institutional arrangements for the construction of the international airport, and the second, concentrating on the engineering dimension of the Project.

Fifthly, on the recommendation of the International Airport Oversight Committee, Cabinet took the decision to engage the same MMM consultants out of Canada who had done a study of airport development on mainland St. Vincent in 1997 – 1998. Their mandate this time was to review their 1998 Report, rework the numbers on costing, recommend a site for the international airport, and explore possible financing options.

In the process of all these analyses and discussions, several professionals from the Caribbean and elsewhere freely gave of their time and expertise to address this issue of building an international airport on mainland St. Vincent. I do not wish to single out any one professional in this regard but it would be remiss of me not to mention a distinguished Canadian architect, who heads one of the most prestigious firms of architects internationally and who is a home owner in Mustique, for his invaluable insights and assistance on a continuing basis.

In 2004, the Cabinet, upon advice obtained from the in-house professionals, MMM consultants and other professional advisers, took the final decision to site the international airport at Argyle. Later, I will detail the reasons for this decision.

In October, 2004, consequent upon another earlier Cabinet decision, the state-owned International Airport Development Company (IADC) was formed to facilitate all arrangements for the financing, construction and operation of the international airport at Argyle. This company has a Board of Directors with the technical skills, experience and expertise to carry out its mandate. Mr. Tyrone Ballah, a trained Project Manager, was seconded from the Planning Division to coordinate the company's work. The IADC is working in close collaboration with two other state-owned companies which the ULP administration established to facilitate, promote, and execute

its development plans. These two other companies are National Properties Limited and the National Investment Promotions Incorporated. These three important companies function under the direction of the Prime Minister and Minister of Finance and Planning.

Personally, I have been tireless in my efforts on the International Airport Project. I have spent countless man-hours on this Project at home and abroad, in divers lands. I am fully satisfied that the government's decisions on this matter are correct and that the international airport will be an operational and functional reality by 2011, at the latest.

(5) **A HISTORY OF AIRPORT STUDIES IN ST. VINCENT AND THE GRENADINES**

Before, exploring the central issues regarding the International Airport Project, it is necessary to refer, preliminarily; to a number of studies on international airport development on mainland St. Vincent which we met when we assumed office at the end of March 2001. I believe that there is hardly any national issue that has been more frequently studied than the international airport. But there was never any follow-up action.

I cannot refer here to all the studies undertaken over the past thirty years. It is sufficient for me to mention two of the most recent and probably, most important ones. These are:

- (1) St. Vincent Airport Development, Pre-Investment Study, Inception Report, by Kocks Consult Gm BH, 1993; and
- (2) St. Vincent Airport Development, Phase 1, Final Report by Marshall Macklin and Monaghan, 1998.

All of the studies generally show a recurring theme of the technical unsuitability and lack of financial and economic viability for the expansion of the E.T. Joshua Airport at Arnos Vale. Equally, the studies have opted for the preference of building a completely new airport at another location. In examining the issue over the years, Consultants have

evaluated alternative locations, including Langley Park, Brighton, Diamond, Kitchen, Villa, Buccament and Argyle.

The Kocks study of 1993, for example, examined the feasibility of three sites: Arnos Vale, Kitchen, and Argyle. Kocks reported that Argyle was the most economically viable. In a more recent study done by Marshall Macklin and Monaghan (MMM) in 1998, several options were evaluated for expanding Arnos Vale and for a new facility at Argyle. MMM did not evaluate Kitchen, since that site was shown by Kocks to be far too expensive to be economically feasible.

I shall now address all the salient issues under the following headings:

- (i) Why Not Arnos Vale?
- (ii) Why choose Argyle?
- (iii) The Crosswind Issue at Argyle.
- (iv) The Cost of the International Airport at Argyle.
- (v) Financing the International Airport Project.
- (vi) Time Lines and Some Practical Issues.
- (vii) Conclusion.

(6) **WHY NOT ARNOS VALE?**

It is now well-known that, upon expert advice and after careful consideration, the government of St. Vincent and the Grenadines has chosen Argyle as the location for the international airport. The obvious question one might ask is, why Argyle? Why not spend the money on improving or extending E.T. Joshua Airport at Arnos Vale as a jet airport or an international airport.

All of the consultants who have studied the issue of airport development in St. Vincent and the Grenadines have considered this question of extending E.T. Joshua as a jet airport. The consultants have advised that an extension of E.T. Joshua as a jet airport is not financially nor economically justifiable and it is technically unfeasible.

The Report of the international consultants, Marshall Macklin Monaghan (MMM), addressed the issue of the lack of justification in economic and financial terms of an expansion of the E.T. Joshua Airport as follows:

“On a financial and economic basis, airport expansion is not justified other than an investment in operational improvements at E.T. Joshua Airport. However, should it be decided to expand facilities to allow direct jet access from the southern United States ----- the high cost runway expansion at E.T. Joshua indicates that a new facility at Argyle is a better alternative.”

In arriving at the conclusion of the lack of justification in economic and financial terms of an expansion of E.T. Joshua Airport, the international consultants have pointed out that jet aircraft operating within the region and beyond would only be able to take off at 60 per cent capacity because of the continuing obstructions and the downwind take-off. Hence, even after spending an estimated EC\$300 million or more at E.T. Joshua Airport it would still be an uneconomical destination for larger capacity aircraft. E.T. Joshua Airport at Arnos Vale, even with an expansion, would still be unattractive to jets, now and in the future. What this means is that our need for direct linkages to North and Central America and Europe would be unrealised.

The technical unfeasibility of an expansion at E.T. Joshua Airport was also highlighted by the international consultants. They have warned that such an expanded airport at Arnos Vale would not gain classification as an international airport under the International Civil Aviation Organisation (ICAO) and Federal Aviation Administration's (FAA) regulations and standards. While it is possible to extend the existing runway to a length of 2,000 metres (6,500 feet), the width of the runway strip cannot now nor in the future be extended to 300 metres, which is required for an international airport strip. Furthermore, none of the improvements that we would be required to make at Arnos Vale would change the downwind take-off operation. Hence, all the existing restrictions on landing and take-off that are now in place are impossible to alter at Arnos Vale and would thus remain in place. This means that because of the

prevailing tailwinds, jet aircraft (and even some turboprop aircraft) from the eastern end would have to operate at reduced passenger and payload levels, even if the runway at E.T. Joshua Airport were to be extended.

Even if the government were to be foolhardy and ignore all this sensible and well-founded advice about the unfeasibility of extending the airport at Arnos Vale, there are some practical problems about extending it which ought to give us pause.

First, E.T. Joshua Airport would have to be closed for long periods, as much as twelve months, to allow construction works to strengthen the existing runway. Naturally, we cannot run a country without an airport for that length of time. This would be a nightmarish scenario.

Secondly, many vital buildings and structures within the vicinity of the runway would have to be demolished to provide a 200-metre long clear zone around the airstrip. These buildings include the Arnos Vale Cricket Pavilion and Sports Complex which are considered obstacles and would have to be removed. Indeed, no building would be permitted within 300 metres to the north of the runway strip. This would be required to comply with the International Civil Aviation Organisation's (ICAO) standards for instrument runways.

Thirdly, significant earth works would have to be done in the Sion Hill Bay area to prepare the sea bed for the extension of the runway. In the process, the bay would be completely lost to us, as the steep cliffs to the Sion Hill Bay would have to be excavated to provide for the approach sector. Even if we were to discount the recreational value of the Sion Hill Bay, we would still have the problem of wave action in the Greathead Bay, which could pose significant problems for aircraft landing. Given the amount of excavation that would be required in the Bay, there would be a real chance that we may inadvertently be creating a groyne (breakwater) that could affect the circulation and current of the near shore coastal waters, causing beach erosion nearby as well as at locations along the shoreline far from the groyne itself.

In fact, given the uncertainties of the behaviour of the waves following excavation of the Bay, to be prudent, we would have to study the wave action in the Arnos Vale/Greathead Bay for many years before we can design any extended runway with any degree of confidence. Extensive soundings and sea bottom investigations, soil investigations in the area where any appropriate terminal expansion would take place, and investigation of the rock types would have to be carried out. We would have to do all this so as to avoid a repeat of the kind of damage we have witnessed to several cruise ship berths in the region, caused by recent hurricanes.

And fourthly, the main road or Windward Highway would have to be relocated and the problem of the Warra Warrou river at Arnos Vale would have to be effectively tackled. All of this would cause considerable additional expense.

The MMM Consultants in 1998 estimated that a jet airport at Arnos Vale, that is the extension and expansion of the E.T. Joshua Airport, would cost between US\$88.6 million (EC\$239.2 million) and US\$118.7 million (EC\$320.4 million). This is just little less expensive than a full international airport at Argyle and of far less value. Indeed, the International Airport Project at Argyle would be more expensive than an expansion of E.T. Joshua as a jet port only because of the extent of the land acquisition costs at Argyle.

Frankly, the international consultants have made it plain that only operational improvements at the E.T. Joshua Airport are advisable to be undertaken. These include the resurfacing of the airstrip, providing more apron space, renovating and extending the terminal, and improving other ancillary facilities. This is a low cost option of some US\$12 million or roughly EC\$32 million. This option would not occasion or cause an increase in airlift capacity or the provision of services for larger aircraft.

(7) WHY CHOOSE ARGYLE?

Having determined that the expansion of E.T. Joshua Airport as a jet Airport is unfeasible and unjustifiable and upon the advice of the International Airport Oversight Committee, the state-owned International Airport Development Company, and international

consultants from Canada, Cuba, Mexico, and Europe, the government of St. Vincent and the Grenadines has considered several sites and different alternatives for airport development on mainland St. Vincent. Arising from this consideration, the government concluded that two sites on St. Vincent are technically feasible, namely, Kitchen and Argyle. The area called Kitchen is not as well-known as Argyle. Kitchen is in the vicinity of Prospect Point on the South eastern tip of St. Vincent. With two technically feasible sites, we have to choose one. The government of St. Vincent and the Grenadines has, accordingly, taken the policy decision to locate the international airport at Argyle. We have done so for three main reasons.

First, while both Kitchen and Argyle are suitable locations from a technical and aeronautical standpoint for the siting of an international airport, Kitchen is substantially more expensive than Argyle. Partly for this reason, the Kitchen site was not considered as an economically feasible option in the most recent study on the issue by the MMM consultants. Hence, the most recent estimate for Kitchen comes from the Kocks Consult study which was done in 1993, twelve years ago. This study estimated Kitchen at US\$296 million or EC\$799 million and Argyle at US\$132 million or EC\$356 million. In short, in 1993, Kitchen was estimated to cost more than twice of Argyle. The MMM study of 1998, which did not look at Kitchen, estimated Argyle to cost US\$168 or EC\$453.6 million. Recently, we requested the MMM consultants to review their estimates for Argyle. In January 2005, they submitted to us a revised estimate for Argyle of US\$178 million or EC\$480 million. In-house estimates put Kitchen now at some EC\$999 million or some 25 per cent above the 1993 estimated cost.

Secondly, there is the issue of land use. We live in a country with limited useable land space. As we plan a large capital project like the construction of an international airport, we have to balance a range of competing demands for the limited available land. Specifically, we have to balance the need for large areas for the airport against the need for other land for the kind of business which we expect to spin off from the international airport. Here, of course, I am talking about land for the construction of hotels, guest houses,

restaurants and other recreational facilities that would enhance the tourism product.

It is to be emphasised that the area called Kitchen is within very close proximity to the best known tourism areas on the mainland. If we were to locate the international airport at Kitchen, we would be placing the airport within very close range of several hotels, to their detriment. Hotels, such as Young Island Resorts, Grand View, Villa Lodge, Sunset Shores and Mariners would be adversely affected by aircraft noise and more. Further, we would be using up large amounts of land in a thriving tourist area which would thus limit the very tourism development which is a main reason for the building of the international airport in the first place.

Thirdly, there are environmental issues associated with the Kitchen Site. While many persons may be familiar with the recreational aspects of the bays in the Kitchen area, they may not know that these same bays are of vast ecological significance. The Millikan Bay, for example, is the only site in St. Vincent with natural mangrove swamps and is an important wildlife habitat. The sandy beaches of Millikan Bay and Cable Hut Bay are also sea turtle nesting sites. As a responsible government, we intend to protect, not destroy, these important ecological sites, especially when we have another option.

8. THE CROSSWIND ISSUE AT ARGYLE

Some persons have raised the query as to whether crosswinds at Argyle do not pose an insurmountable problem for an international airport at that location. The simple answer from the experts is that the crosswind would have no effect on the operation of an international airport at Argyle regarding large or medium-sized jet aircraft. Indeed, depending on the extent of the gusts of the crosswind, there may or may not be a need to construct a small crosswind runway to accommodate smaller planes which ply between the Eastern Caribbean islands and St. Vincent and between mainland St. Vincent and to the Grenadines. In short, the Argyle site is, from an engineering standpoint, suitable for an international airport.

Permit me to elaborate further on this crosswind factor. The Report by the MMM Consultants addressed first the relevant technical requirements in the following terms:

“The International Civil Aviation Organisation (ICAO) states that the number and orientation of runways at an aerodrome should be useable by the aeroplane that the aerodrome is intended to serve, 95 per cent of available operational hours. ICAO also states that the landing and take-off of aeroplanes should be precluded when the crosswind components exceed:

- ❖ 20 knots in the case of aeroplanes whose reference field length is over 1500 meters;*
- ❖ 13 knots in the case of aeroplanes whose reference field length is 1200 metres or up to but not including 1500 metres; and*
- ❖ 10 knots in the case of aeroplanes whose reference field length is less than 1200 metres”.*

In applying these technical criteria to the Argyle site, the MMM Consultants further stated:

“While the usability factor for aircraft with a reference field length over 1500 metres departing on a possible runway 04-22 is over 95 per cent, the factor drops significantly for aircraft with a reference field length less than 1500 metres. The usability factor falls to 73.78 per cent for aircraft with a reference field length over 1200 metres but less than 1500.

“This reduction in the usability may be sufficient reason to require the development of a crosswind runway at the Argyle site. However, more accurate wind data should be acquired before a decision to include this second runway is made. Many of the aircraft operating out of the E.T. Joshua Airport, which will likely continue to operate from any facility at Argyle in the future, have the ability to operate safely in crosswind conditions of approximately 17

knots, increasing the overall usability factor of the airport (at Argyle).

“Development of a crosswind runway at the Argyle site would likely mean a runway approximately 700 metres in length, 23 metres wide (to accommodate large aircraft taxiing between the runway and the apron). The runway orientation should be 10 – 28. The runway would only be used for small aircraft operations during heavy crosswinds.”

The various airport studies to date have used the wind data from the E.T. Joshua Airport which capture information from the so-called “wind rose” which includes the Argyle area. The wind data estimates suggest that crosswinds at Argyle may gust as high as 17 knots using the ICAO guidelines, crosswinds in excess of 17 knots at Argyle may affect the landing and take-off of only the small turboprop aeroplanes.

If the crosswinds gust is in excess of the 17-20 knots range at Argyle, the consultants have recommended a perfectly feasible solution. They have recommended that we build a “crosswind” runway of 700 metres long and 23 metres wide. The estimated cost of this “crosswind” runway is US\$0.7 million or EC\$1.89 million. This relatively miniscule cost is less than one per cent of the estimated total cost of the International Airport Project at Argyle.

I repeat: The crosswind factor poses no problem for large or medium-size jets on the planned international airstrip at Argyle. There may be a difficulty for small turboprop aeroplanes if the wind gusts in excess of 17 knots but, if it does, there is a solution in a crosswind runway at a minimal cost. In any event, this crosswind runway would only be used for small aircraft operations during heavy crosswinds. Thus those who critique the Argyle site as unsuitable on the ground of a “crosswind factor” are plainly wrong. Please, let us all conduct this discussion in an informed manner.

In our estimated costings for the international airport project we have included the cost of the “crosswind” runway for the small aeroplanes. This is a precautionary position that we are taking at

the planning stage, since later on we would have more accurate wind data from the Argyle site and may very well find that the crosswinds are not heavy enough to preclude the 95 per cent usability factor of the airstrip — the 9,000 feet runway — by aircraft of all sizes.

In order to secure more precise wind data, the consultants have recommended that a wind measurement station be established at the Argyle site to gather more accurate site information to inform the runway decisions. The government has accepted this recommendation and I have given instructions to the relevant government authorities to acquire the equipment and contract the expertise to install this equipment. We expect this station to become operational before the end of this year. The Meteorological Office at the E.T. Joshua Airport would be responsible for monitoring and collecting the wind data.

The potential for wear and tear of the facility from the Argyle sea blast is another issue upon which some have commented. We, however, would ensure that the architects and design consultants give due consideration to minimizing maintenance costs, including the use of suitable building materials. This, too, would also be an issue at the Kitchen site.

9. THE COST OF THE INTERNATIONAL AIRPORT AT ARGYLE

The International Airport Project is the most costly capital project ever in the history of St. Vincent and the Grenadines. And the longer we wait to do it, the more expensive it would be. Indeed, an international airport on mainland St. Vincent should have been built a long time ago. There will be no further delays. Delay here is a thief of time; and time is money. The ULP government is now in a position to proceed without further delays.

In terms of physical land space, the international airport at Argyle is expected to consume 152 hectares or 375 acres of land. It will have a paved runway of some 2,745 metres or 9,000 feet in length and a runway strip width of 150 metres or 500 feet. We propose to build a

terminal building of about 5,000 square metres or 53,820 square feet.

The most recent estimate of this project provided to us by the MMM Consultants puts the total cost at approximately US\$178 million or EC\$480.6 million. The break-down of this cost under broad headings is as follows:

	<u>US\$ MILLION</u>	<u>EC\$ MILLION</u>
1. Site acquisition	31.0	83.7
2. Earthworks/Siteworks	68.1	183.8
3. Apron, Runway, taxiway	15.3	41.3
4. Roads and Support Services	6.4	17.3
5. Terminal building and control tower	14.1	38.1
6. Project delivery/management	20.4	55.1
7. Contingency	<u>22.7</u>	<u>61.3</u>
TOTAL	<u>\$178.</u>	<u>\$480.6</u>

Let us put these huge numbers into their proper context. The cost of the International Airport Project — EC\$480.6 million — amounts to over 44 per cent of the total value of all the goods and services produced in the whole of St. Vincent and the Grenadines in 2004; that is, it is nearly one half of our Gross Domestic Product.

Secondly, the cost of the International Airport Project is 140 per cent of the estimated current revenue (tax and non-tax) for the year 2005. The estimated current revenue for 2005 is EC\$342 million; the International Airport Project is estimated at EC\$140 million more than the current revenue for the government as a whole for 2005.

Thirdly, the cost of the International Airport Project is about 55 per cent of our country's total public sector debt. If we were to finance this Project entirely by borrowing, our public debt would grow to EC\$1.2 billion. In 2005, we will use up some one-quarter of our recurrent revenue to service our current debts. If our debt were to increase to EC\$1.2 billion, we would require almost 40 per cent of our current revenues to service this debt. Not only would that leave us little or no capacity to borrow further sums for development, but

we would, more than likely, have to cut back on many other worthwhile developmental projects.

These numbers indicate that we cannot borrow significantly to finance the construction of the International Airport Project. We therefore must find other creative and innovative ways to do so. The way we finance this Project is thus important. We have to finance it in a way that allows our people to continue to live and thrive during the period of the airport construction and in the years when the income stream generated from the airport is not yet enough to offset the cost of financing it.

10. FINANCING THE INTERNATIONAL AIRPORT PROJECT

Financing the construction of an international airport in St. Vincent and the Grenadines, given our economic circumstances, is not a simple matter. It is not an exercise for the faint-hearted, the overly-cautious, the pessimist or one stuck in a neutral gear of learned helplessness. This is a matter for a government with a vision; for a government which is creative, innovative and well-connected regionally and internationally. Despite many promises made by the four successive NDP administrations over their 17 years in office (1984-2001) to build an international airport on mainland St. Vincent, this important project was not done or put in any state of readiness to be done. It now falls on the ULP government to deliver an international airport to the people of St. Vincent and the Grenadines.

For 17 years, the former NDP government had not a clue as to the mode of proceeding to get the nation an international airport. After 17 years the best they came up with at the terminal stages of their existence in government was an ill-conceived, wholly unsound proposal to build a jet airport at Arnos Vale which I have shown earlier to be unfeasible technically and unviable in economic terms. Recently in the House of Assembly, the Leader of the Opposition finally acknowledged that the expansion of E.T. Joshua Airport as a jet port is not an option. So, after 17 years all they came up with in the end was a non-option!

Financing the construction of an international airport on St. Vincent is clearly a challenge. In all our economic and fiscal circumstances we have had to put together a package that does not require us to increase significantly our longterm debt stock. Achieving this is nothing short of remarkable.

First, we propose to enter into a partnership with the private sector so that we can use a combination of public and private sector funding. The public sector will, however, fund the largest share of the project. By public sector funding, I mean the aggregate of the contributions, financial or in kind, from the resources of the government of St. Vincent and the Grenadines, from grants (in cash or kind) from friendly governments, and from loans to the central government. The residual amount, or the financing gap, would be sourced from the private sector through different contractual forms.

Secondly, the financial or in-kind contributions are identified for particular segments of the project, namely: Site acquisition; design of masterplan; earthworks; design and supervision of particular components; the apron, runway, taxiway; roads and support services; terminal building, control tower and ancillary facilities; and project delivery/management.

It is to be noted that the acquisition of the lands, houses and other properties cost an estimated US\$31.0 million or EC\$83.7 million. It is to be further noted that the earthworks cost an estimated US\$68.1 million or EC\$183.8 million. Together these two components amount to US\$99.1 million or EC\$267.5 million or 56 per cent — more than half — of the entire cost of the International Airport Project.

How is this one-half of the Project to be financed? First, let us address the cost of the site acquisition of EC\$83.7 million. The government of St. Vincent and the Grenadines will purchase or acquire these properties from its own resources. Where would we find this sum of EC\$83.7 million? Simply by selling existing lands owned by the State to buy the properties at Argyle.

It is to be noted that the figure estimated by the MMM Consultants in 2005 for the land acquisition costs at Argyle is some US\$9 million or EC\$24 million less than our officials' estimation. Indeed, even this

latter estimation may be somewhat on the low side. Accordingly, that consideration would be borne in mind in our broad strategic planning, overall costing, and the targeted land sales.

We have earmarked several parcels of land across St. Vincent and the Grenadines that we are putting up for sale. Some of these lands are suitable for commercial or tourist developments, and would be earmarked for this purpose. Others are suitable for, and would be sold to, residential developers. The funds generated from land sales would be used primarily for acquiring properties at Argyle. We will sell no more land than is necessary and desirable in all the circumstances.

In this regard I make the following announcements:

- (1) The Canadian developers who will be building a 240-room hotel complex with spa, golf course, and ancillary facilities at Mt. Wynne-Peters Hope and a hotel at St. Hillarie in Bequia will shortly be signing a contract for sale of some lands and lease of others with the state-owned company, National Properties Limited, in a sum in excess of EC\$20 million. The Canadian developers are slated to launch their project formally on September 27, 2005, in St. Vincent and the Grenadines.
- (2) On Wednesday July 27, 2005, Cabinet approved the vesting of 831.3 acres of state-owned lands in the state-owned International Airport Development Company (IADC). The IADC is now working with the Lands and Surveys Department, National Properties Limited, the state-owned National Investment Promotions Inc. to effect the sale of most of these state-owned lands. The IADC has appointed the state-owned company, National Properties, as its sales agent. Preliminary estimates put the value of these lands in excess of US\$100 million.

Part of this aggregate bundle of 831.3 acres of state-owned lands are the lands (and buildings thereon) at the E.T. Joshua Airport and at the Public Works Department at Arnos Vale which total 63.4 acres of land. These lands would not be sold but rather

would be capitalised on the books of the IADC and used as government's initial capital to attract other investors for the development of Arnos Vale into a commercial centre in accordance with a Cabinet — approved Master Plan.

In order to facilitate the immediate commencement of the purchase of properties at Argyle, the government of St. Vincent and the Grenadines, through the IADC and with Cabinet approval, has successfully negotiated a bridging loan of EC\$20 million from the National Insurance Services (NIS) which loan will be promptly repaid from the proceeds of the sale of the state-owned lands as aforesaid.

What about the earthworks' component of the Project? Both the Cuban and Venezuelan governments have agreed to partner with the government of St. Vincent and the Grenadines to do the earthworks substantially as a grant. In September 2001, I had first raised this matter with President Fidel Castro of Cuba. I did so, too, with President Hugo Chavez of Venezuela in November 2001. By January 2005, the matter assumed a more concrete form in my discussions in Cuba with President Castro. And in June 2005, the matter was further firmed up with President Castro in Havana and in discussions with Presidents Castro and Chavez in Puerto La Cruz in Venezuela on the occasion of the Heads of State/Government meeting on the Petro Caribe Initiative.

Within days of the January 2005 discussions with the President of Cuba, a team of airport experts from Cuba were dispatched to St. Vincent for an on-site study of Argyle. Further, as a consequence of my discussions in June 2005 with the Presidents of Cuba and Venezuela, another team of Cuban airport experts arrived last week for more extensive analysis and discussions with officials of the government of St. Vincent and the Grenadines. Both Cuba and Venezuela have given their firm commitments to assisting us with the international airport. Cuba has undertaken to design the overall masterplan of the Airport Project and to complete the earthworks component of the Project. Venezuela is committed, along with Cuba, to partner on the earthworks component. Indeed, in a joint agreement signed on July 23, 2005, in St. Vincent and the Grenadines between the Chief

Executive Officer of PDV Caribe of Venezuela and myself, the Venezuelans recommitted themselves to completing, at least, the earth movements and preparations, with Cuba, for the construction of the International Airport Project.

Further, Cuba's assistance with the overall design of the Master Plan for the Project is an additional contribution in value of at least US\$10 million.

Four other countries have been sought to partner St. Vincent and the Grenadines in its creative "coalition of the willing" for the construction of the international airport at Argyle. These countries, in alphabetical order, are Canada, Mexico, Taiwan, and Trinidad and Tobago.

I have held discussions with the Prime Minister of Canada, a former Foreign Minister of Canada who currently holds another portfolio in the Canadian Cabinet, and the Canadian High Commissioner on this matter. Officials from the government of St. Vincent and the Grenadines have been in communication with the relevant Canadian authorities on Canada's practical involvement. For a variety of reasons, I do not wish to say more on Canada's possible contribution at this stage except to state that they want to be involved in the Project.

My fellow-Vincentians may recall that on April 27, 2005, I made an official working visit to Mexico and held discussions with President Vicente Fox and other high level officials on several areas of mutual interest, including the construction of the international airport at Argyle. At the end of my visit, President Fox and I signed a Joint Communiqué in which President Fox offered to assist us in the building of the international airport. Following my Mexican visit, President Fox sent a delegation of airport experts to St. Vincent and the Grenadines to advance further Mexico's assistance in building the airport. The detailed discussions are continuing.

In discussions with the Mexican government, we made the specific request for assistance with the Apron, Runway and Taxiway component of the airport, estimated at US\$15.3 million or

EC\$41.3 million. Though we have not yet received confirmation of the precise size of Mexico's contribution, we remain confident that Mexico will assist substantially towards the component for which we have sought assistance from them. It is important to note also that President Fox has already made a commitment to provide us with all the cement we need for the international airport, at a highly concessionary price.

Our dear friend and loyal ally, the Republic of China on Taiwan has pledged to assist us with the construction of the international airport. It is a matter which I have discussed face-to-face with President Chen and the immediate-past Premier of Taiwan. It is inconceivable that St. Vincent and the Grenadines would embark on the largest and most important capital project in its history without involving our Taiwanese friends. Were we not to ask for their substantial involvement, it would be seen as an unfriendly posture by us. I repeated this point on May 17, 2005, to Taiwan's distinguished Foreign Minister, Dr. Tan-Sun Chen, on his recent visit to St. Vincent and the Grenadines. He fully appreciated it. As always, our Taiwanese friends are most keen to help.

Consequent upon the Taiwanese Foreign Minister's visit, a team of Taiwanese businessmen, with extensive experience in airport construction came to St. Vincent and the Grenadines to assess first-hand all the relevant facts so as to enable them to submit precise recommendations to their government for follow-up action and assistance. I feel sure that the combination of grant and loan which we have requested will be forthcoming. It is anticipated that Taiwan's contribution will exceed the requirements for the fourth and fifth components, namely, roads and support services and the terminal building and control tower. Together these components amount to US\$20.4 million or EC\$55.08 million. The excess contribution over this amount will go towards the cost of the overall project, including contingencies.

I am pleased to announce that President Chen, who was originally scheduled to visit St. Vincent and the Grenadines on September 6th, will now be with us on September 28th and 29th this year. President Chen's State visit provides the opportune

moment for the further strengthening of the excellent relations between our two countries. I call on all Vincentians to give him and his delegation a most magnificent welcome.

And finally Trinidad and Tobago. My very dear personal friend and Prime Ministerial colleague, Patrick Manning, has offered his government's support, in principle, for our International Airport Project. He and I have discussed the extent of the financing gap on the project. Moreover, he has assisted in putting the government of St. Vincent and the Grenadines, in commercial contact with entities, including a state-owned entity, which are likely to be supportive. Fruitful discussions continue with one of these entities.

And now to the private sector's role in this Project. The way we have structured this Project is to have the private sector invest only as much as we need to fill any funding gap that is likely to emerge. Naturally, we cannot determine the size of the private sector's input until we have ascertained precisely the quantum in grants from friendly governments or soft loans through their instrumentality. Based on our discussions with donor countries and considering the components for which assistance has been earmarked, we may have a funding gap of US\$20 million or thereabouts for which we may need private sector funding.

Over the past two and one-half years or so, we have received several expressions of interest from private sector firms and have held discussions with many of them on matters relating to the design, financing, construction and operation of the international airport. Discussions with some firms have reached an advanced stage and we are currently engaged on detailed proposals from a consortium of engineers, construction and financial firms based in Trinidad and Tobago. I am not at liberty to present the details of these discussions at this stage.

Even so, we have not yet made a final decision on our private sector partner or partners. Strategically, it is better not to rush into a partnership arrangement at this time with any private sector firm, for at least three reasons. First, depending on how well we do with land sales, we may generate enough revenue to plough

back into the airport as equity, to fill the financing gap. In this case, we may not need the full extent of our programmed private sector financing. Secondly, as we proceed with the construction of the airport, we may be able to attract additional grants from other friendly governments from which we have not yet received any commitment. Any new grants may eliminate or reduce the need for private sector capital. Finally, the longer we are able to hold out on this particular decision, the more firms are likely to come forward, thus enhancing our bargaining position.

We have been exploring several creative modes of involving the private sector. The final form their involvement may take is likely to depend very much on the amount of money which they are required, or prepared, to invest into the Project and consistent with our national interest.

11. TIMES LINES AND SOME PRACTICAL ISSUES

The government of St. Vincent and the Grenadines has the reasonable expectation that the International Airport Project will be complete by 2011, some six or so years away. We have been assured by the experts that the design and actual construction work on all components of the international airport would take in the aggregate some four years to complete, at most. Design work can commence during the phase of purchasing or acquiring the properties at the site and the relocating of the persons who currently live at the Argyle location. Clearly, it may take about two or so years for all persons to build elsewhere and relocate after they have been paid for their houses. This exercise has to be handled on an individual basis after due consultation on the observance of all the requisite sensitivities and reasonableness. I am sure that the home-owners at Argyle understand the over-riding national interest behind the Project and that they would cooperate fully with the government. Equally, the government must be helpful, reasonable, sensitive and considerate with every single individual. The government will be more than fair in every respect. The ULP government has a well-deserved reputation for fairness and reasonableness.

Already the IADC is at work with the Planning Division for the evaluation of the properties on the Argyle site. These properties are to be evaluated at market value. Property values would be assessed by independent valuers whom the IADC and the Planning Division are in the process of recruiting. Even before the valuers begin their work the IADC will be sending its own employees around to the homeowners on the site to discuss with them the need for their relocation. This is both necessary and desirable to keep the homeowners informed and involved in the entire process so as to facilitate the speediest relocation elsewhere.

I have already instructed the Chief Surveyor to put down the precise boundary marks at the various points on the site at Argyle so as to indicate the physical boundaries of the Project and to inform the homeowners, and other interested parties, accordingly. This is to be done as a matter of urgency.

Undoubtedly, a host of practical matters arise in a massive project of this kind. The necessary machinery has been, and is being, put in place to address them in sensible, practical ways. I give all Vincentians, residents and visitors this solemn assurance. Be assured, too, that I shall provide updates and keep you informed, as always, at every stage or phase of the Project. As you are no doubt aware this is the first time ever that a Prime Minister of St. Vincent and the Grenadines has addressed the nation in a focused and comprehensive manner on the matter of the building of an international airport on mainland St. Vincent. After all, public policy is serious business to be conducted by serious people. It is not part of the mock entertainment industry.

CONCLUSION

Within the last four and one-half years, our society and economy have been undergoing immense change, for the better. This is evident in the education revolution, the war against poverty, the good governance framework, the diversification of the economy, sustained and sustainable economic growth, health for all, housing for the poor and working people, the revolution in

information technology, sporting and cultural upliftment, the enlivening spirit of solidarity within our Caribbean civilisation, the deepening of regional integration, the formulation and implementation of an appropriately progressive foreign policy, the increasing wealth of the nation and its people, the dramatic improvements in our people's living standards and quality of life, and a spirit of growing excellence which pervades the society, especially the youths who are blessed with abundant talent.

Amidst all this phenomenal progress of the last 4½ years, Vincentians of all walks of life yearn for an international airport for the host of reasons which I have detailed earlier. The raising of illusory hopes which were quickly dashed are now over. Delivery time for the construction of the international airport at Argyle has now come. No more delays; no more false hopes; no more deception; no more marginalisation of St. Vincent and the Grenadines. The International Airport Project is now with us, for the first time, at last. The Argyle International Airport will be a lived reality, for the first time, at long last. Direct flights from London, from Toronto, from New York and other metropolitan capitals to St. Vincent are an on-rushing reality, for the first time, at last.

All this is realizable only with the ULP government. Without us there will be no international airport. Only the ULP administration can deliver this. It is all so crystal clear. Let us face it: Which government, other than that of the ULP, can put together a "coalition of the willing" consisting of Cuba, Venezuela, Canada, Mexico, Taiwan, Trinidad and Tobago, to construct the international airport? Which other leadership can do it but the current leadership in the ULP administration? Today, marks the beginning of another chapter of immense achievement for our blessed homeland.

THANK YOU AND MAY GOD BLESS US ALL!