

Public - Private Partnership in IIA Project



December 14, 2004

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Incheon International Airport

Airport construction and Operation,



Incheon Airport Construction

1992

**Airport Master plan Announcement
Beginning of Land Preparation**



1994

North & South Dikes Completion (13.4km)



**Ground breaking of passenger Terminal
Beginning of Runway Construction**

1996



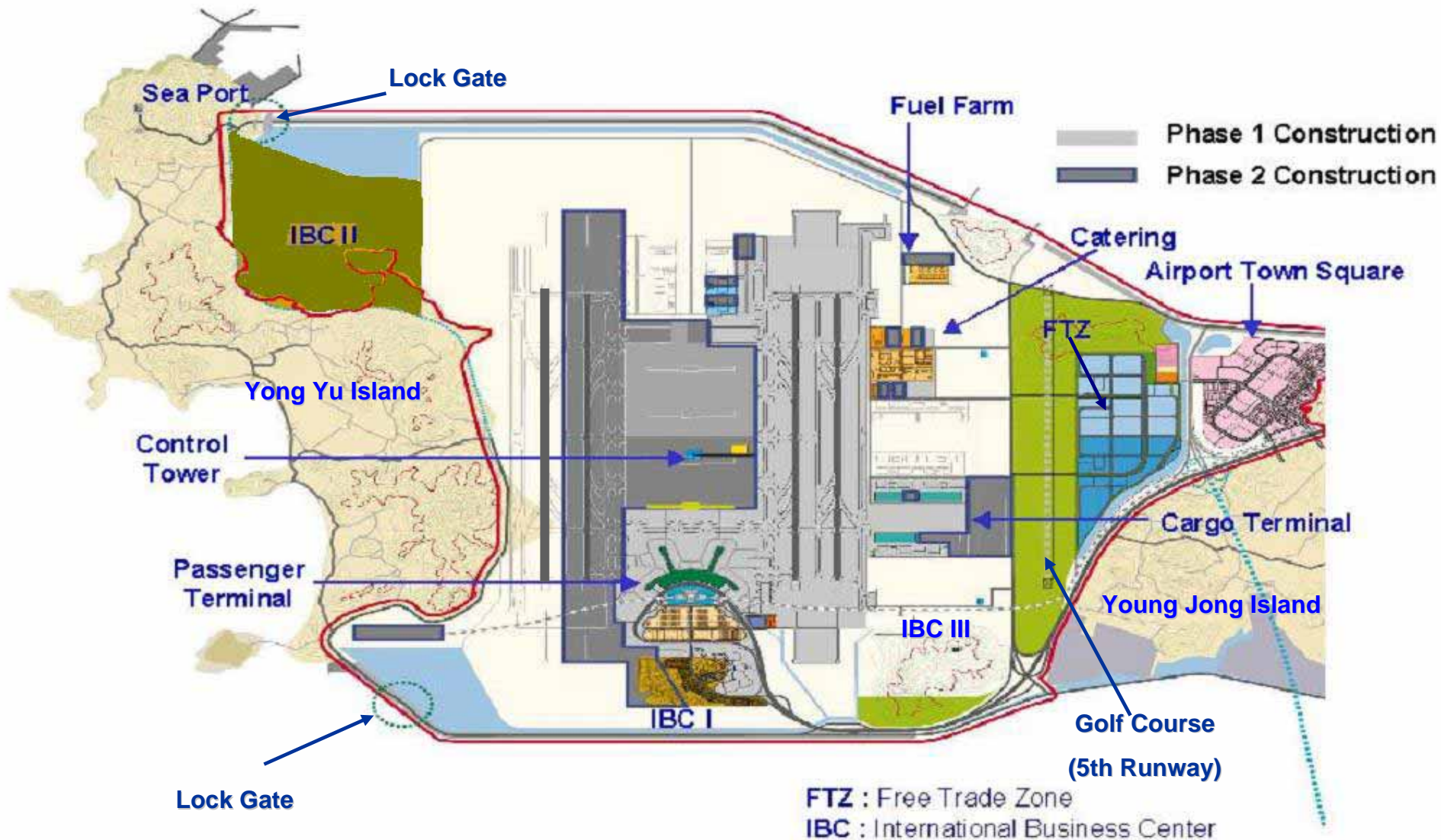
Grand Opening : 2001. 3. 29



Main Facilities and Capacity

		Phase I ('92 – '00)	Phase II ('02 – '08)	Final Phase
Budget (\$)		USD 6.5 bil.	USD 4.2 bil. * not including railway and the 2nd Bridge	TBD
Airport Facilities	Area of the Airport Site(km ²)	11,724	8,250(19,974)	47,428
	Runway	3,750x60mx2	4,000x60m×1 (3)	4,000 × 60m × 1~2 (4~5)
	Passenger Terminal(km ²)	496	Expansion of the internal facilities	
Hinterland Complex(km ²)		2,180	2,570(4,750)	
Traffic Facilities		Expressway	Railway and the 2nd Bridge	Expressway, 1st and 2nd Railway, 2nd Bridge
Capacity	Passengers	30 Mil.	14 Mil. (44 Mil.)	100 Mil.
	Cargo(tons)	2.7 Mil.	1.8 Mil. (4.5 Mil.)	7 Mil.

Airport Layout



World Destination of IIA

55 Airlines 39 Countries 123 Cities (Nov. 2004)



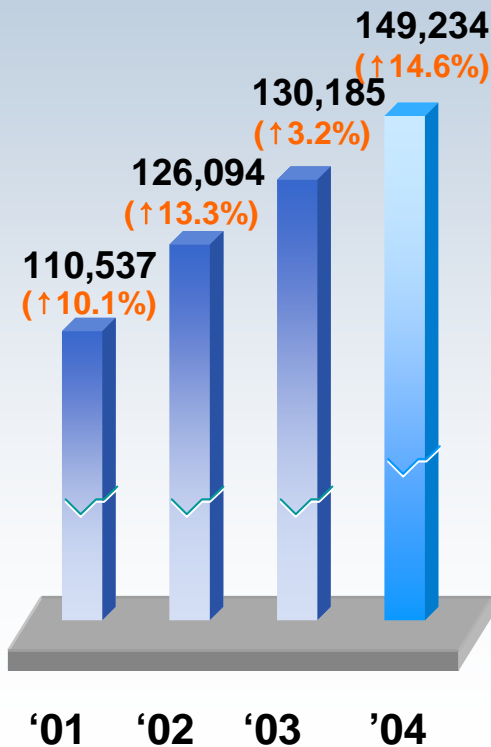
Operation Statistics

(Annual Capacity & Results)



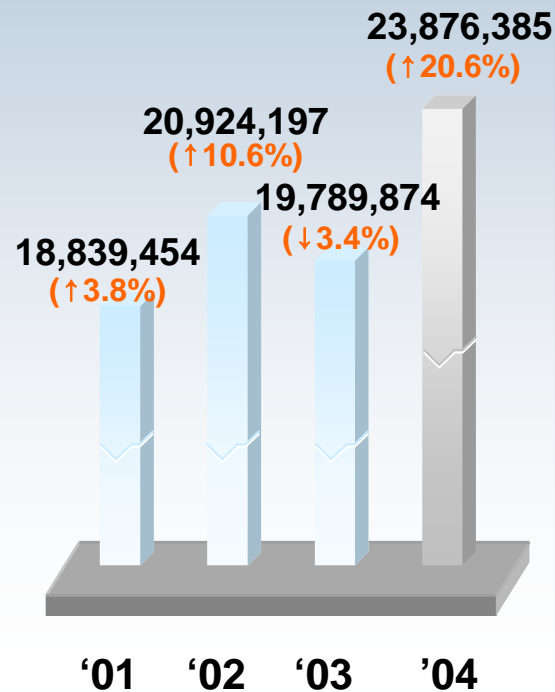
Movements

- Capacity : 240,000 Movements
- Result : 54.2%['03]



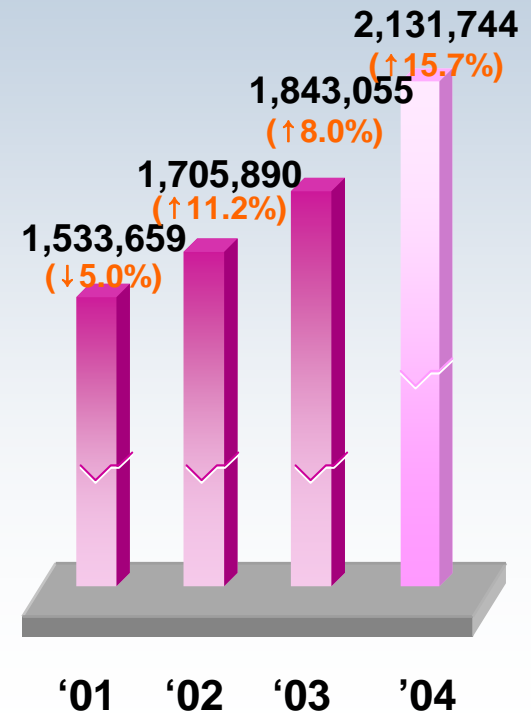
Pax.

- Capacity : 30 mil. persons
- Result : 65.9%['03]



Cargo

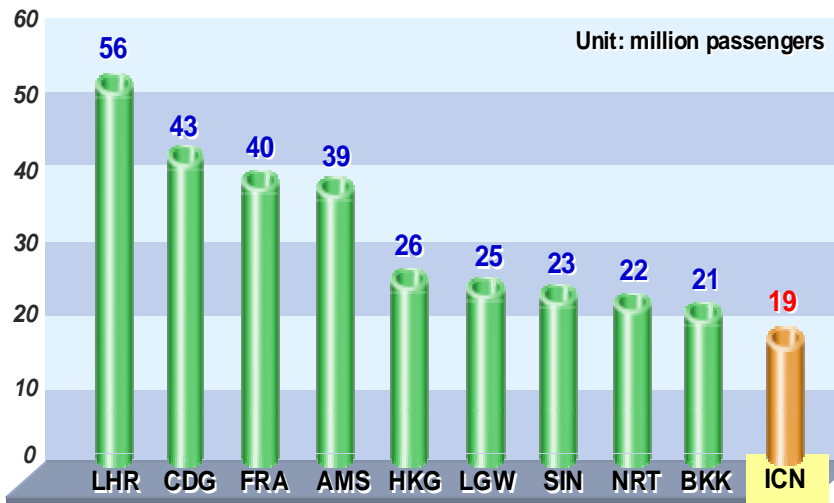
- Capacity : 2.7 mil. tons
- Results : 68.2%['03]



2004 is based upon projected figure

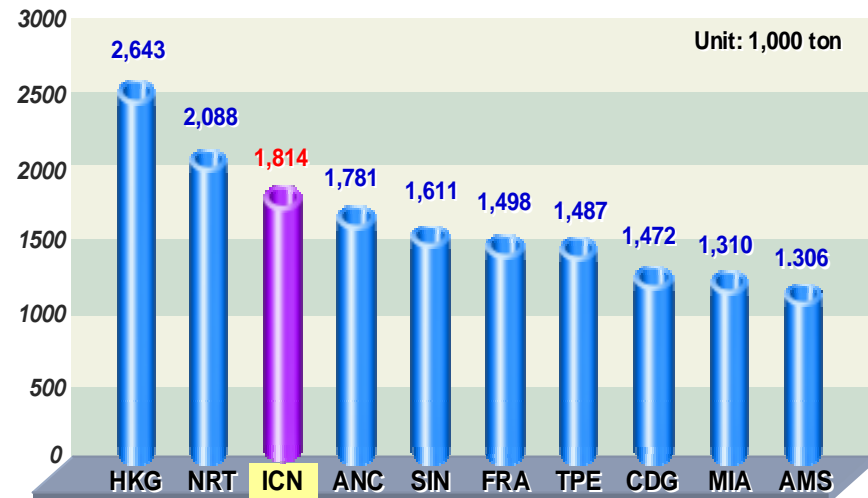
World Airport Traffic (2003)

Int'l Pax – the 10th busiest



Source: Airports Council International

Int'l Cargo – the 3rd busiest





Public - Private Partnership in IIA Project

Facilities of Aerodrome

- ❑ Main facilities of Airport operation were Financed, Built, Owned by Gov. and IIAC
- ❑ 1st Phase Construction
 - ❑ Construction Period : 1992 - 2001
 - ❑ Project Budget : USD 5 bil. (Gov. Funding 40%, Debt 60%)
 - * not including access road
 - ❑ Main facilities : Land Preparation(11,920 km²), 2 runways, 1 Pax. Terminal (504 km²), Ramp Area(1,686 km²)
- ❑ 2nd Phase Construction
 - ❑ Construction Period : 2003 - 2008
 - ❑ Project Budget : USD 4.2 bil. (Gov. Funding 50%, Debt 50%)
 - ❑ Main Facilities : Land Preparation(8,265 km²), 1 Remote Concourse(165 km²), 1 Runway, Ramp Area (1,223 km²)



Gov. - Private Joint Development

**Air Cargo Terminals
Airport Access Roads**



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Government & Private Partnership

- ❑ **Land prepared by Gov. and IIAC, Structure Financed, Owned and Operated by Private Investor for a limited time.**
- ❑ **Background**
 - **To reduce the government's contribution.**
 - **To raise creativeness and efficiency for constructing and operating SOC.**
- ❑ **Selecting the target projects**
 - **Facilities in the airport : cargo terminal, oil supply, Aircraft maintenance center, catering, co-generation plant**
 - **Traffic facilities : expressway, airport railway, 2nd bridge**
- ❑ **Selecting principles**
 - **Facilities that are related to the management of airlines and the airport service.**
 - **Facilities required to introduce private managing skills.**

Air Cargo Terminals

Present

Classification	Space(m ²)	Annual Capacity (10 thousand ton)
Korean Air	46,800	103
Asiana Airlines	32,400	71
Foreign Air Carriers (43 Airlines)	50,400	52
Total	129,600	226

Expansion Plan

Classification	Expansion Space(m ²)	New Construction(m ²)
Korean Air	7,800	27,300
Asiana Airlines	18,000	-
DHL	-	20,000
TNT	-	6,000
2nd Foreign Air Carriers	-	50,400
Total	25,800	103,700

Air Cargo Terminals View



❖ Overall area of 991 km²
designated as a part of
FTZ in June 2004

Self-invested Operators

Korean (26)

Korean Air, Asiana Airlines, KAS, AAS, etc.



Foreign(10)

FedEx, UPS, DHL, TNT, Danzas, Bax Global, UPSSCS, Kerry Logistics, Yesen Air, ABX Haeyong



New Investment by Foreign Companies(2)

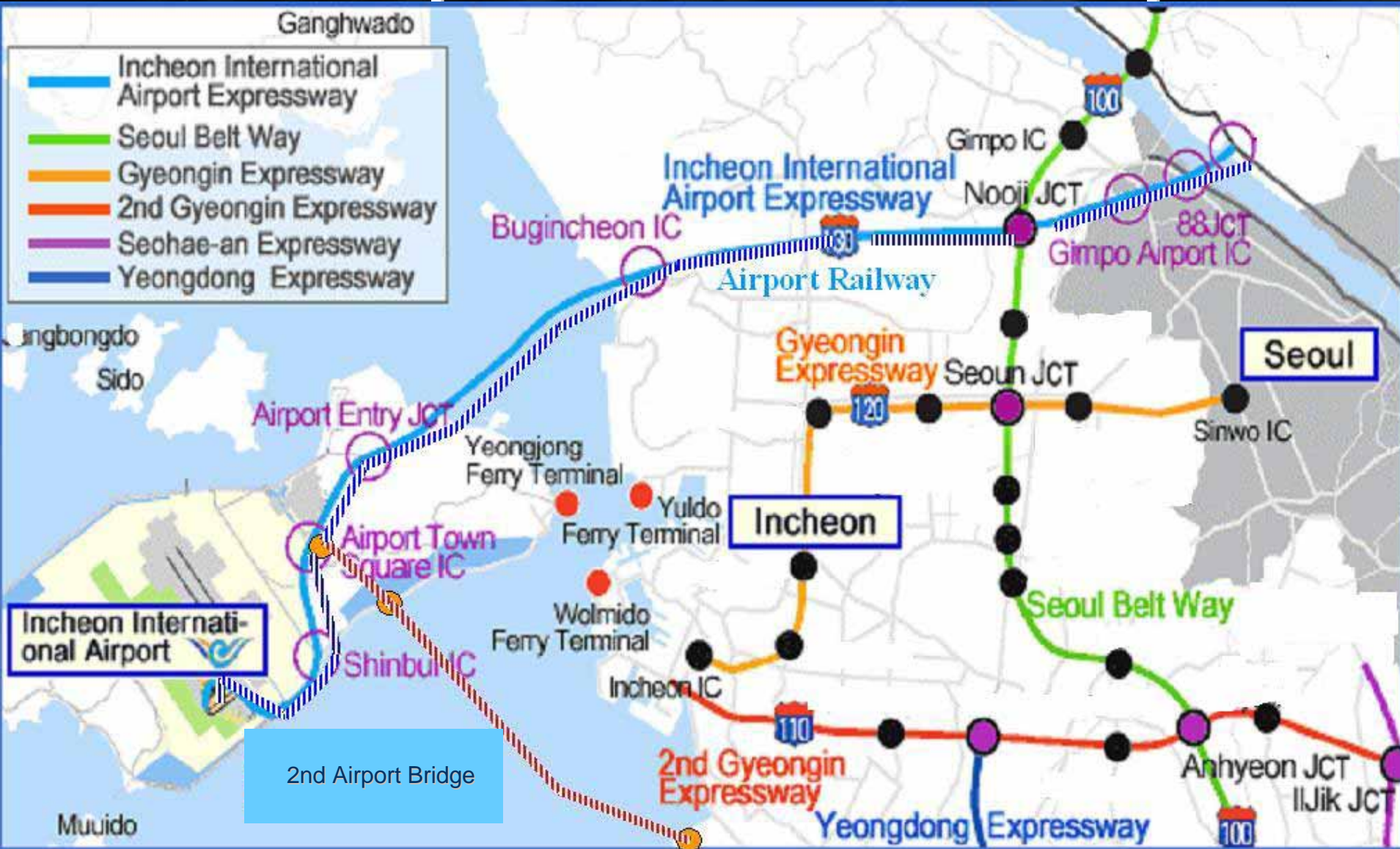
DHL : - 20,000m² (USD 20 mil.)
- Submission of LOI(June 2003)
- Proposal to be submitted in March 2005

TNT : - 6,600m² (EUR 7 mil.)
- Submission of LOI(Nov. 2003)
- Proposal to be submitted in February 2005



Currently accommodate 460 Companies incl. Airlines, Forwarders, Customs Brokers, etc.

Airport Access Road Map



Incheon International Airport Expressway

❑ General Outline

❑ Total Length : 40.2km (Incheon Airport - Seoul), 6-8 Lines

❑ Total Value : USD 1,545 mil.

(National Budget USD 213 mil., Non- Government Investment USD 1,332 mil.)

❑ Business Period : Construction 11.`95 - 11.`00 (5 years),

Operation `01-`30 (30 years)

❑ Non-Government Builders : New Airport Hi-way, Co. Ltd. → **7** other
companies including Korean Teacher Credit Union

❑ The first successful construction / operation by Non - Government companies
according to Private Capital Investment Law (Started business at Dec 15, 2000)

※ Toll Fee(Private vehicle standard) : Seoul USD 5.8, Incheon USD 2.8

The Second Airport Bridge

□ General Outline

- Total Length : 12.3km (Song-Do New City – Yeong-Jong Island), 6 Lanes
- Total Value : USD 900 mil. (National Budget USD 400 mil., Non- Government Investment USD 500 mil.)
- Business Period : Construction June 2003 – Dec. 2008
Operation 2009~2038 (30 years)
 - construction period can be varied subject to further planning
- Non-Governmental Builders : Koda Korea, Co, Ltd. = **AMEC + Incheon City**
- The first case to attract foreign capital according to Private Capital investment law

Incheon International Airport Railway

□ General Outline

- Total Length : 61.5km (Incheon Airport – Seoul Station), 2 Lines
- Total Value : USD 3,762 mil.
(National Budget USD 805 mil., Non-Government Investment USD 2,957 mil.)
- Business Period : March 2001 – Dec. 2009 (Operation 30 years)
 - 1st phase : March 2001 - March 2007 (Incheon - Gimpo, 40.3km)
 - 2nd phase : March 2001 - Dec. 2009 (Incheon - Gimpo - Seoul Stn., 20,7km)
- Non-Government Builders : Incheon International Airport Railways Co. Ltd.
 - 11 Companies including Hyundai etc.



IIAC - Private Joint Development

International Business Centers Reserved Land Development Projects



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Airport Logistics Park View



Operation: Early 2006

Space : 991 km²

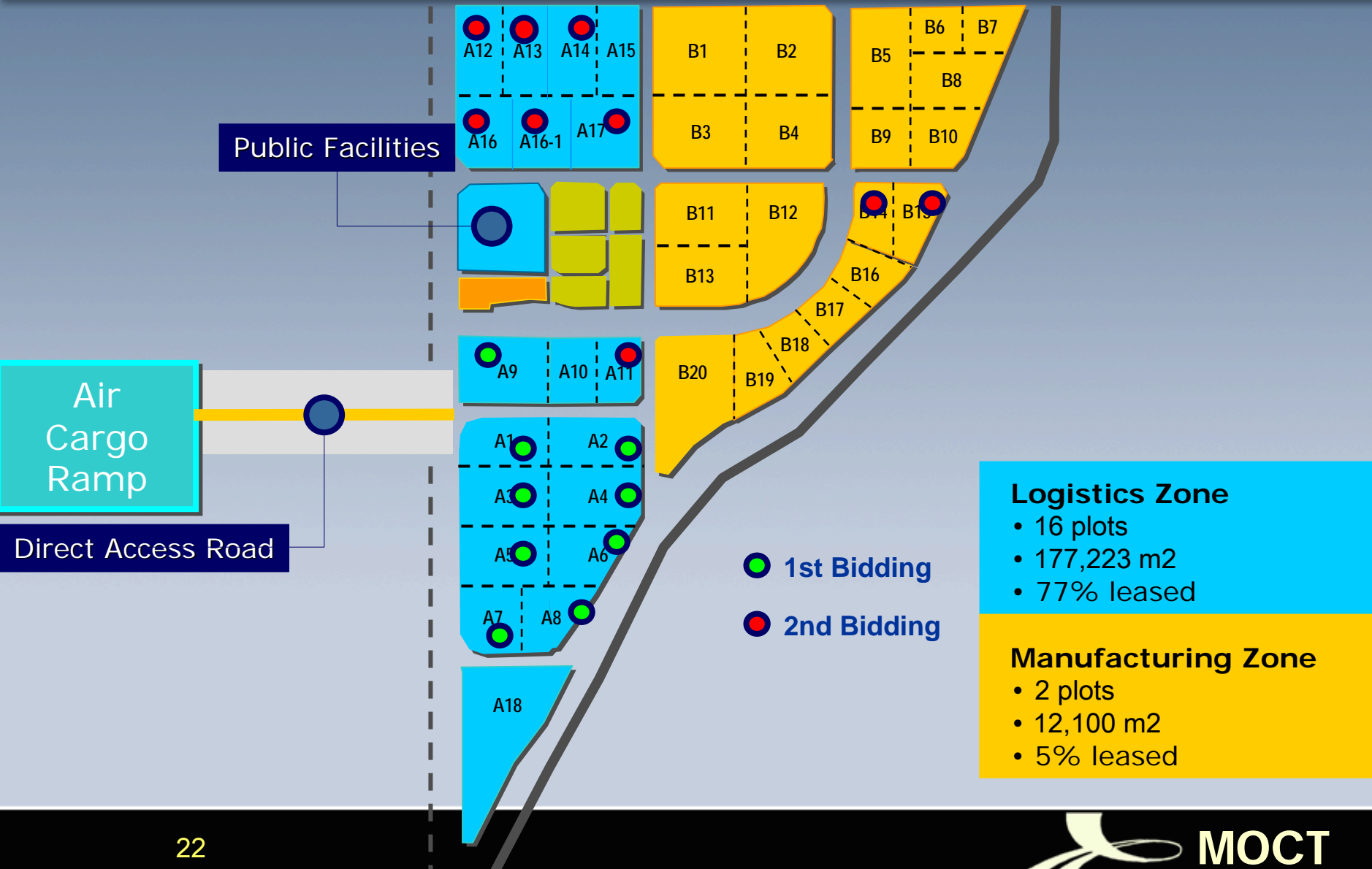
Development

- ▶ Land & Utilities Preparation : IIAC
- ▶ Structure & Facilities : In-house operators
- ▶ Owned & Operated for 50 yrs.

Land use charge : USD 9.6 / m² / year

※ **Construction Completion Ratio : 55.2% (Nov. 2004)**

Land Use Plan



Approved Investors

Total Leased Space

- 188 km² leased out of total 463 km² (40.5%)

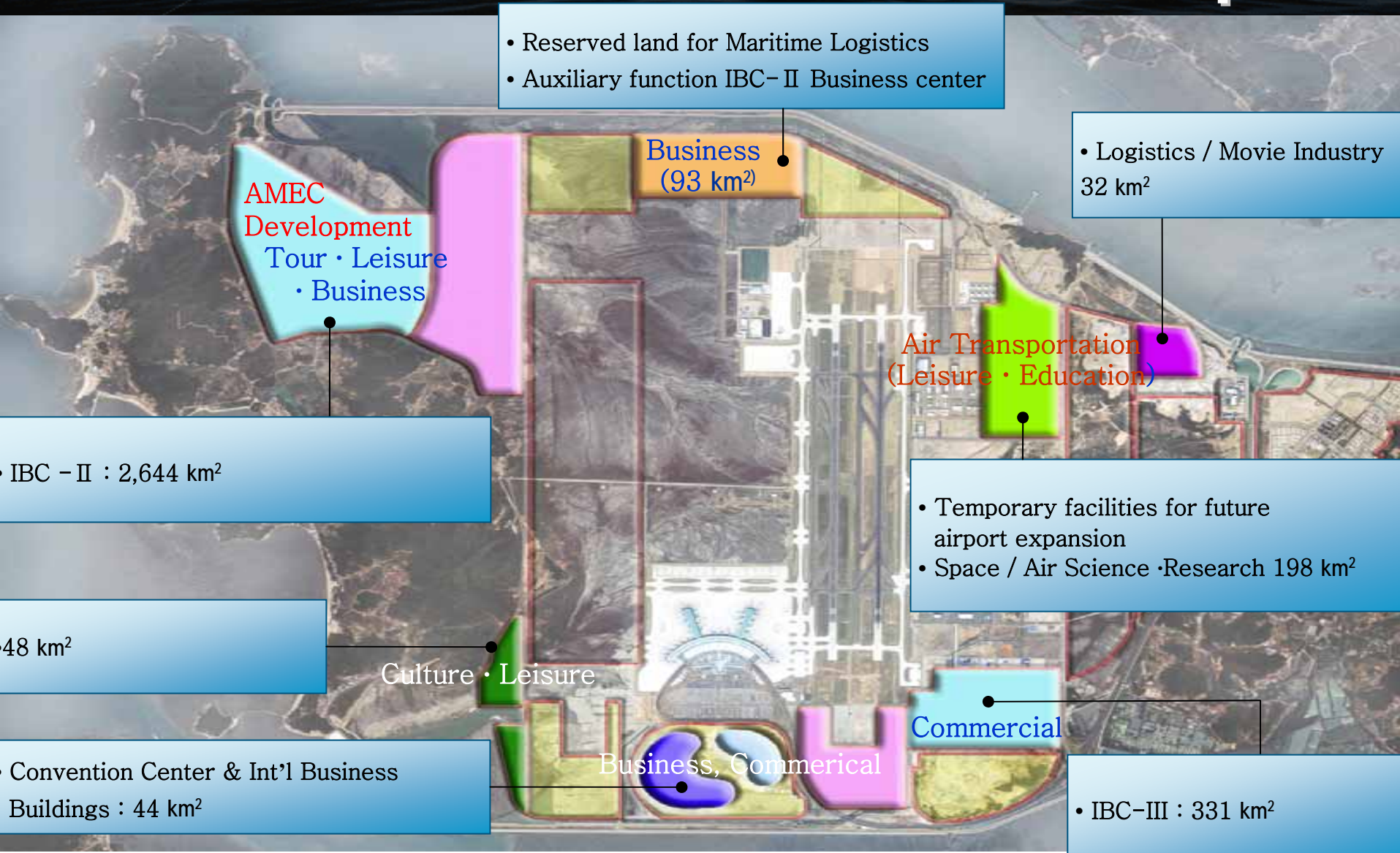
Foreign Companies (12)

- Exclusive Building : KWE(JAPAN), Schenker(GERMANY), Oneel(CANADA) , ECC(PANAMA), Biological Resource(USA)
- Consortium : Excel, Scanwell Freight Express, ABX-Haeyoung, NNR Global Logistics, U-Freight , Expeditors, Kerry Logistics
- Foreign Investment : Total USD 14 mil. (confirmed amount)

Korean Companies (54)

- Exclusive Building : Samsung, Bumhan, Choyang, Hanaro TNS, etc.
- Consortium : Incheon Int'l Logistics (49 partners incl. foreign 7)
Incheon Air Cargo Center (6 partners)

Reserved Land Use Concept



IBC-I

165 km² in the south of Pax. Terminal ;
2 hotels, 4 office buildings, 1 shopping mall
(Expansion Plan) 330 km² ; 1 hotel, 9 office buildings, 2
shopping malls, 1 convention center, etc.

Worldgate



Eclat



Hyatt-regency



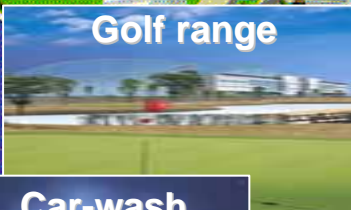
Best-western



Air joy(C)



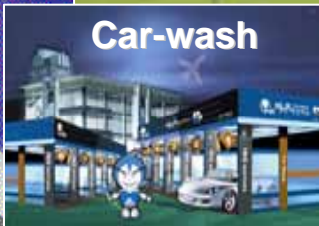
Golf range



IIAC



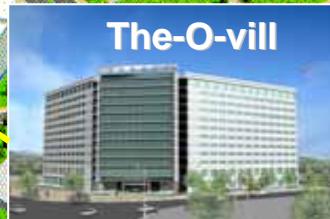
Car-wash



Sky-world



The-O-vill



IBC-II



- ❑ MOU signed by AMEC (UK) and Korean Gov. in April 2004 ; USD 2 bil.
- ❑ Amec : Cultural, Tourists, Business Facilities
Development in 2,644 km²
- ❑ Korean Gov. :
Administrative support
- ❑ Presently Business Proposal is being prepared by Amec for the submission to Korean Gov.
- ❑ Business agreement to be made between investor & Korean Gov.

IBC-III

- Transit System of Ground Transportation surrounding train station
- Brand shops, hotels and Leisure facilities connected to train station
- Long-term parking facilities



Public Golf Course

- 72 holes
- Club House and Golf Academy
- Lake, park, sport-related facilities



- Total 3,966 km² space for golf courses & parks, etc.
(Construction Period : July 2002~June 2006)
 - Shinbul Area (925 km²) : 18 hole course, club house, ect.
 - 5th Runway (2,578 km²) : 54 hole course, club house & convention center

Airport Operator and Out-sourced service providers

- ❑ Incheon International Airport corporation
 - ❑ Established in Jan. 1999 for construction and operation of IIA
 - ❑ 788 employees in 4 Business Groups
 - ❑ share holder of 'Incheon Airport Energy Co. (34%)' and 'Incheon Airport Fueling Co.(34%)'.
 - ❑ Since the successful opening of IIA in Mar. 2001, commenced the 2nd phase construction in 2002
- ❑ Operation Service Outsourcing
 - ❑ total 31 companies, 4,000 workers
 - ❑ Airport Operation
 - ❑ System Maintenance
 - ❑ S/W Maintenance
 - ❑ Facilities Maintenance
 - ❑ USD 3.3 mil. estimated Saved by outsourcing (as of 2001)

Public - Private Partnership

Challenges & Counter Measures



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Challenges and Solutions

❑ Traffic Forecast for Expressway

- Revenue lower than the forecast lead to the unsatisfactory income
 - ⇒ The revenue gap make-up guaranteed for a certain period (15 years)
 - ⇒ Gov. make up for yield lower than 80% to 90% of forecast

❑ Toll Fee higher than the other national roads

- Local residents move against the price policy (The private expressway without alternative road system is a legal violation for the charged way
 - ⇒ Conservative pricing recommended up to 1.5 - 2 times of other roads
 - ⇒ Toll fee discount for residents until an alternative road serviced

❑ Investment Risk

- Long-term investment plan weaken the attractiveness for private capital
 - ⇒ Government guaranteed investment return rate and compensation for existing privately owned land or other private rights for the commencement of business



❑ Incentives for financial investors

- To attract financial investors rather than construction companies
 - ⇒ lowering Minimum Proprietary Equity Rate to 20% from previous 25% in the case that the financial investors take part in more than 50% of contribution.
 - ⇒ Allowing competitive bidding advantage for the consortium with larger portion of financial investors

❑ Hinterland development

- Immature adjacent area development weaken the synergic effect of each project
 - ⇒ Active promotion and administrative policies including FEZ and adjacent development

Merits of PPPs in IIA

- ❑ Successful opening and operation of IIA
 - Harmonized efforts and well organized development based upon the shared interests of each party contributed
 - Asia's first CAT-IIIb category operation airport (Sept. 2003)
 - 2nd ranking in IATA-ACI airport service monitoring (1st quarter 2004)
 - Handled 83% of annual in and out - bound pax. in 2003
 - Handled 33% value of import and export trade (USD 129.4 bil. in 2003)
 - 25,000 employees, 40,000 persons of daily work for 2nd phase construction, 4,000 jobs when Airport Logistics Park opens in 2006
 - Generates 2.9% direct and indirect value of overall national tax (USD 3,013 mil.)
 - Creates 1.05% of derivative value of total GDP (USD 5,650 mil.)
- ❑ Dynamic Marketing and Hubbing Strategy of IIA
 - Short and long - term check items selected by joint efforts of Government agencies, IIAC and Private companies
 - To increase the SOC service demands and enhance service capacities
 - Designation of FEZ (Aug. 2003)



❑ **Social agreement on BPP (Beneficiary Pay Principle)**

- General public get the understanding on the BPP concept in SOC projects

❑ **Government's financial resources could be effectively allocated by the introduction of private capital in SOC**

- Providing Social Overhead Capital Facilities at the right time
- Securing more SOC facilities with the same financial capital

❑ **Managerial efficiency in SOC**

- The managerial efficiency could be secured by competition and cooperation between private and public parties
- The synergy effect can be maximized with private skill on designing, construction, fundraising, operation, etc. instead of the traditional government ways (forming budgets, controlling orders)

Partnership for the future

- ❑ **Shared interests and cooperation between various economic entities as well as governments**
 - ❑ Maximization of financial & managerial efficiency by making of harmonized coordination of each party across border
- ❑ **Vivid exchange of up-dated information on SOC project partnerships for globally applicable practices**
 - ❑ International networks like PECC are essential for global economy
 - ❑ Productive allocation of resources for the future development



Thank you.

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