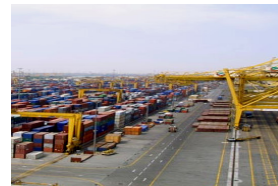
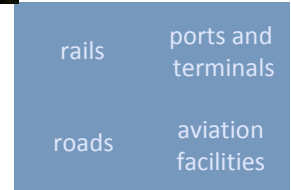


## Air Transport

## Public Private Partnership (“PPP”) Model

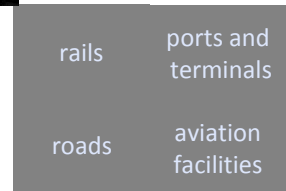
## in the Emerging Markets

May 2010



## Content

1. Key Highlights of an Airport PPP Model
2. Case Study: Bangalore International Airport
3. Case Study: Delhi International Airport



# Key Highlights of an Airport PPP Model

## Private sources as an alternative to government funding

- Sources of fund (debt and equity) extend beyond government funds to include airport operators, banks and other investor groups;
- Government may not be required to guarantee debt provided by local and foreign banks / financial institutions. This enable the government to meet the infrastructure needs of the country to facilitate economic development without adversely affecting its fiscal budget;
- Government acts as a shareholder / equity sponsor along with private parties in the Airport Company (Special Purpose Company).
  - Similar to a private shareholder / investor, government gets a return on its investment / commitment in the airport

## Enhanced risk allocation and mitigation

- Project risks (regulatory, construction, operating, revenue etc) are mitigated as various risks are allocated to private and public entities which are best equipped to manage those risks.

## Maximizing the airport potential

- Maximizing the lifespan of the airport system;
- Optimizing the utilization of available airport land resources and existing facilities;
- Safeguarding future development by means of a coherent and comprehensive phasing strategy;
- Balancing airside and landside demand and capacity in each phase of development.

# A PPP model opens up a range of alternative funding options to ensure project implementation



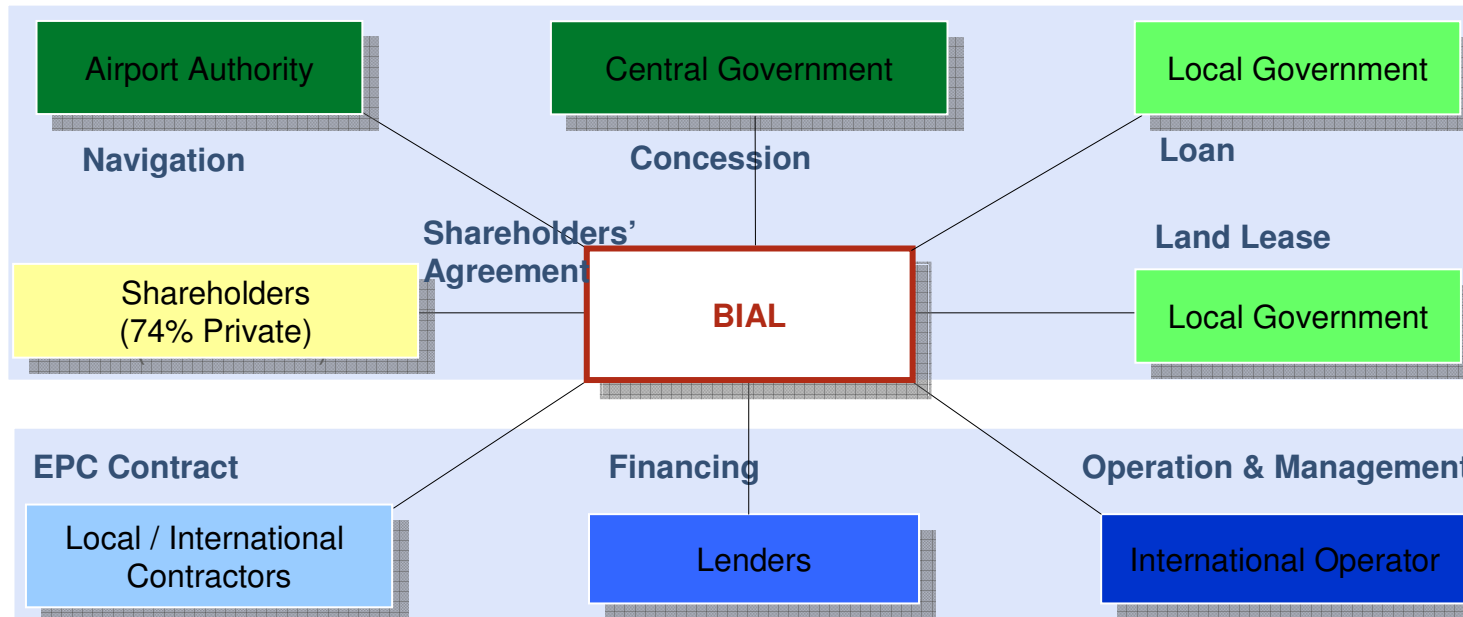
Sources of Funding	
Debt	Equity
Local Commercial Banks	Airport Operator
Foreign Commercial Banks	Strategic Investors
ODA (loans and grants)	Financial Investors
Export Credit Agencies / EXIM	Vietnamese Government (via relevant authority/agency)
Multi-Laterals - ADB, IFC	Multi-Laterals - ADB, IFC

**Public Private Partnership is a proven financing solution in emerging economies; it opens similar avenues across industries and projects and assists in economic and regulatory development of the state**

## Rationale for PPP

- Government was the only source of funding. This limited investment to modernise the airport infrastructure;
- Airport and service providers held monopoly power which led to high prices for low service standards;
- PPP as a ‘fast track’ to modernising and improving the performance of airport;
- PPP maximised investment efficiency in terms of risks allocation;
- Dual till planning for sustainable airport development;
- Combination of developmental experience, operational expertise and investment capability from the international arena with reputable local stakeholders.

## Legal Framework



1) Zurich Airport, 18th April 2010, "Global PPP Experience in Aviation Infrastructure Development and Related Experience"

## Some Key Terms of the Concession Agreement for BIAL Greenfield Project

Government	Private Consortium
<ul style="list-style-type: none"><li>▪ Grant concession to build, operate airport;</li><li>▪ Close the existing airport;</li><li>▪ Grant exclusivity within 150 km;</li><li>▪ Allow the consortium to carry out business related to airport activities (including non-aviation);</li><li>▪ Allow the consortium to select service providers (e.g. cargo, ground handling, catering);</li><li>▪ Guarantee no discrimination;</li><li>▪ Disclaim explicitly any risk of project;</li><li>▪ No financial guarantees given.</li></ul>	<ul style="list-style-type: none"><li>▪ Open new airport within defined time frame</li><li>▪ Operate the airport according to high international standard</li><li>▪ Develop / expand the airport according to demand</li><li>▪ Pay concession fees to Government</li><li>▪ Take all risks</li></ul>

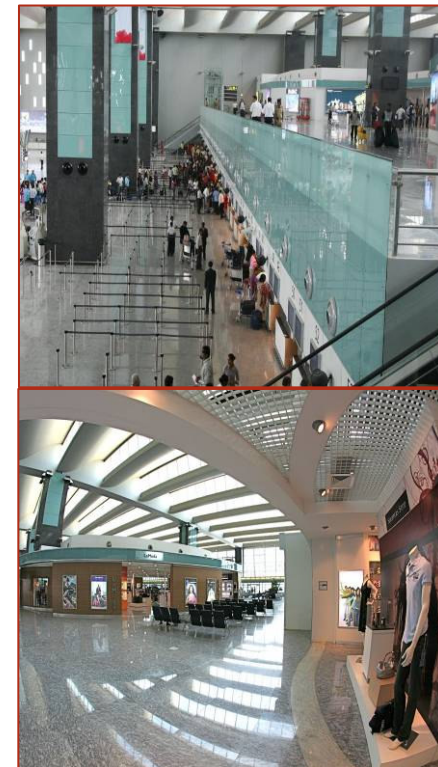
<sup>1</sup> Zurich Airport, 18th April 2010, “Global PPP Experience in Aviation Infrastructure Development and Related Experience”

# Case Study: Bangalore International Airport (“BIAL”)<sup>1</sup>

## Sources of Fund

### Funding of Project Costs:

Equity	16 %
Loan from local government	14 %
Security from concessionaires	5 %
Debt from lenders	65 %
<b>Total</b>	<b>100 %</b>



1) Zurich Airport, 18th April 2010, "Global PPP Experience in Aviation Infrastructure Development and Related Experience"

### Key Success Factors

- Strong private consortium;
- Local and central government act as one entity and as one access point;
- No major change during construction;
- Reasonable concession fee, better obligation to future investment;
- Tariff under control of neutral regulator with clear guidelines;
- Airport is just one link of the air traffic infrastructure. Allied infrastructure (railways, roads, ATC etc.) should be part of airport project;
- Airport city / economic zone planning to strengthen attraction / viability of airport

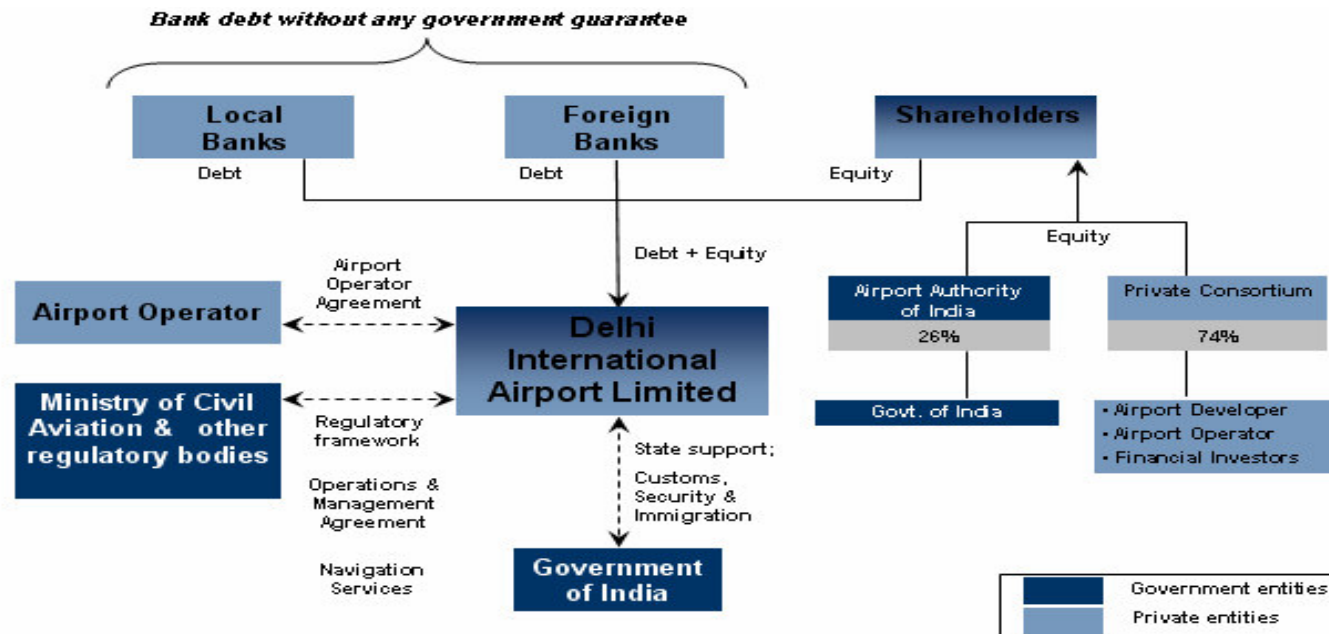
1) Zurich Airport, 18th April 2010, "Global PPP Experience in Aviation Infrastructure Development and Related Experience"

# Case Study: Delhi International Airport (“DIAL”)

## Rationale for PPP

- Similar to BIAL, the economic growth of India requires modernisation of India’s air transport infrastructure. The Government recognised the need to bring the level of air transport services and facilities to be at par with international standards and to handle increasing traffic volumes;
- PPP is seen as a ‘fast track’ to modernising and improving the performance of airport. Private sector participation is necessary for knowledge transfer and as a major source of funding to meet the massive infrastructure needs of an emerging economy.
- The liberalisation of the aviation industry creates a constructive cycle of economic growth by making the industry more competitive, efficient and increasing accessibility to a larger proportion of the population.

## Legal Framework



## Some Key Terms of the Concession Agreement for DIAL Brownfield Expansion Project

Government	Private Consortium
<ul style="list-style-type: none"><li>▪ Grant concession to operate, maintain and develop airport and to provide Aeronautical and Non-aeronautical Services except Reserved Activities;</li><li>▪ Grant Right of First Refusal within 150 km;</li><li>▪ Allow for the selection of service providers through competitive bidding process;</li><li>▪ Transition / take-over arrangement for existing employees, third-party contracts and capital work-in-progress;</li><li>▪ Provide support for on-going operations and development;</li><li>▪ Defence Forces to have the right to use the Airport facilities free of charge and without any restriction;</li><li>▪ Step-in-rights in Emergency;</li><li>▪ Bear some limited risks under defined circumstances.</li></ul>	<ul style="list-style-type: none"><li>▪ Take-over full and uninterrupted control of the agreed Airport Site and Existing Assets ;</li><li>▪ Operate the airport according to high international standard;</li><li>▪ Develop / expand the airport according to demand;</li><li>▪ Pay concession fees to Government;</li><li>▪ Agreed formula on Aeronautical Charges with the Government.</li></ul>

## Case Study: Delhi International Airport (“DIAL”)

### Private Consortium

- Strong private consortium comprised of GMR Group, Fraport, Malaysia Airport Holdings Berhad acting through Malaysia Airport (Mauritius) Private Limited and India Development Fund;
- Fraport to provide management services for the operation of the Airport for 7 years. Thereafter, if the Government is agreeable, DIAL can take over as the Operator provided that DIAL enters into a technical airport advisory services agreement with Fraport for a minimum of 8 years;
- External bank borrowings in the range of 50% to finance the project.

### Term and Expiry

- Concession for a period of 30 years with an option before the period ends to extend another 30 years;
- Right of first refusal for other airport developments within 150 m radius of the Delhi Airport for 30 years;
- Payment of Transfer Assets to be determined by related paid-up equity capital and / or debt;
- Payment of Non Transfer Assets, if any, will be based on Net Present Value.

# Your Contacts:

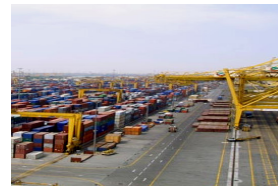
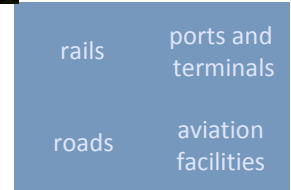
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