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Loan Financing arrangements in lieu of dispute - construction of the Hyatt Ocho Rios Hotel

On the 7th February, 1973, the House of Representatives by resolution approved, under the provisions of the Approved Organizations and Authorities Loans (Government Guarantee) Act, the guarantee of the repayment of principal and payment of interest on loans to Mallard Reef Hotel Limited, a subsidiary of the Urban Development Corporation for the construction of a 400 bedroom convention hotel at Ocho Rios, in accordance with the requirements and specifications of Hyatt International Corporation of the U.S.A. The loans involved were:

i) a loan of US$8.5 million (J$7.7 million) from First Chicago Merchant Bank (Jamaica) Ltd. to be repaid over a nine year period (including a three year moratorium) with interest at a rate of 1½% per annum above the London Interbank offer rate for six months Euro-dollar deposits;

ii) contractors credit of £1,930,000 from the firm of Coutinho, Caro and Company Limited (C.C.C.) of London to be repaid over a twelve year period (including a three year moratorium) with interest at a rate of 6% per annum net of Jamaican taxes.

2. The financing package described above was supplementary to a contract signed between CCC and Mallards Reef dated 27th July, 1972, governing all the conditions applying to the construction of the hotel by CCC described in paragraph 1. The salient features were:

i) Mallards Reef to pay CCC as consideration for construction the sum of £stg. 2,352,520 and J$3,744,960 or such other sum as would become payable at the times and in certain manners specified;

ii) the liability of CCC or its employees would only be as set out in the agreement;

iii) any disputes or differences between CCC and the Architect on Mallards Reef behalf should be referred to arbitration.

3. At various times between July, 1975 and February, 1976 UDC has been served by CCC with claims for compensation on the basis of escalations in costs (which have all been blamed on local factors) totalling J$5.220 million.

CCC has given as justification for this compensation in addition to rapid inflation and increased labour costs the factors given below:

i) Delays $2.250 million alleged as variations to the original contract resulting in extra time, labour disputes and go slows, lack of power and water, exceptionally inclement weather and lack of information etc;

ii) Variations $1.600 million related to various additions and variations to the hotel as required by Hyatt International;

iii) Furniture, furnishings, and Equipment $.980 million - related to variations in quantities of furniture, fittings, interior design etc. as required by Hyatt International;

iv) Government Action $.339 million related to additional costs of cement, fuel, industrial gases, import licences, wharfage rates.

4. An exhaustive assessment of all the factors involved has led to an evaluation which can be summarized as follows:

Claim as submitted	J$5.220 million
Considered unavoidable	1.270 million
Possible Architects Award	2.310 million
Minimum Arbitration Award	2.455 million

5. In the light of the above, negotiations between UDC and CCC have been concluded on the basis of a settlement for compensation of $2.5 million which is equivalent to DM 6.6 million. CCC will allow this amount as a loan to UDC with a Government Guarantee. Such a loan will carry interest at a rate of 7% per annum to be repaid in three annual instalments of DM2.2 million each commencing on 3rd November, 1977. This settlement, mutually acceptable to both parties is considered preferable to the risk of a long drawn out arbitration proceeding.

6. The House of Representatives is accordingly asked to approve under the provisions of the Approved Organizations and Authorities Loans (Government Guarantee) Act, the guarantee of the repayment of principal and payment of interest on a loan of DM 6.6 million (J$2.5 million) from Coutinho, Caro and Company Limited to Urban Development Corporation, to be repaid in three equal consecutive instalments of DM 2.2 million (J$.833 million) each as from 3rd November, 1977 with interest at a rate of 7% per annum.

In due course I will move a resolution to this effect.

Attached is a list of outstanding guarantees.

DAVID H. COORE
Minister of Finance
April 6, 1977

CHAPTER 18 GUARANTEE OUTSTANDING AMOUNTS

AT 31/3/76

Name of Organization	Amounts Authorised	Estimated Outstanding Balance
J.C.S.M.T.S.	$ 100,000.00	$ 10,440.00
Munro & Dickenson Trust	60,000.00	4,000.00
Point Continental Hotel	7,592,039.65 (A)	6,779,132.13
Rose Hall Intercontinental Hotels Limited	10,726,363.64	10,726,363.64 *
Rose Hall (H.I.) Limited	625,000.00	625,000.00 *
Rose Hall (H.I.) Limited	4,583,334.00	4,583,334.00 *
Rose Hall (H.I.) Limited	1,619,454.54	-
Pegasus Hotels Limited (B.O.A.C.)	2,000,000.00	2,000,000.00 *
Jamaica Development Bank (D.F.C.)	2,000,000.00	2,000,000.00 *
Jamaica Development Bank	3,363,636.36	2,938,747.33
Kingston Waterfront Hotel	9,425,286.18	7,539,552.66
Trelawny Resorts Limited	7,362,739.00	-
Rutland Point Hotel	7,000,000.00	-
Jamaica Mortgage Bank	9,090,909.09	8,926,676.55
Frome Monymusk Land Company	14,548,994.09	14,170,509.09
Innswood Estates	700,000.00	170,000.00 *
Grays Inn Sugar Estate	450,000.00	624,211.00 *
Mallards Reef Hotel Limited	11,054,893.42 (A)	9,863,955.49 (B)
Air Jamaica (1968) Limited	2,229,318.18	712,377.09
Air Jamaica (1968) Limited	2,318,181.82	1,017,424.26
Air Jamaica (1968) Limited	17,181,818.18	14,266,615.90
Air Jamaica (1968) Limited	4,633,363.64	4,152,499.28
Air Jamaica (1968) Limited	30,590,909.09	28,751,938.44
Jamaica Public Service Company Limited	53,775,454.55	32,636,655.46 (B)
Jamaica Telephone Company Limited	16,818,181.82	13,098,458.18 *
Jamaica Telephone Company Limited	2,000,000.00	500,000.00
Jamaica Telephone Company Limited	1,437,818.18	-
Jamaica Telephone Company Limited	4,155,847.28	-
Jamaica Telephone Company Limited	2,272,727.27	-
Port Authority	12,727,272.73	12,727,272.73
Urban Development Corporation	5,133,672.41	-
Urban Development Corporation	2,034,482.76	-
Kingston & St. Andrew Corporation	750,000.00	625,000,00
University of the West Indies	2,972,727.27	-
	$253,334,425.15	$179,450,163.23

A - Decrease due to rate of exchange

B - Increase due to further amounts taken up

* - As at previous Financial Year