The BAHAMAS BOOM

Hutchison boosts investment in island paradise

By Neil Hartnell

ASK A FRIEND or colleague to paint a mental picture of the Bahamas and most will conjure up images of crystal clear waters lapping against island beaches of white baby powder sand. Children splash in the shallows while their parents sip fruit cocktails underneath sun umbrellas; a speed boat pulls a water skier through the water, snorkellers explore the abundant coral and five-star hotels dot the coastline.

In short, a tourist paradise; but there is more than sea and sand to the Bahamas story and it has a fascinating history that is worth sharing with a wider audience. When Christopher Columbus left Europe in 1492, the first land he set foot on in the Western Hemisphere was the Bahamian isle of San Salvador.

The late 1600s saw British settlement and the construction of a small town on the island of New Providence that became the Bahamian capital, Nassau, and home to one of the New World’s oldest parliamentary democracies. The pink-coloured House of Assembly, together with the Senate and court buildings, still dominates Parliament Square today.
The colonial heritage is everywhere, from Fort Montagu in the east to the imposing Fort Charlotte that overlooks Nassau Harbour, both constructed to discourage enemy forces from landing. But it is Bay Street where Nassau comes alive. Luxury stores and restaurants compete for space with international banks and law firms while the Pirates of Nassau museum is a reminder of days when more unscrupulous forces held sway in these parts.

Outside the capital lies a stunning variety of island destinations offering visitors every imaginable activity, from scuba diving and sailing to banana boat rides, beauty salons and palm-fringed golf courses.

The Bahamas gained independence from Britain in 1973 and has since emerged as one of the world’s leading tourist destinations. This quiet paradise with a population of little more than 300,000 may at first glance seem an unlikely investment environment for a conglomerate like Hutchison Whampoa Limited (HWL). Look a little closer, however, and the mutual attraction becomes as clear as the waters that lap the 700-island archipelago’s famous beaches.

While the Bahamas attracts five million visitors a year, it has also
created a niche as an international financial services centre specialising in private wealth management, estate planning and asset protection. What’s more, its proximity to the United States opens up a whole range of trade, economic and investment opportunities.

HWL stands poised on the threshold of further business development in the Bahamas, having steadily increased its presence there since the company was first attracted to its sun-drenched shores just over a decade ago. It has already ploughed USD1 billion into a container port, an airport and real estate, and there is more to come.

“We’ve invested collectively about USD1 billion in cash,” says Jon Markoulis, chief executive officer of Hutchison Development (Bahamas). “We’re probably the largest cash investor in the country. Our medium- and long-term plans are to get a decent rate of return on the money we’ve invested. Once Hutchison gets that rate of return, we get into another level. There’ll be spin-offs and a lot of additional economic activity.”

Much of that activity may take place in the city of Freeport on the country’s second largest island, Grand Bahama. It was here that a 230-square-mile (595-square-kilometre) duty-free zone was created courtesy of the 1955 Hawksbill Creek Agreement between the Bahamian government and Grand Bahama Port Authority (GBPA), an entity that was granted quasi-governmental powers to run and govern Freeport.

It was Edward St George, the GBPA’s late co-chairman, who saw the potential of a container port in Freeport as a logistics/transshipment/distribution hub for the Americas region. His vision persuaded Hutchison Port Holdings to develop a facility in 1996 that now employs 900 people.

Chris Gray, Hutchison Port Holdings (Bahamas) chief executive, and the man responsible for overseeing Freeport Container Port’s day-to-day operations, acknowledges that the business-friendly environment created by the Hawksbill Creek Agreement “played a part” in encouraging the company to come to Freeport but cites the country’s economic and political stability as other key factors. “It’s a stable government, it’s a stable environment, and it has an attractive fiscal environment,” he says.

Mr Markoulis agrees, adding that Hutchison’s real estate division has established a presence in the Bahamas partly “because of the opportunity provided by the land bank in Freeport to develop a lot of upscale real estate.”

Situated some 55 miles east of Palm Beach, Florida, Grand Bahama Island is in the same time zone as the east coast of the US and is also adjacent to the world’s major shipping lanes, creating advantages for both commercial shipping and cruises lines. Non-US flagged ships cannot move from port to port – they must call at a foreign port after leaving the US – making Bahamian ports such as Freeport and the capital Nassau ideally placed to capture the lion’s share of Caribbean cruises from Florida. A multitude of island destinations, each with

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their own flavour and experience, has helped the Bahamas to attract 3.5 million cruise visitors per year, accounting for two-thirds of annual arrivals.

Freeport Container Port processed more than 1.4 million containers in 2006, enjoying double digit year-on-year growth, and Hutchison Port Holdings (Bahamas) is in the advanced stages of planning the next USD250 million phase of its expansion, Phase V. Mr Gray believes there is room for two or three more phases after Phase V. “If we go ahead with Phase V, that will take us to roughly about 40 per cent of potential future capacity,” he says.

Mr Gray also oversees the operations of Freeport Harbour Company, a cruise terminal operator in which Hutchison holds a 50 per cent stake. The remaining equity is held by Port Group Ltd, an affiliate of the GBPA. The cruise ship terminal attracts 300,000 round-trip passengers per year. Hutchison

As THE “BABY BOOM” generation in the United States approaches retirement, the demand for holiday homes in places such as the Bahamas is increasing dramatically.

Jon Markoulis, the man who looks after Hutchison’s extensive property interests in the Bahamas, describes the baby boomers as “the largest group of people entering retirement age anywhere in the world.”

He says that while there are just 10 miles of undeveloped private beachfront on the whole coastline of eastern Florida, Grand Bahama alone has 15 miles but adds with caution, “We don’t want to become too crowded, we want to maintain a reasonable lifestyle.”

Hutchison is planning a wholly owned real estate development at Grand Bahama’s Silver Point featuring 118 luxury condominiums, single family homes and townhouse apartments, each able to moor a private yacht up to 75 feet in length.

The Silver Point – Our Lucaya project is just 54 miles east of Palm Beach, Florida, and is being designed by the world-renowned architectural firm RTKL based in Dallas, Texas.

The 18-acre site is on the beautiful Lucaya Beach and has extensive ocean frontage. Homeowners will have access to services at the nearby Hutchison property Our Lucaya Resort, including two 18-hole championship golf courses.
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Port Holdings, again through a 50/50 joint venture with Port Group Ltd, has invested USD50 million in Grand Bahama International Airport since 2002, including a new US pre-clearance facility that meets the latest US government regulations.

One of the largest privately owned airports in the world, its 11,000-foot runway receives 165 private, charter and commercial flights per day; some 420,000 round-trip passengers pass through it every year. Then there is the Sea Air Business Centre located between Grand Bahama International Airport and the container port, which is being developed as a light manufacturing, assembly, distribution and import/export hub. The Sea Air Business Centre will take up approximately 740 acres and is expected to be of similar scale to the duty-free zones in Dubai and Colon in Panama.

Hutchison also has its eyes on Grand Bahama’s untapped real estate potential through the Grand Bahama Development Company, which owns 70,000 acres of land on Grand Bahama and is responsible for planning the land zoned for tourist, commercial and residential use in Freeport.

Apart from its climate and proximity to the US, another huge plus for the Bahamas is that most beach-front property in Florida has already been built on, so developers are now turning to the Bahamas. Hutchison is planning its own real estate development at Grand Bahama’s Silver Point, located just west of another Hutchison property, the luxurious 1,271-room Our Lucaya Beach & Golf Resort.

But despite all that has already taken place, “potential” remains the buzz word for Freeport, Grand Bahama and Hutchison; all three may have only scratched the surface of what they could achieve. “We don’t even have to be day-dreaming about it,” says Mr Markoulis. “Many kinds of economic investment and activity have already taken place in Freeport but we know it can be a far more productive economic engine.”

The Bahamas is working hard to increase the numbers of visitors from Mainland China to its shores and the early signs are promising – the Ministry of Tourism’s new Chinese website is already receiving 7,000 hits per month.

The Bahamas has traditionally been heavily reliant on the US but the Chinese market is an obvious place to turn, given that China is expected to become the world’s largest supplier of outbound tourists over the next 10-20 years.

In March 2006 Chinese travel agents, tour operators and media visited the Bahamas and the first tourists from the Mainland have started to arrive. The Ministry of Tourism has also launched a media marketing campaign.