THE GOVERNMENT OF THE TURKS & CAICOS ISLANDS

TCIAA
TURKS AND CAICOS ISLANDS AIRPORTS AUTHORITY

INTERMEDIATE INFRASTRUCTURE BUSINESS CASE FOR THE REDEVELOPMENT OF THE HOWARD HAMILTON INTERNATIONAL AIRPORT

ANNEX 2: PPP OPTIONS CONSIDERED

THE
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PROVIDENCIALES INT'L AIRPORT (PLS) REDEVELOPMENT PROJECT TECHNICAL, FINANCIAL AND LEGAL CONSULTANT

Airport PPP Options

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Three different scenarios have been modelled: (1) Self-funding, (2) the entrance of a private airport operator (PPP) and (3) JV with a private operator

	SELF-FUNDING SCENARIO	PPP SCENARIO	JOINT VENTURE SCENARIO
Ownership	TCIAA	TCIAA	TCIAA
Studied period	**30 years**	**30 years**	**30 years**
Operation, Maintenance, Construction	TCIAA + Technical Service Agreement (TSA) – O&M + ORAT contract – construction	Renowned International Airport Operator + Local Investor	TCIAA & Renowned International Airport Operator
Finance mechanism	TCIAA 100% Debt (sovereign project guarantee)	Private: 70% Debt / 30% Equity*	Private: 70% Debt / 30% Equity* TCIAA: asset contribution
	No impact on country's debt	No impact on country's debt	No impact on country's debt
Government remuneration	TCIAA Dividends	26% PPP gross revenue share	Dividends based on Joint Venture share
Risk assessment	All risks remain on TCIAA	Relevant risk transferred to the Private Entity (design, construction delays, demand, operating cost, etc.)	All risks are shared

*for expansion CapEx only

Source: ALG Analysis

There are several models to finance, operate and maintain an airport while retaining the public ownership of the asset

Overview of PPP models for airport operation

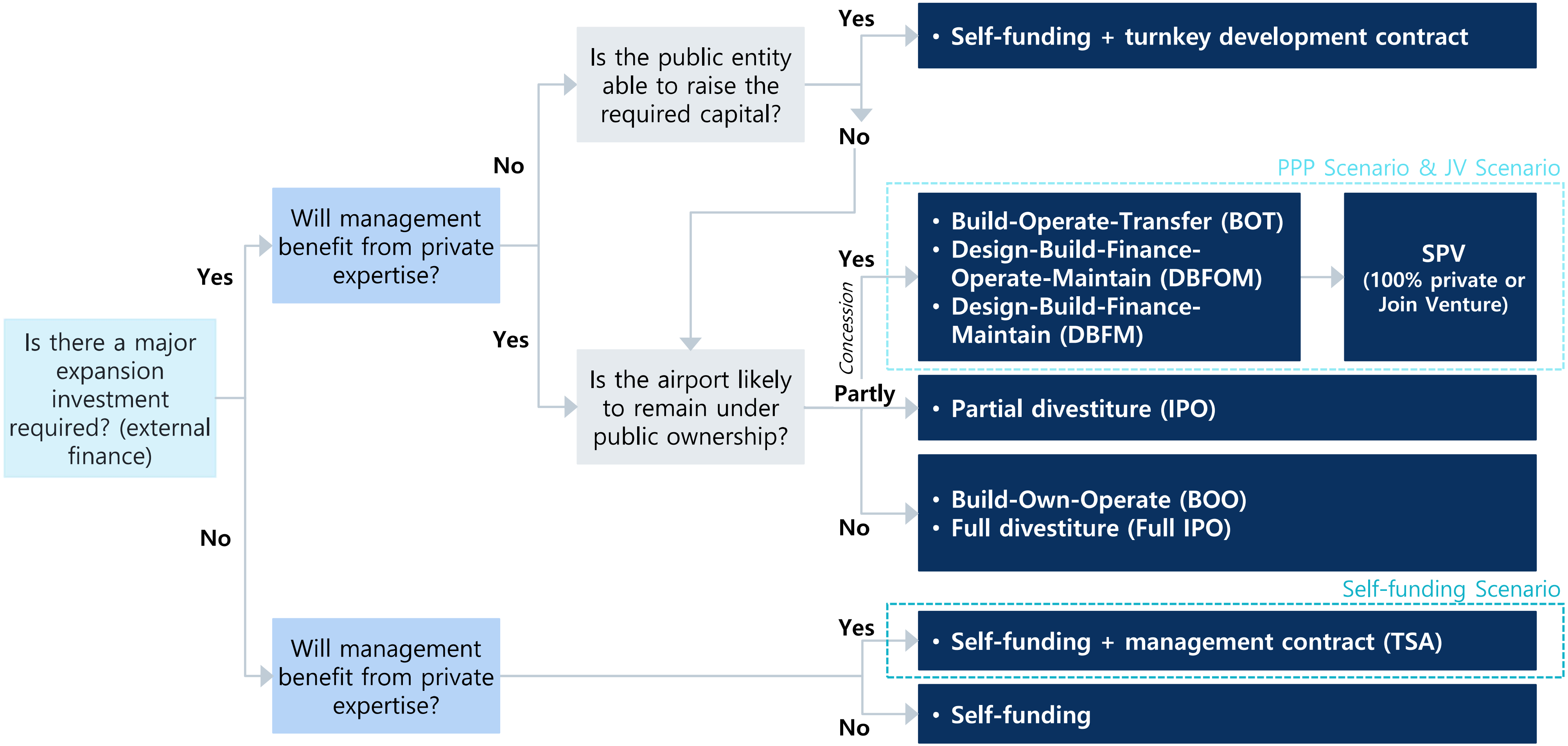
Government Control

Business model	Asset ownership	Investment and Construction	Management and Operation	Common Implementing Options
Public operation *(Self-funding)*	TCIAA TURKS AND CAICOS ISLANDS AIRPORTS AUTHORITY			
Management contract to third party	TCIAA TURKS AND CAICOS ISLANDS AIRPORTS AUTHORITY		Private sector	• Management contract (TSA)
Concession to third party	TCIAA TURKS AND CAICOS ISLANDS AIRPORTS AUTHORITY	Private sector	Private sector	• DBFOM, DBFM, BOT, BLT, etc.
Divestiture (IPO / Trade Sale) *(No PPP)*	TCIAA TURKS AND CAICOS ISLANDS AIRPORTS AUTHORITY Private sector	Private sector	Private sector	• Full/Partial Divestiture

Source: ALG Analysis

Attracting international expertise and raising capital while maintaining ownership of the airport supports TCIAA and TCI Government preferences

PPP models for airport operation decision tree



Source: ALG Analysis

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A concession becomes more feasible at larger airports given the higher amount of investment requirements and the complexity of the operation

Pros and cons of concession vs management contract

	Concession to a private investor/operator	Management contract to a private investor/operator
PROS	– **Main risks transferred** to the private operator including demand, financing, construction, and operation – **Benefits from private international expertise** – **Assurance of a continuous flow of revenues** to fund operations, maintenance, and investments of the rest of the network not included in the PPP – **Consolidated PPP scheme**, known by airport operators, investors and institutions – In the case of TCI, **no impact on country's debt**	– **Usually simpler/easier to implement** – Allows **greater flexibility** to TCIAA and TCI Government, which may change the scope of the contract as needed – **Shorter long-term commitments** for TCIAA and TCI Government (depends on the structuring of the contract) – TCIAA and TCI Government would **retain the total control of the asset**
CONS	– Concessions are usually **more complex**, which implies **higher transaction costs and performance monitoring** – As a long-term contractual commitment, a concession implies **higher rigidity and lower flexibility**	– **TCIAA and TCI Government would retain relevant risks**, depending on the scope of the contract – **Public investment to upgrade the airport**, although no impact on country's debt – **Difficulty to attract relevant international players** due to potential lack of interest in this type of contract – **Risk of abandonment** from the private operator since they do not have an investment to recover – **Interface risk** between the completion of construction due to public procurement and operations & maintenance

Source: ALG Analysis

In a concession, risks are retained, transferred or shared while in a management contract it would depend on the scope of the contract

Risk assessment of concession vs management contract

	Concession to a private investor/operator	Management contract to a private investor/operator
Private operator	– **Main risks are transferred to the private operator:** ○ **Financing** of the investments ○ **Design and Construction Demand** ○ **Operation and maintenance** ○ **Commercial** ○ **Environmental and social** ○ **Force major** ○ **Regulation**: changes in the regulation	– **Risks transferred will depend on the services provided by the private operator** (indicated with *): ○ **Interface risk** between the completion of construction and operations & maintenance ○ Operator depends on the **government's capacity to conduct the investments on time** (public procurement) ○ **Demand** (*) ○ **Commercial** (*) ○ **Operation and maintenance**
TCIAA	– Only few risks are retained or shared with the private operator: ○ **Concession fee:** revenue sharing agreement ○ **Environmental and social** ○ **Force major** ○ **Regulation:** changes in the regulation	– **TCI Government and TCIAA would retain relevant risks**, depending on the scope of the contract (indicated with *): ○ **Financing of the investments** ○ **Design and Construction** (*) ○ **Demand** (*) ○ **Commercial** (*) ○ **Management fee** (payment of the service) ○ **Environmental, social, and force major** (*) ○ **Regulation:** changes in the regulation

Note: Non-exhaustive risk assessment, refer to specific risk assessment included as part of the DD report for further details

Source: ALG Analysis

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