

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of Extraordinary Meeting held on 11th of August 2010

Members Present:

Chairman:	Mr J Piercy
Members:	Mr J Banks Mr T Hydes Mrs P McGaw-Lumsden Mr C McLaughlin Mr W Scott Ms R Sharma Mr O Watler
Secretary:	Dr G Frederick-van Genderen
Apologies:	Ms A Owens Mrs I Simms Mr M Smith
Special Guests:	<i>Honourable Premier</i> Mr McKeeva Bush OBE JP <i>Honourable Deputy Premier & Minister</i> Ms Juliana O'Connor-Connolly JP <i>Honourable Deputy Speaker & Ministerial Councilor</i> Mr Cline Glidden Mr Kearney Gomez JP, <i>Permanent Secretary, Ministry of District Administration, Lands, Agriculture & Works</i>

Call to Order

The Chairman welcomed the Honourable Premier, Honourable Deputy Premier and Minister, Honourable Deputy Speaker and Ministerial Councilor as well as Board members and called the meeting to order at 2:15pm after ascertaining that there was a quorum. The Chairman then proceeded to invite the Honourable Deputy Premier to open the meeting with prayer.

Current Business

- a) **The decision of the Cayman Islands Government to totally divest and privatise the Water Authority during the 2010/2011 fiscal period.**

The Chairman again welcomed the Honourable Government Members and invited them to speak concerning the matter on the agenda. The Honourable Deputy Premier commenced by thanking members for the opportunity to formally convey the Cayman Islands Government's (CIG) intentions regarding the future of the Water Authority and advised that the CIG believed these intentions were the best options for the entire Cayman Islands at this time.

The Honourable Deputy Premier proceeded to thank the Honourable Premier and Honourable Deputy Speaker and Ministerial Councilor for agreeing to address members and provide the reasoning for CIG's decision. The Honourable Deputy Premier explained that the CIG was charged to ensure the implementation of an economic recovery plan for the country that would preserve and ensure prosperity for children and grandchildren. In these current hard economic times, the Honourable Deputy Premier said that Government had to use available assets strategically as stimuli to jump start the economy. The Honourable Deputy Premier then handed the meeting over to the Honourable Premier.

The Honourable Premier thanked the Honourable Deputy Premier and Board for the invitation to explain the CIG's directives. The Honourable Premier reminded members that the country was in a bad shape economically and that this was due to the actions of the previous Government as well as the worldwide recession. The Honourable Premier informed members that his Government was doing everything possible to get Caymanian people back to employment.

Mr K Gomez joined the meeting at this point.

The Honourable Premier reminded members that due to the poor fiscal management of the previous Government his Government was pressured by the United Kingdom (UK) to introduce taxes. In order to avoid this, his Government had decided to take advantage of the good assets built up over the years. This therefore meant that CIG decided that assets such as the Water Authority's water and wastewater business had to be utilised to stimulate the economy.

The Honourable Premier made it clear that the CIG's decision was to sell the wastewater business of the Authority and to lease the water utility operations for 25 years. The Honourable Premier emphasised that for the water utility operations, the decision was clearly not for a sale but a lease. Additionally, the

Honourable Premier confirmed that the CIG's decision was to separate the wastewater and water operations with the sale and lease proceeding as two completely separate projects.

The Honourable Premier said that the central sewerage system needs to be expanded in order to protect the environment and that this much needed project would result in 600 plus jobs being generated.

The Honourable Premier informed members that CIG had received an unsolicited proposal from Consolidated Water Company indicating their strong desire to buy out all operations of the Water Authority. However, no decision had been made.

The Honourable Premier stated that he had several policy points and criteria that had to be satisfied before he would agree to any leasing arrangement of the Authority. First of all, the lease would be for a period of 25 years as the CIG did not want to see another situation such as exists with Caribbean Utilities Company Ltd (CUC) arise. Secondly, any arrangements would depend on whether the right investor was there and if the terms and conditions are what his Government can support. Another very important criterion was that no staff should lose their jobs in the arrangement.

The Honourable Premier reiterated that the divestment of the wastewater assets and services was definitely needed to generate money for the country and he expected that the resulting capital injection by the new owner would generate over 600 jobs for Caymanians.

The Chairman asked for clarification on CIG's timeframe to accomplish the divestment of the wastewater services. The HDP responded that CIG expected a 3-month period. She further explained that the country needed the capital and needed new projects to get underway. The Chairman mentioned that delays in other departments may impact timeframes.

The Secretary advised that as the Authority's water utility business is leased out, the remaining statutory responsibilities will need to be addressed in a Water and Wastewater Regulatory Authority and an entity similar to the Environmental Protection Agency in the USA.

Mr O Watler spoke passionately about his desire not to see another CUC situation develop on the islands and that he did not wish to see the Authority destroyed. He indicated his opinion that it would be serious for the country if the Government lost control of the water business. He said that he understood

the need for revenue into country in the current economic situation but that he was speaking from the heart.

The Honourable Deputy Premier stated that this is where we are today and that together we need to have realistic ideas and situations. She explained that there were hard choices to make as CIG had to consider what all the options were and find those that were the least burden to bear. She noted that investors were not interested in Government entities that are not profitable.

Ms R Sharma inquired about the next steps. The Chairman advised that the Authority was nearing completion of the Request for Proposal (RFP) and that the Authority was awaiting the Legal Drafting Department to prepare drafts of the legal framework for the regulation of the water and wastewater operators. After that, the Authority would coordinate with the Central Tenders Committee for the publication of the RFP.

As there were no further questions, the Chairman thanked the Honourable Premier, the Honourable Deputy Premier, and the Honourable Deputy Speaker and Ministerial Councilor for coming to speak with the Board. He noted that now the Board was fully informed and also that he appreciated the candor with which Mr O Watler spoke.

The Chairman then adjourned the meeting at 3:15pm. The Government contingent then proceeded to meet with the entire Water Authority staff to inform them of Government's decision.

This is a true and accurate account of the proceedings.



The Chairman

The Secretary