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).

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

2000-09

Present
- Need to strengthen global connectivity of Puerto Rico.
- Need fresh investment and positive transformation.
The Need for Transformation
General Approach to SJU P3 Project

Holistic Approach for Global Connectivity

- Tourism Company
- P3 Authority
- Department of Economic Development
- Ports Authority
- P3 Authority and Government Development Bank
- Luis Muñoz Marín Airport World Class Airport

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

<table>
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<tr>
<th>Situation</th>
<th>Objective</th>
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<tr>
<td>Deteriorating infrastructure and need for O&amp;M best practices.</td>
<td>Restore infrastructure investment and world class standards.</td>
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<td>Weakened position of Puerto Rico as a destination and adverse effect in economic growth.</td>
<td>Driver of economic growth and competitiveness.</td>
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<tr>
<td>Ports Authority without credit capacity and nearly insolvent.</td>
<td>Re-establish the financial stability of the PR Ports Authority.</td>
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Lack of Investment Capacity

Puerto Rico Ports Authority Credit Rating

Moody’s Credit Ratings

- **Aaa**
- **A3**
- **Baa3**
- **Baa3**

- **2007**
- **2008**
- **2008**
- **2009**

In 2010, Moody’s determined a negative outlook on its ratings and the GDB had to redeem the bonds of the PA.

In 2010, GDB* provided additional funds to PRPA due to a negative watch from Moody’s and a real risk of downgrade.

* 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.

### Trend in Total Enplanements

<table>
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<tr>
<th>Fiscal Years</th>
<th>Annual average since 1990:</th>
<th>Annual average for 2000-2010:</th>
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<tr>
<td></td>
<td>4.7 MM</td>
<td>4.8 MM</td>
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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.
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

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<tr>
<th>Airline</th>
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<tr>
<td>AirTran</td>
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<td>American Airlines</td>
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<td>American Eagle</td>
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<td>Delta</td>
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<td>JetBlue</td>
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<tr>
<td>US Airways</td>
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<td>United/Continental</td>
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### 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

* MAGTOW = Maximum Allowable Gross Take off Weight.*
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.

* Private-Public Partnership’s basic elements. Terms are subject to change.
Project 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 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

*Subject to change and revision.*
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 into a world-class infrastructure.

- P3 Authority is conducting a transparent process.

- Seek to close the P3 project on 2012.