



Luis Muñoz Marín International Airport (SJU)

Public-Private Partnership Airport Project

December 2011



Executive Summary

- ▶ SJU is the busiest airport in the Caribbean with 4.2 million enplanements in FY 2011*.
- ▶ SJU is a critical infrastructure asset for the economy of Puerto Rico and job creation on the Island.
- ▶ SJU is facing serious challenges:
 - ▶ Deteriorating infrastructure;
 - ▶ Decline in traffic;
 - ▶ Lack of financial capacity and investment;
 - ▶ Managerial continuity; and
 - ▶ Strong competition from neighboring countries.
- ▶ SJU can have a positive transformation by establishing a public-private partnership (P3) with a competitive private consortium (P3 Project).

* Fiscal years in Puerto Rico are periods of twelve months starting in July and ending in June of the following year.

Background

1955

- ▶ Opened with a capacity for 665,000 passengers and permitted the development of a tourism industry and overall economy.
- ▶ Puerto Rico became a preferred destination.

1980s

- ▶ Gates were expanded. Eastern Airlines became the dominant carrier and occupied Terminal B.

1990s

- ▶ After Eastern Airlines closed, American Airlines became the dominant carrier. SJU became a hub for American Airlines.

2000-09

- ▶ Other Caribbean destinations became more competitive. Puerto Rico loses its international interconnectivity capacity due to 9/11 attacks.
- ▶ Strong competition from other neighboring countries.

Present

- ▶ Need to strengthen global connectivity of Puerto Rico.
- ▶ Need fresh investment and positive transformation.



Original structure of the SJU International Airport in San Juan, Puerto Rico.

The Need for Transformation

General Approach to SJU P3 Project

Holistic Approach for Global Connectivity

Tourism
Company

Ports
Authority

Luis Muñoz
Marín Airport
World Class
Airport

Department of
Economic
Development

P3 Authority and
Government
Development
Bank

Ensuring Success

- Airport as a central driver of positive change.
- Focus on economic development objective.
- Strong tourism platform.
- Long-term partnering with Puerto Rico and Ports Authority.
- Financial and contract monitoring expertise to ensure compliance.

Objectives of P3 for SJU

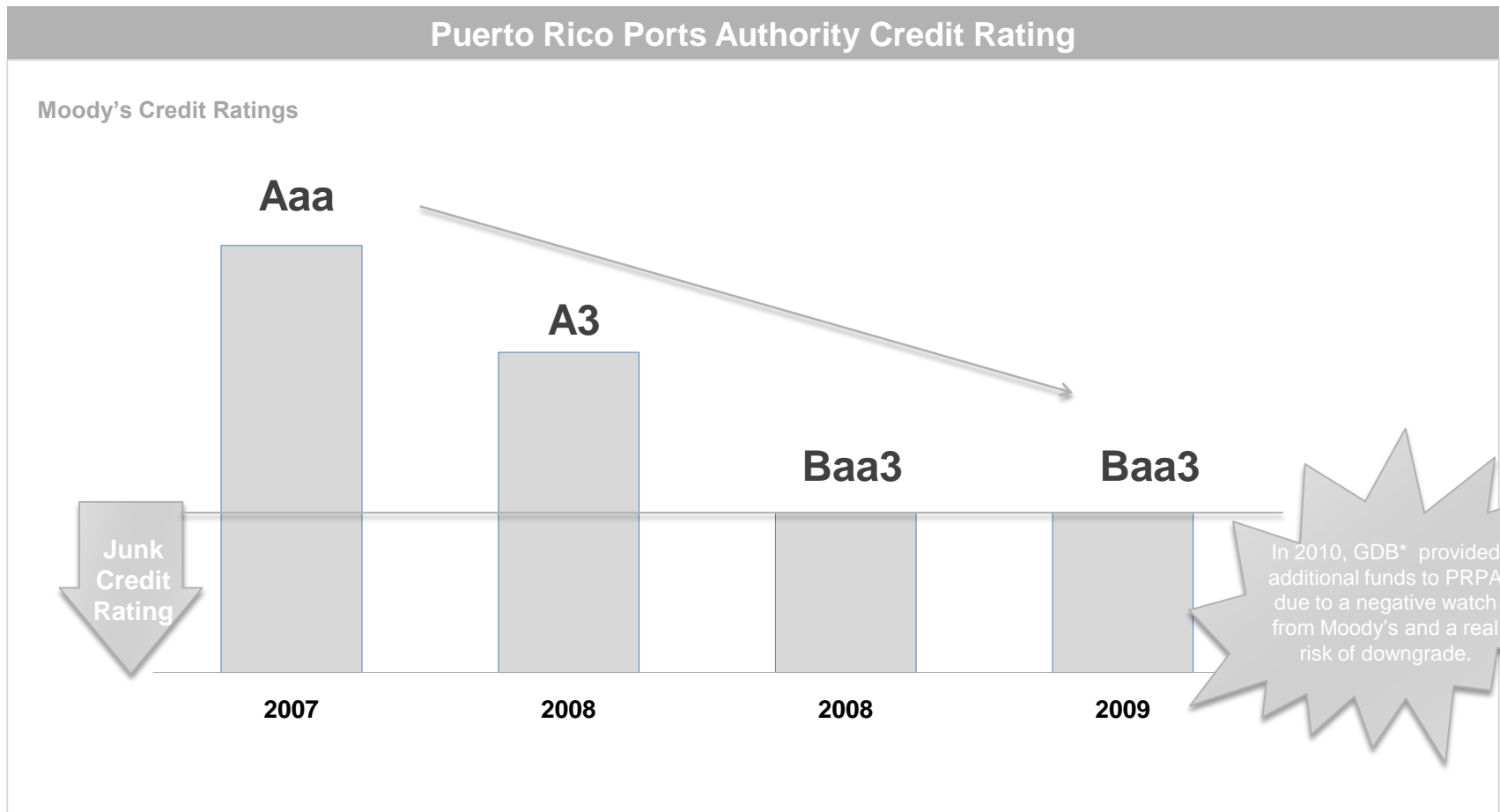
Situation

- ▶ Deteriorating infrastructure and need for O&M best practices.
- ▶ Weakened position of Puerto Rico as a destination and adverse effect in economic growth.
- ▶ Ports Authority without credit capacity and nearly insolvent.

Objective

- ▶ Restore infrastructure investment and world class standards.
- ▶ Driver of economic growth and competitiveness.
- ▶ Re-establish the financial stability of the PR Ports Authority.

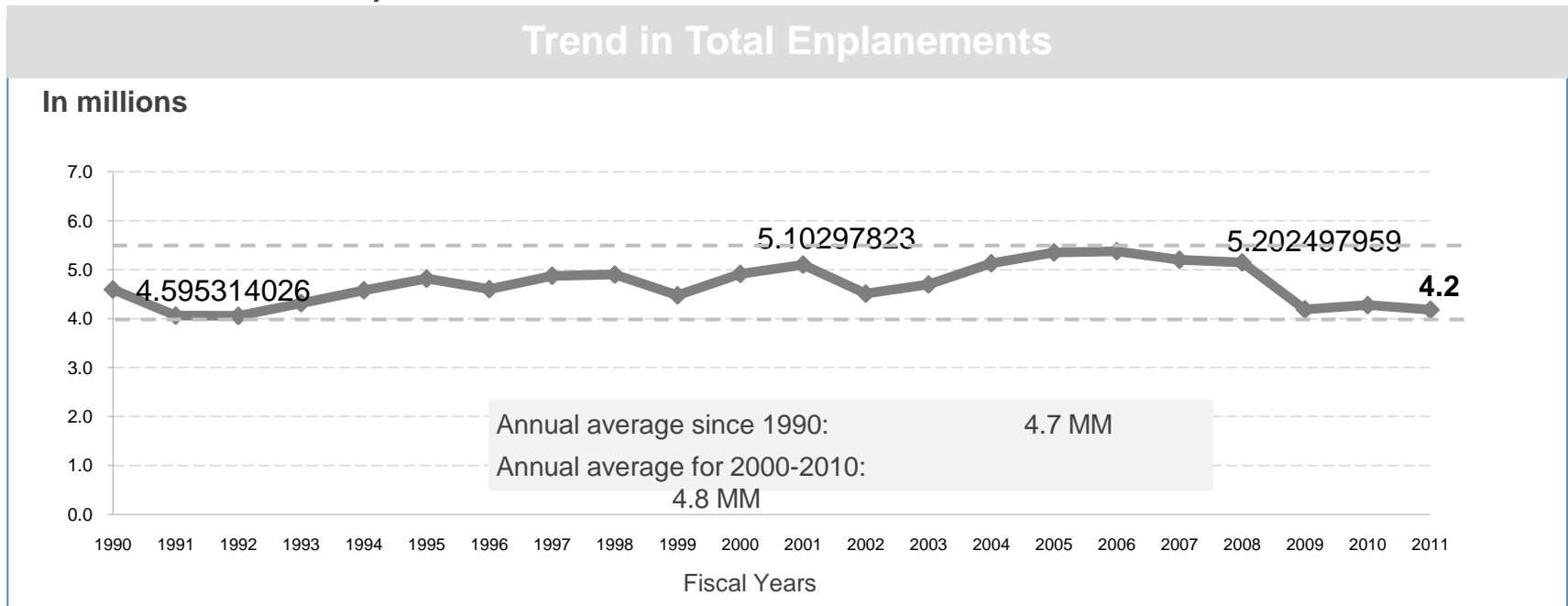
Lack of Investment Capacity



* GDB = Government Development Bank for Puerto Rico.

Need to Increase Traffic and Create Jobs

- ▶ The passenger base at the airport has been the "same" for 20 years.
- ▶ The number of enplanements has remained in the range of 4-5 million passengers since 1990.
- ▶ Increasing the number of visitors by 400,000 would have a significant impact on the local economy*:
 - ▶ Increase Puerto Rico's gross product by \$276 million.
 - ▶ Create 3,772 new jobs.



* Source: Luis Muñoz Marín Airport P3 Project Desirability and Convenience Study, P3 Authority, www.p3.gov.pr.

Benefits of the P3 for SJU

Positive Change for all Stakeholders

Puerto Rico

- ▶ **Preferred destination connectivity:** Caribbean Region, USA and global routes.
- ▶ **Increased economic activity:** more passengers, cargo logistics, long-term investments.
- ▶ **Fiscal restructuring:** restructuring of the PR Ports Authority.

General Public (Passengers)

- ▶ **Travel experience:** enhance travel experience and customer service.
- ▶ **Clear focus:** convenience, efficiency, safety, and high quality services.
- ▶ **World-Class Operations:** application of best practices and clear operating standards.

Airlines

- ▶ **Rates and charges:** significant value due to savings and greater transparency.
- ▶ **Holistic approach:** comprehensive Use Agreement and equal set of rules.
- ▶ **Aligned interests:** better alignment of commercial interests.

Airline Participation

Puerto Rico achieved the 65% consensus to support a P3 process, as required by the Pilot Program of the Federal Aviation Administration on metric weight carried (MAGTOW). This consensus was crystallized by signatures of a non-binding MOU.

Supporting airlines and discussion participants

AirTran

American Airlines

American Eagle

Delta

Federal Express

UPS

JetBlue

US Airways

United/Continental

Potential parties to be involved

- ▶ Air Transport International
- ▶ Gulf and Caribbean Cargo
- ▶ Expressjet Airline
- ▶ Pace Aviation
- ▶ Tradewinds Aviation
- ▶ USA Jet Airlines
- ▶ Vieques Air Link
- ▶ Amerijet International
- ▶ ABX Air
- ▶ Arrow Air
- ▶ Cape Air
- ▶ Spirit Airlines

Snapshot of the Airport P3*

- 1. Concession Terms:** Keep moderate term below 50 years and as short as feasible.

- 2. Capital Improvements:** Require immediate improvements to rapidly enhance conditions and allow for long-term life-cycle upkeep.

- 3. World Class Standards:** Require operating standards that integrate world class levels and best practices.

- 4. Route Development:** New air routes and increase in air traffic and global connections.

Projected Timeline*

Bidder Qualifications (RFQ)

- ▶ RFQ Due Date: August 8, 2011
- ▶ Shortlisted bidders: 6 shortlisted out of 12 potential bidders


Completed

Procurement Process

- ▶ Draft Transaction Documents
- ▶ Site Visits, Due Diligence, Technical Meetings
- ▶ Bidders meetings with FAA and Airlines


In Progress

Preferred of Bidder

- ▶ Selection of preferred bidder in accordance to P3 Act
- ▶ Commercial Close

Next

FAA Final Review

- ▶ Submission of final application to FAA Pilot Program
- ▶ 60 days of review before final approval by FAA

Next

Conclusion

- ▶ P3 for SJU is based on the right reasons:
 - ▶ Economic growth;
 - ▶ Competitiveness; and
 - ▶ Financial stabilization.
- ▶ P3 project for SJU is seeking to drive positive change and transform the Airport in to a world class infrastructure.
- ▶ P3 Authority is conducting a transparent process.
- ▶ Seek to close the P3 project on 2012.