



NAIA PPP Project



Project Information Memorandum
September 2023



BAGONG PILIPINAS



Strictly private and confidential

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Disclaimer

The purpose of this Project Information Memorandum (“PIM”) is to provide general information to prospective bidders on the assessment of project potential and key components of the Ninoy Aquino International Airport (NAIA) Public Private Partnership Project (the “Project”).

This PIM provides an overview of the Project and the relevant legal, technical and financial aspects, for reference purposes only. The information contained in this PIM may be used, subject to the prospective bidders’ own discretion and conduct of due diligence.

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All communications, inquiries and requests for information should be directed to the contacts listed in this PIM.

List of abbreviations

ANS	Air Navigation Services
ATC	Air Traffic Control
AO	Administrative Order
ATM	Aircraft Traffic Movements
BOT Law	Build-Operate-and-Transfer Law
CAAP	Civil Aviation Authority of the Philippines
CAGR	Compound Annual Growth Rate
CALABARZON	The provinces of Batangas, Cavite, Laguna, Quezon, and Rizal
CNS/ATM	Communication, Navigation and Surveillance/Air Traffic Management (CNS/ATM)
CREATE	Corporate Recovery and Tax Incentives for Enterprises Act
DOTr	Department of Transportation
FTI	Food Terminal Incorporated
GCR	Greater Capital Region
GDP	Gross Domestic Product
GRDP	Gross Regional Domestic Product
ICAO	International Civil Aviation Organization
IRR	Implementing Rules and Regulations
ITB	Instructions to Bidders
KPIs	Key Performance Indicators
LRT	Light Rail Transit
MIAA	Manila International Airport Authority
MRT	Metro Rail Transit
NAIA	Ninoy Aquino International Airport
NEDA	National Economic and Development Authority
NGAs	National Government Agencies
NMIA	New Manila International Airport
O&M	Operations & Maintenance
OPPP	Office of Public–Private Partnership
PAL	Philippine Airlines
PBAC	Pre-qualifications, Bids and Awards Committee
PHP	Philippine Peso
PPP	Public Private Partnership
PSC	Passenger Service Charge

RA	Republic Act
RBEs	Registered Business Enterprises
RETs	Rapid exit taxiways
ROET	Rehabilitate-Operate-Expand-and-Transfer
SCTEX	Subic–Clark–Tarlac Expressway
SIPP	Strategic Investment Priorities Plan
SPIA	Sangley Point International Airport
UNWTO	United Nations World Tourism Organization
VDR	Virtual Data Room

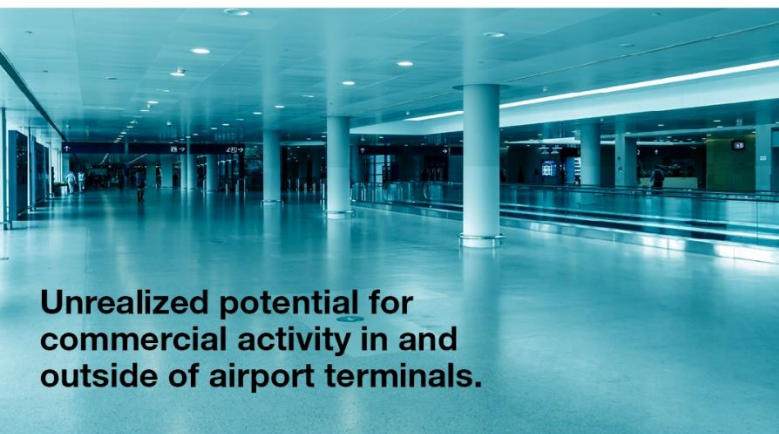
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An opportunity to invest in the country's future



Project Overview

The Department of Transportation (DOTr) and the Manila International Airport Authority (MIAA) are seeking to rehabilitate, operate, optimize and maintain the Ninoy Aquino International Airport (NAIA) through a PPP arrangement (the “Project”).

MIAA, a government instrumentality with corporate powers, operates NAIA, the Philippines’ principal gateway airport. Between 2014 and 2019, passenger traffic at NAIA grew at a compounded annual growth rate (CAGR) of 7%. In 2019, the last full year before the pandemic, passenger traffic reached 47.9 million, which was well above the 33.2 million per annum capacity of the airport. As pandemic-related travel restrictions are lifted, air traffic is recovering strongly, and is expected to return to pre-pandemic levels in 2023.

With growing air traffic, NAIA needs to optimize and enhance its operations and facilities. The DOTr and MIAA are looking for a private sector partner in a PPP contractual arrangement (“Concessionaire”) to achieve these objectives.

The Project entails capital investment to improve the airport's facilities in order to comply with International Civil Aviation Organization (ICAO) and other internationally accepted standards. This means modernizing the terminals, optimizing and enhancing the capacity of the airport to 62 million passengers per annum, enhancing asset quality and passenger experience, improving the information and technology systems infrastructure, and ensuring reliable operations over the period of the concession.

The Concessionaire will be responsible for both landside and airside operations of the NAIA. It will be required to undertake works to enhance the compliance, safety and security of the airport, optimize and boost airport capacity to cater to the increasing air traffic, in accordance with objective parameters to be provided in detail in the Concession Agreement.

Investment Opportunity and Highlights

- *Brownfield asset with stable traffic* – NAIA is the fifth largest, as well as fifth busiest, airport in Southeast Asia. It is also among the top 50 airports globally.
- *Gateway airport* – NAIA is connected to over 90 international and domestic destinations and serves nearly 50 airlines.
- *Growing air travel market* – Manila had around 11% CAGR in pre-pandemic tourism arrivals and a continually growing air traffic movement in the Greater Capital Region (GCR).
- *Strong economy* – The Philippines has had stable economic growth prior to the pandemic with real GDP CAGR at 6.6% over the period from 2012 to 2019. Additionally, the ADB forecasts that the country will be the one of the fastest-growing economies in ASEAN in 2024 at 6.4% GDP.
- *Well-established hub for major airlines* – NAIA has served as the main airport hub for five major airlines, acting as their base of operations.
- *Strategic location* – The airport's proximity to the NAIA-Expressway makes NAIA the most strategically located GCR airport. It is accessible to and from the top central business districts of Makati, Ortigas Center, Bonifacio Global City, Manila Bay Area and Alabang.

NAIA represents a unique opportunity for an airport developer to operate one of the primary airports in the region. The Concessionaire can leverage the existing NAIA assets and its strategic location to serve a rapidly growing market. There is a significant opportunity for the Concessionaire to tap into the unrealized potential of NAIA by:

- Optimizing and improving performance – increase runway capacity to annual peak hourly rate of 48 ATMs;
- Enhancing the design capacity of the Airport - increase the capacity up to 62 million passengers per annum;
- Developing and monetizing the commercial potential – Tap into the unrealized terminal commercial revenue potential within NAIA; and
- Improving service quality to enhance the passenger experience in making NAIA the preferred airport and transit hub in the region.

PPP Structure



Procurement approach and PPP structure

The approved contractual modality of the Project is Rehabilitate-Operate-Expand-and-Transfer (ROET), to be implemented in accordance with Republic Act No. 6957, as amended by Republic Act No. 7718, otherwise known as the Build-Operate-and-Transfer Law (BOT Law) and its Revised 2022 Implementing Rules and Regulations.

Detailed Project scope

In alignment with the desired PPP structure and realizing the opportunities presented at NAIA, the Project is envisioned to address capacity issues by optimizing the existing airport facilities. The Project will entail the following works:

Construction

1. Rehabilitation of passenger terminals and associated facilities;
2. Rehabilitation of airside facilities (including runways, rapid exit taxiways/RETs, maneuvering areas, aprons, aircraft parking area, airfield lighting, etc.);
3. Development of adequate vehicular parking lots to cater to the public;
4. Development of commercial assets (Concessionaire builds the assets);
5. Development of all utility systems necessary for undertaking the works;
6. Provision of surface access facilities that enables intermodal transfer at the airport;
7. Provision of inter-terminal passenger transfer facilities and services;
8. Connection from the Metro Manila Subway station to NAIA Terminal 3;
9. Incorporation of climate adaptation measure for airport resilience; and
10. Overall upliftment and beautification of the airport exterior and interior.

Supply

1. Supply and installation of all required information technology and other equipment for the proper operation and maintenance of airside and landside activities, as well as utility systems;
2. Supply of communications, navigation, and surveillance (CNS) systems, remote digital tower system, air traffic control (ATC) system upgrade, and airfield network and fiber upgrades;
3. Supply of emergency equipment; and
4. Supply of buses for boarding transfers.

Operation

1. Operation of passenger terminals and related facilities;
2. Operation of airside facilities (including runways, RETs, maneuvering areas, aprons, aircraft parking area, airfield lighting); and
3. Operation of Concessionaire O&M facilities and commercial assets.

Maintenance

1. Maintenance of passenger terminal buildings and associated facilities;
2. Maintenance of airside facilities (including runways, RETs, maneuvering areas, aprons, aircraft parking area, airfield lighting); and
3. Maintenance of communications, navigation and surveillance / air traffic management (CNS/ATM) equipment.

Capacity Augmentation

1. This will involve maximizing the utilization of the current airport. It may entail enhancement of operational efficiencies; use of technology; service level uplift; and expansion of facilities.

Project cost

As approved by the National Economic Development Authority (NEDA) Board on 19 July 2023, the estimated project cost is Philippine Peso (PHP) 170.6 billion, inclusive of the maintenance capex throughout the life of the concession. The Concessionaire shall form its own view on the actual costs associated with the works required for the Project.

Concession period

The concession period is 15 years, extendable by 10 years provided that the Concessionaire is not in flagrant violation of the PPP contract. The extension will be determined on the 8th year of the concession.

Project Revenue streams

Aeronautical revenues

Aeronautical fees include the PSC for international and domestic passengers, Landing and Take-off charges, Tacking Fees, Aircraft Parking Fees, Cargo Charges and Check-in counter charges. These will be adjusted at specified dates based on the revised Administrative Order AO-1 of Series 2000 and the Concession Agreement.

Non-aeronautical revenues

Non-aeronautical revenues include commercial lease rental, parking, advertising, duty free, and other identified commercial revenues. The Concessionaire will be able to charge market rates for these revenue streams and capitalize on the current low non-aeronautical share in total revenue, by improving the commercial and retail offerings at NAIA.

Payments mechanism

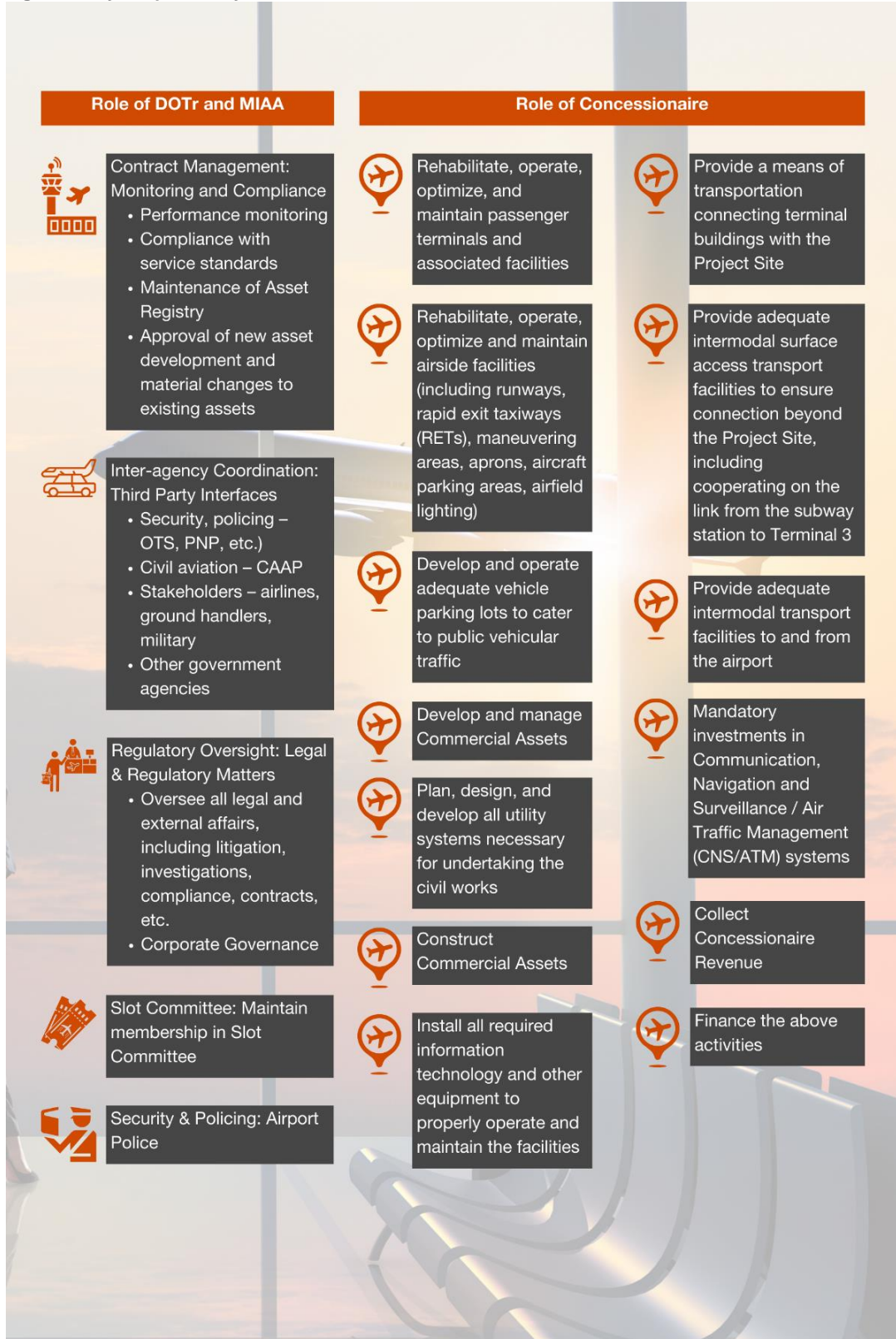
Three components comprise the Concessionaire's payments to Grantors:

- an upfront payment of PHP30 billion to be paid post-award
- a fixed annuity payment of PHP2 billion to be paid annually, and
- a share of the Gross Revenue, excluding the Passenger Service Charge (PSC) Revenues, based on the percentage share bid by the Concessionaire.

Key Responsibility Matrix between Grantors and Concessionaire

The government's strategy is to use a PPP approach in appointing a private partner to operate and enhance NAIA under a concession arrangement. The summary of roles and responsibilities of MIAA and DOTr (as Grantors) and the Concessionaire is presented in Figure 1 below.

Figure 1. Key Responsibility Matrix



Incentives

Key incentives under the CREATE Law

The incentives framework under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law provides that sectors or business activities that qualify under the Strategic Investment Priorities Plan (SIPP) — such as infrastructure/airport PPPs — are entitled to:

- Income Tax Holiday for its first four (4) years of operation, and thereafter five (5) years of availment of Enhanced Deductions
- Exemption from custom duties for importing capital equipment, raw materials, spare parts, and accessories made by registered business enterprises (RBEs)

Non-tax incentives

The Project may also be entitled to the following non-tax incentives:

- Unrestricted Use of Consigned Equipment
- Employment of Foreign Nationals in supervisory, technical, or advisory positions for a period not exceeding five (5) years from its registration, extendible for limited periods
- Access to Bonded Manufacturing/Trading System

Single stage tender process

The competitive selection for the Project will be conducted pursuant to a single stage public bidding in accordance with the BOT Law and its Revised 2022 Implementing Rules and Regulations.

The winning bidder will be determined based on the legal, technical, and financial qualification requirements outlined in the Instructions to Bidders issued on 23 August 2023, accessible through the following link: <https://www.miaa.gov.ph/images/stories/Bidding/20230823-itb-naia-ppp-project-instructions-to-bidders.pdf>

As indicated in the published Instructions to Bidders, the timetable for the bidding process is as follows:

Table 1. Bidding Timeline

Milestone	Target date
Release of the Instructions to Bidders (ITB) and opening of the Virtual Data Room (VDR)	23 August 2023
Request and Conduct of Site Visits	28 August 2023 – 14 November 2023
Issuance of the Draft Concession Agreement (CA)	8 September 2023
Conduct of Pre-Bid Conference	22 September 2023
First Round of One-on-One Meetings with Prospective Bidders	9-13 October 2023
Final Round of One-on-One Meetings with Prospective Bidders	6-10 November 2023
Deadline for sending queries	20 November 2023
Deadline for PBAC to issue final Bid Bulletin and final version of Concession Agreement	4 December 2023
Bid Submission Date	27 December 2023

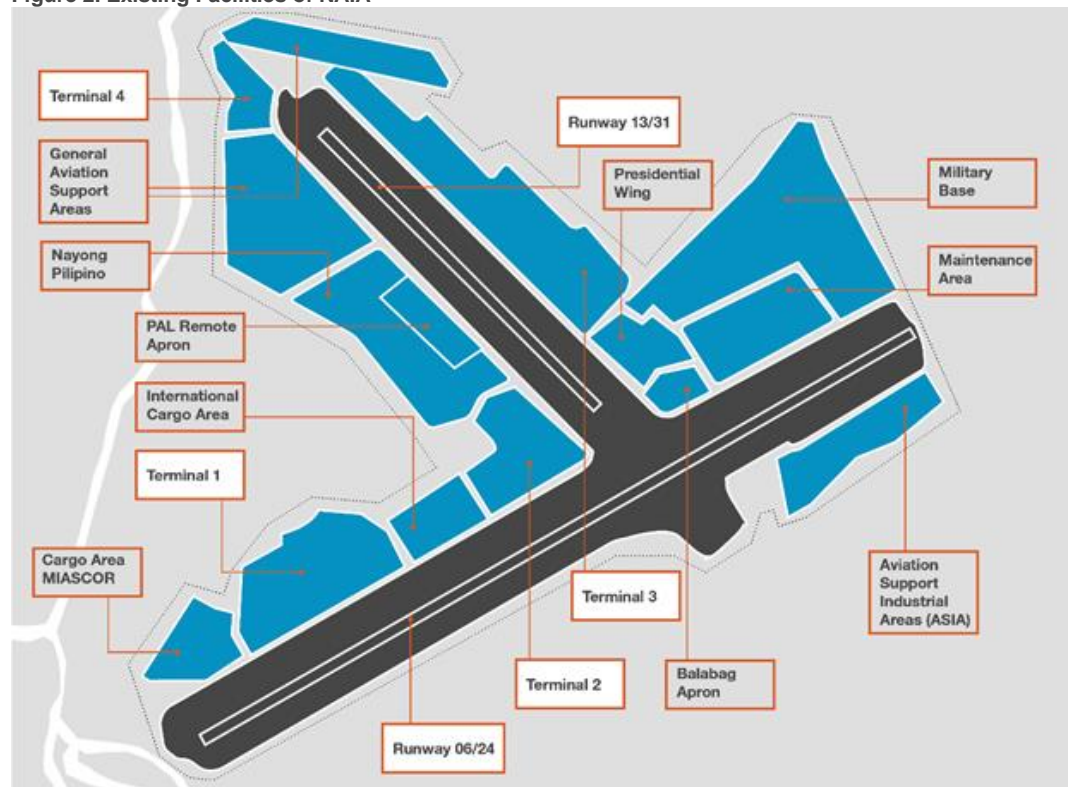
About NAIA



A. Key infrastructures and facilities

The NAIA, formerly known as Manila International Airport, is the largest and primary international airport in the Philippines. NAIA has a total land area of approximately 600 hectares, of which around 70% is currently dedicated to airside facilities, while the remaining 30% accounts for areas that cover the landside facilities. The NAIA land spans the cities of Pasay and Parañaque, south of Manila proper (Capital) and southwest of Makati City, Metro Manila's primary business district. The airport has four passenger terminals with a capacity of 33.2 million passengers per annum, and two intersecting runways serving both domestic and international passengers.

Figure 2. Existing Facilities of NAIA



NAIA terminals

NAIA is officially the sole airdrome serving Metro Manila area. NAIA has four passenger terminals.

Table 2. NAIA Terminal Details

Terminals	Year Operational	Gross Floor Area (sqm)	Design Capacity	Jet Bridges
Terminal 1	1981	104,708	6.5 million	14 (aerobridge) 4 (remote)
Terminal 2	1999	73,000	9.0 million	12
Terminal 3	2004	183,000	14.0 million	18
Terminal 4	1984	3,400	3.77 million	N/A

Source: MIAA, JICA Study (2011)

Runways

Runway 06/24. NAIA's primary runway is 3,737 meters long and 60 meters wide, with concrete and asphalt overlay.

Runway 13/31. Its secondary runway is 2,258 meters long and 45 meters wide, with concrete and asphalt overlay.

Landside accessibility

Inter-terminal connectivity. MIAA runs a shuttle bus system that connects the terminals for passengers making connections. Philippine Airlines operates an airside shuttle service between Terminals 1, 2 and 3.

Bus and other public transport. Premium Point-to-Point airport bus services connect terminal buildings to hotels, and commercial areas in several cities in Metro Manila such as Makati, Muntinlupa, Quezon City, Pasay and Parañaque, Sta. Rosa in Laguna and Sangley Point Airport in Cavite. City bus routes also link the airport to Diliman in Quezon City, and Balagtas and San Jose del Monte in Bulacan. Local jeepney routes serving Parañaque and Pasay are available for all four terminals.

Rail. The proposed Metro Manila Subway and the North-South Commuter Railway projects will both provide direct airport links to NAIA. At present, the airport has indirect access by rail through nearby stations of LRT Line 1 and MRT Line 3, and Nichols station of the Philippine National Railways.

Road/Expressway. NAIA Expressway and Skyway are fully elevated expressways that connect the NAIA terminal buildings to major cities and municipalities in the GCR.

B. Overview of the market

Philippines Tourism

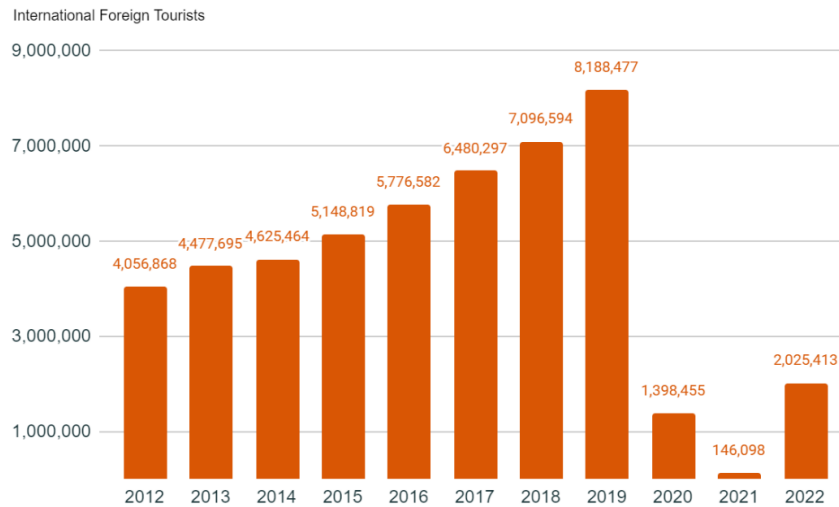
The Philippines has also seen significant tourism growth, with international tourist arrivals from 2012-2019 having a CAGR of around 11%. Additionally, for the same period, Tourism Direct Gross Value Added increased at a CAGR of 16.68%. Over the same period 2012-2019, international tourist arrivals increased from 4 million to 8 million.

In 2022, an increase in tourism was observed due to relaxations in travel restrictions and the rebounding economy. Last year's international tourist arrivals were over 2 million from a meager count of just 146,098 in 2021.

After a strong recovery in 2022, the United Nations World Tourism Organization (UNWTO) anticipates that international tourist arrivals this year (2023) could reach 80% to 95% of pre-pandemic levels. Recent data from the Philippine Department of Tourism for the first seven

months of 2023 substantiate that 3 million foreign tourists visited the Philippines, which is a million more than last year's total.

Figure 3. International Tourist Arrivals from 2012-2022



Source: DOT website http://www.tourism.gov.ph/tourism_dem_sup_pub.aspx

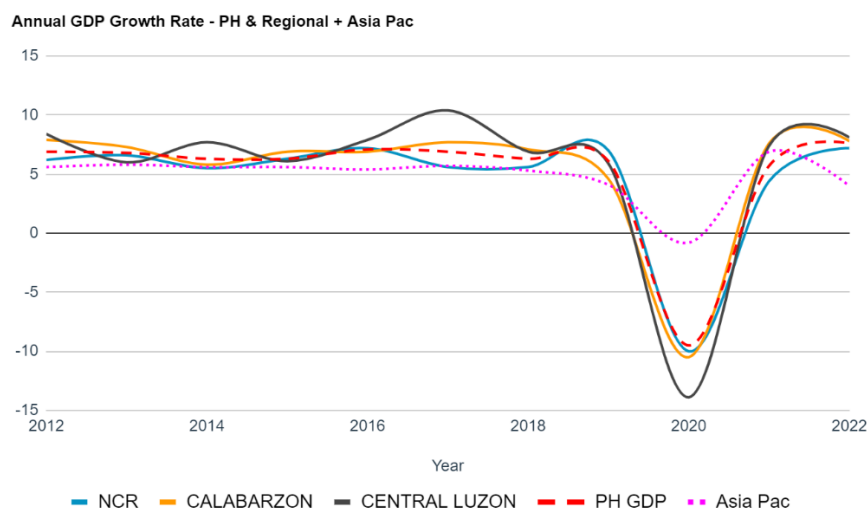
Catchment area: Greater Capital Region

The catchment area for NAIA is the Greater Capital Region (GCR), which includes (1) Metro Manila; (2) the provinces of Cavite, Laguna, Batangas, Rizal, and Quezon, immediately south and east of the Metro Manila, also known as Region IV-A or CALABARZON; and (3) the provinces of Bulacan, Pampanga, Nueva Ecija, and Tarlac, immediately north of the Metro Manila, also known as Region III or Central Luzon.

GCR showed considerable growth in Real Gross Regional Domestic Product (GRDP) for the period 2012-2019. During this period, Metro Manila's Real GRDP grew at a CAGR of 6.2%. Over the same period, CALABARZON's Real GRDP grew at a CAGR of 6.6% while Central Luzon's grew at a CAGR of 7.3%. As of 2022, their Real GRDPs stand at 7.2%, 7.8%, and 8.1% for Metro Manila, CALABARZON, and Central Luzon, respectively.

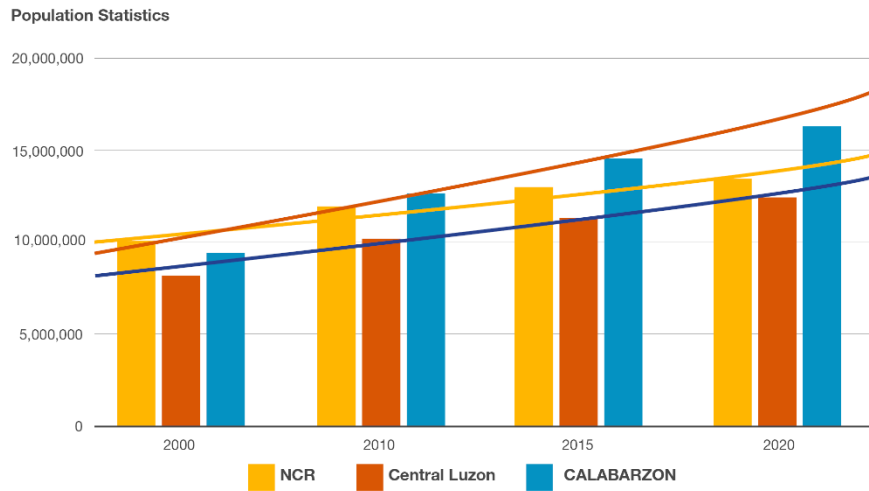
The GCR accounted for 56.7% of Philippine GDP in 2022 (see Figure 4). It is home to more than 38% of the Philippine population in 2020 (see Figure 5). Notwithstanding growth in other parts of the country, the GCR is expected to continue to have a dominant position in the country's economy over the long term.

Figure 4. Real GDP growth rates, 2012-2022



Source: Philippine Statistics Authority & International Monetary Fund

Figure 5. Greater Capital Region population statistics 2000-2020



Source: Philippine Statistics Authority

C. Overview of the current operations

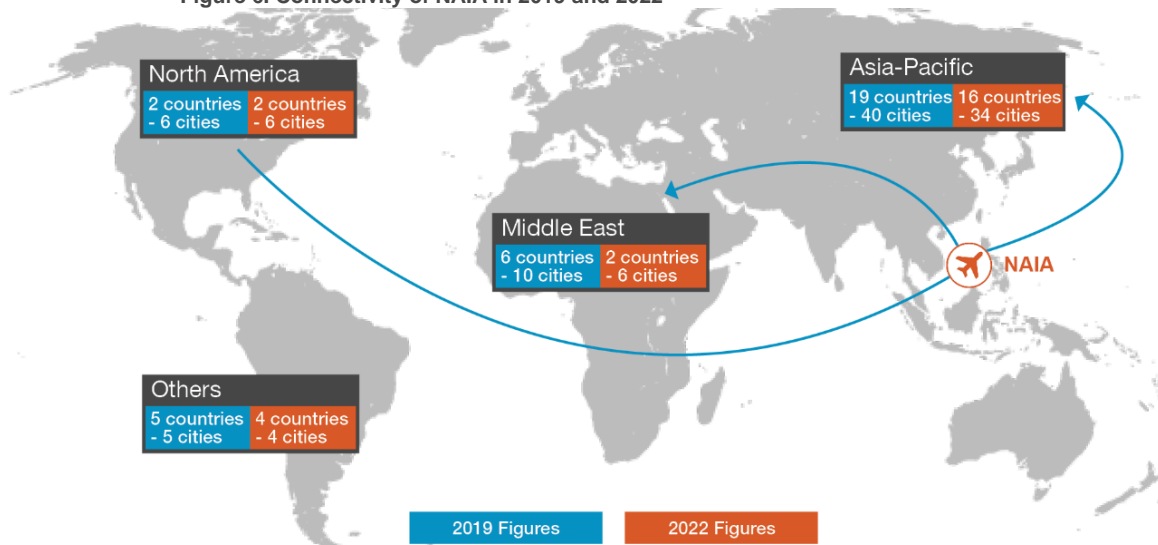
The MIAA owns and operates NAIA, while CAAP provides the Air Navigation Services (ANS). NAIA is the fifth busiest airport in Southeast Asia, serving nearly 50 airlines and connecting to over 90 international and domestic destinations.

The number of airlines and destinations operating in NAIA is returning to pre-pandemic levels. Based on MIAA's Operations Report, the number of domestic passengers has exceeded the pre-pandemic levels beginning the second quarter of 2022. The number of international passengers, on the other hand, has reached 89% of its pre-pandemic level as of July 2023.

International destinations

NAIA had non-stop connections to 57 foreign cities in 2022. This is slightly lower than the 61 cities in 32 countries that it served in 2019. Before COVID-19, the country with the most number of non-stop flights to and from NAIA was Japan, followed by Singapore, Republic of Korea (South Korea), Hong Kong Special Administrative Region, and Mainland China.

Figure 6. Connectivity of NAIA in 2019 and 2022



Source: Greater Capital Region Gateway Strategy, April 2023

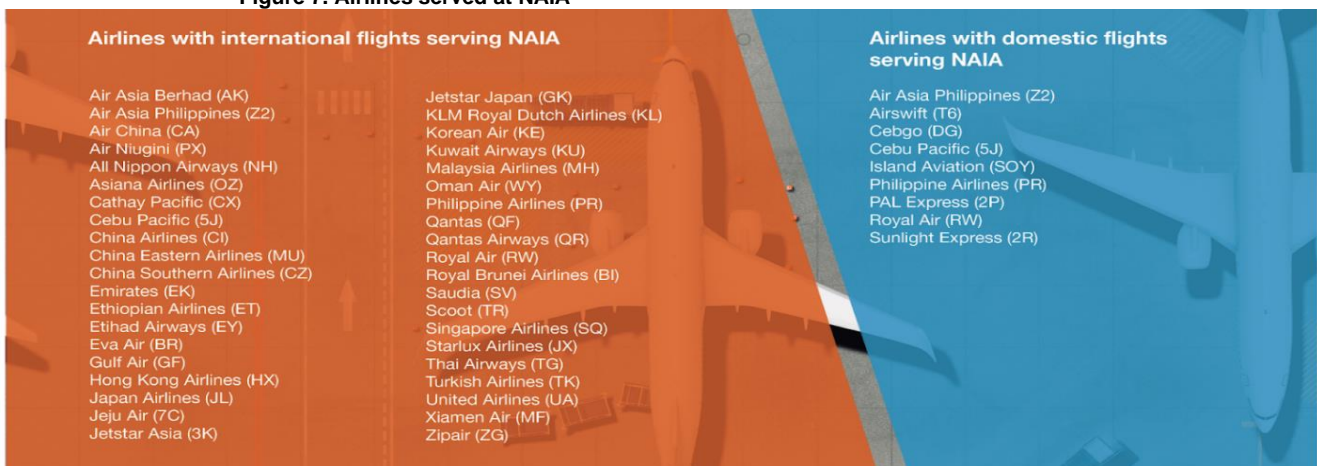
Domestic destinations

Prior to the pandemic and shortly after, in 2022, NAIA served 43% of total domestic passengers in the Philippines, making it the country’s primary regional connector. Recent data shows that there are 35 local destinations with non-stop flights from NAIA. As of 2022, annual domestic passenger use of NAIA has recovered. Drivers of this recovery are the strong domestic economic growth and a rising demand for passenger-to-freighter conversions.

Airlines served

Forty (40) international airlines and nine domestic airlines serve NAIA, as shown in Figure 7 below. It is a hub for AirSWIFT, Cebgo, Cebu Pacific, PAL Express and Philippine Airlines, and the main operating base for Philippines AirAsia. Passengers or returning overseas Filipinos usually fly to NAIA first, then transfer to their connecting flights for their hometowns through regional airports.

Figure 7. Airlines served at NAIA

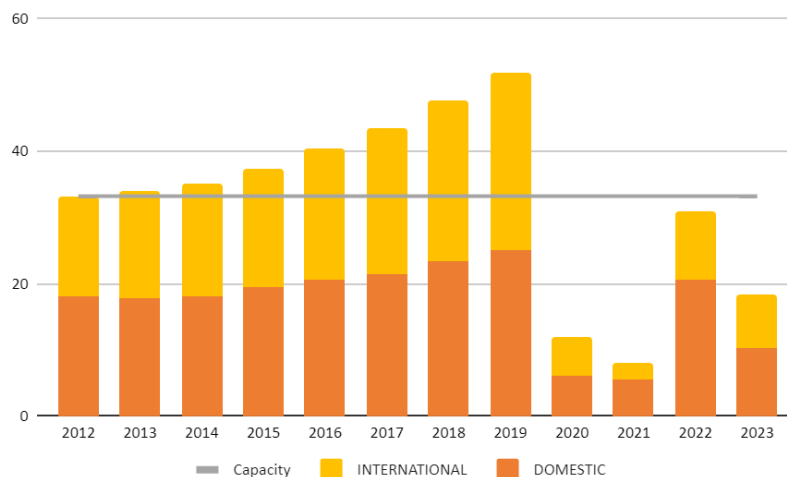


Source: MIAA

ATMs and Traffic

NAIA is the fifth busiest airport in Southeast Asia. The passenger traffic of NAIA grew at a compounded annual growth rate (CAGR) of 5.6% per annum from 2009 to 2019. The continuing economic growth and strong propensity to fly within its sizeable catchment area have driven passenger traffic, which has rebounded strongly after COVID-19 pandemic. With the airport’s designed capacity of 33.2 million passengers per annum (Figure 8) exceeded, passengers have been experiencing flight delays, and air traffic has been limited to below its market potential.

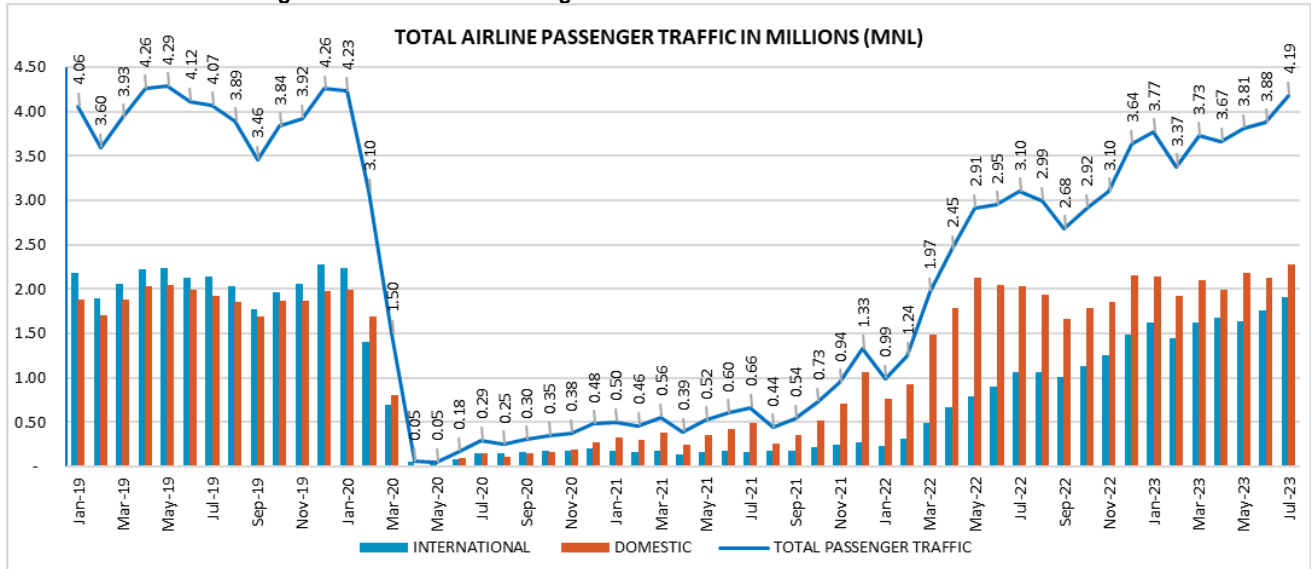
Figure 8. Ten-year historical passenger traffic and capacity*



Source: MIAA operational Statistics, *As of July 2023

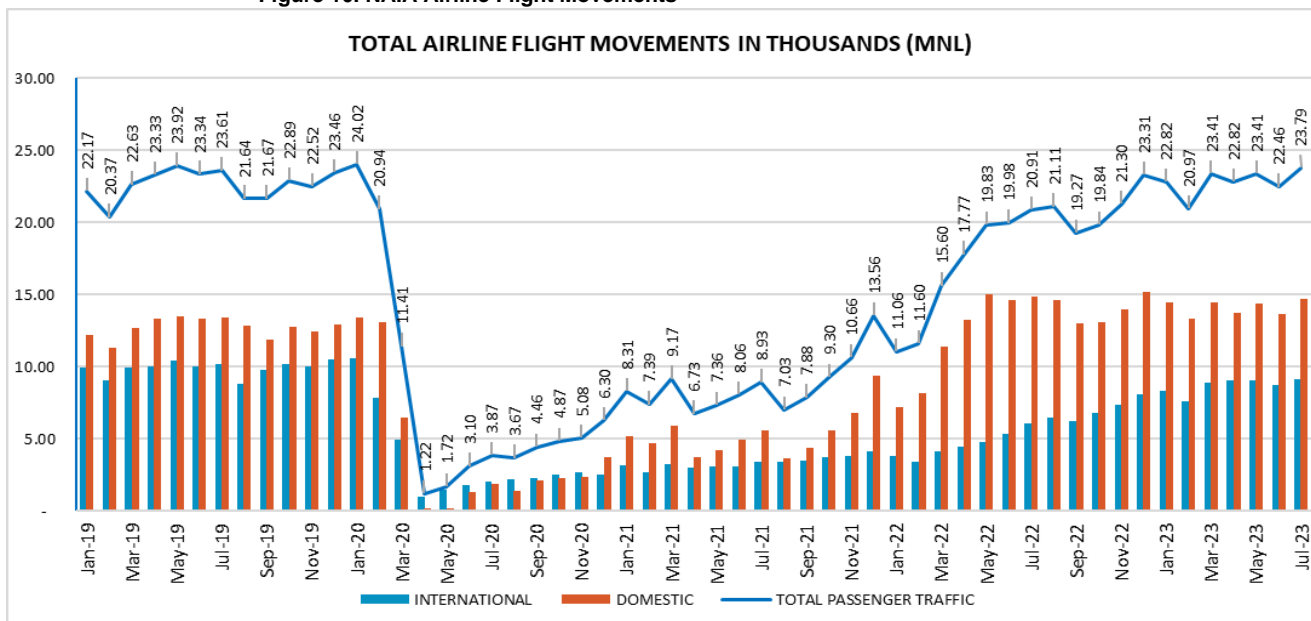
Amid the reopening of the economy, the tourism sector, and consequently, air travel rebounded strongly. The Philippines has received almost 3 million international visitors in the first seven months of 2023, which is already 62% of the government’s 4.8-million target for the entire year. Consistent with economic growth, the aviation sector, including air traffic, is expected to flourish significantly in the coming years. NAIA, as the principal gateway airport to the Philippines, plays a vital role in accommodating this growth. Figures 9 and 10 below indicate the rapid recovery of NAIA’s passenger and flight movements in 2023.

Figure 9. NAIA Airline Passenger Traffic



Source: MIAA Operational Report

Figure 10. NAIA Airline Flight Movements



Source: MIAA Operational Report

Apart from terminal capacity constraints, the runway system has also restricted NAIA’s growth. Its runway system is currently limited to handling up to 40 commercial aircraft traffic movements (ATMs) per hour. It is projected that the runway capacity could be increased to 48 ATMs per hour with improvements to the airside and ATC facilities. The Concessionaire is envisioned to undertake such improvements. CAAP will retain the operation of the improved facilities.

Summary of historical ATMs and PAX

Traffic growth in NAIA has been broadly in line with the growth trends of total passenger traffic in the Philippines. Over the last ten years, total passenger traffic at NAIA has grown from about 32 million in 2012 to about 48 million in 2019. The historical traffic at NAIA from 2012 until 2022 is presented in the table below.

Table 3. Historical traffic at NAIA

Years	Passengers		Air Traffic Movement (ATMs)	Cargo (tons)
	Domestic	International		
2012	17,739,000	14,139,935	235,517	460,135
2013	17,689,498	15,177,101	237,050	457,077
2014	18,019,543	16,074,616	236,441	520,403
2015	19,415,288	17,168,171	249,288	586,891
2016	20,578,414	18,938,368	258,313	630,166
2017	21,064,913	20,957,571	258,366	662,257
2018	22,080,799	22,973,510	259,698	738,698
2019	22,913,607	24,984,439	277,530	721,708
2020	5,598,623	5,546,991	91,067	533,956
2021	5,562,029	2,254,518	121,095	588,371
2022	20,347,005	9,856,577	246,724	402,732

Source: Greater Capital Region Gateway Strategy, April 2023

As evidenced in the table above showing the tremendous leap in passengers and ATMs from 2021 to 2022, recovery to pre-pandemic levels is imminent. Figures 9 and 10 indicate as well the increase in airline passenger and flight movements in the first seven months of 2023.

D. Key Success Factors

As the largest and primary airport of a country with a rapidly growing economy and travel market, NAIA presents many opportunities that can be capitalized to transform it into a world-class airport. The Concessionaire can turn NAIA's current problems into opportunities to increase revenues and diversify the revenue streams at the airport.

Increasing airport capacity

NAIA's airside facilities such as runways, rapid exit taxiways (RETs), maneuvering areas, aprons, aircraft parking areas, and airfield lighting could be further optimized. The present design and layout at airside, and equipment at the air traffic tower, limit NAIA's ability to realize its full potential. In 2019, NAIA reached a total ATM of 277,530, which already tested the current runway's limits. After the necessary rehabilitation, optimization and equipment modernization at NAIA, it is projected that the volumes of flights handled can be increased substantially. In turn, it will boost airside revenues, which is NAIA's key revenue source.

Similarly, NAIA's four terminals are operating beyond its collective capacity of 33.2 million passengers per year. Prior to the pandemic, NAIA already handled over 48 million passengers per year. The Concessionaire is expected to expand the terminals' capacity from 33.2 million to accommodate up to 62 million passengers per annum. The expansion will allow the terminals to handle the projected growth in the number of passengers, thereby increasing landside revenues.

The overcrowding of NAIA's terminals demonstrates that the growing demand for air travel in the Philippines has already surpassed current investments in airport capacity. By investing

in terminal infrastructure and connectivity, the airport will be able to better meet this demand. It will also enhance the overall travel experience for passengers by improving passenger traffic flow and service turnaround. Increased flight and passenger movements are beneficial to the airport's aeronautical and non-aeronautical revenues, promoting tourism growth that leads to a rise in overall GDP and income for the country.

Improved compliance with ICAO standards

Working to improve the airport's compliance with ICAO and other internationally accepted standards is crucial for maintaining NAIA's operating permits and certificates. The Concessionaire's actions to comply with such standards will also help improve On Time Departures and enable more and larger aircraft to operate at NAIA which can lead to improvements in flight and passenger volumes handled at the airport.

Compliance with internationally accepted standards will also ensure the continued operation of the airport during all types of emergencies, and address issues and restrictions on international flights.

Leveraging NAIA's strategic location

NAIA is strategically situated near Metro Manila's major business districts of Bonifacio Global City, Makati Business District and Ortigas Business Center, offering convenient and efficient mobility for those traveling for work. Unlike other airports in the GCR, such as Clark International Airport, New Manila International Airport (ongoing development) and the proposed Sangley Point International Airport, NAIA gives business travelers the shortest commute to these business districts. This competitive advantage sets NAIA apart from other airports as the preferred and convenient option for both domestic and international airlines and travelers.

By positioning itself as the preferred choice of business travelers, NAIA can further diversify its non-aeronautical revenues by providing services that cater to this market, such as business hotel, premium car and transfer services, premium airport lounges, and high-end shops. Business passengers will tend to pay a premium for the ease of flying in and out of the country from a central location like NAIA. The other locational advantages of NAIA include:

- *High passenger traffic potential:* Metro Manila is densely populated and attracts many business travelers, tourists and *migrants*. This can significantly contribute to a higher volume of passenger traffic, leading to increased revenue opportunities for the Concessionaire.
- *Attractive for premium airlines:* The central location of NAIA makes it more appealing for premium airlines to make NAIA their hub of operations. NAIA offers proximity to business districts and tourist attractions.
- *Ease of connectivity:* When the planned rail projects that connect to the airport are opened to the public, NAIA will integrate more seamlessly with the transport networks that connect the various parts of Metro Manila. This improved connectivity will further enhance NAIA's accessibility and build strong customer loyalty.
- *Business and conference centers:* NAIA is a short distance away from commercial, business and conference centers of the Metro Manila's central business districts.

Harnessing commercial potential

Within the project land provided by the Grantors, the Concessionaire will have the opportunity to harness its commercial potential. The Concessionaire, as will be indicated in the Concession Agreement, is allowed to develop hotels and serviced apartments which are expected to generate revenues for the Concessionaire, and also upgrade the passenger experience and NAIA's overall image.

Commercial development could be an untapped revenue stream for NAIA. While runway limits may eventually curb growth at the airside, commercial development is an opportunity limited only by the Concessionaire's skills in retailing and commercial development. At

present, non-aero revenues from NAIA are relatively low in comparison with international counterparts and can still be improved. Several ways of developing the land include:

- *Real estate development:* Leasing available lands to aviation-related businesses and developing hotels and serviced apartments can generate substantial revenues. These amenities not only serve passengers and visitors but also generate revenue that can be reinvested into airport operations.
- *Parking facilities:* Expanding or optimizing parking facilities on available lands can accommodate increasing passenger parking needs, and thus give additional revenue.
- *Cargo and logistic centers:* Developing cargo and logistics facilities near the airport can build up its shipping and logistics volume and revenues.
- *Training and education:* Collaborating with educational institutions to establish desk/laboratory-based aviation training centers or programs can result in revenue from tuition fees while contributing to upskilling the workforce.

E. GCR Landscape

In addition to NAIA and the Clark International Airport, which are already in operation, two new airports are being developed to serve the GCR, in recognition of the need to accommodate the growing travel demand and improve interconnectivity in the region.

Figure 11. Geographic location of GCR airports



GCR interconnectivity

The government is pursuing a long-term plan to interconnect all the regions hosting the GCR airports. Various government agencies are currently implementing numerous infrastructure projects within the transportation sector. These projects not only will improve connectivity within the NAIA catchment area but are also expected to further promote accessibility to NAIA:

Metro Manila Subway (MMS) (Ongoing Construction). MMS is an under-construction underground rapid transit line in Metro Manila. The 33.1-kilometer line, which will run north–south between Valenzuela City, Quezon City, Pasig, Makati, Taguig, Parañaque and Pasay, consists of 17 stations between the East Valenzuela and Bicutan stations. Part of the MMS project is a subway through-service, which consists of the proposed augmentation between the North-South Commuter Railway (NSCR) and the Metro Manila

Subway, branching from the MMS line at Senate-DepEd Station towards the direction of NAIA Terminal 3.

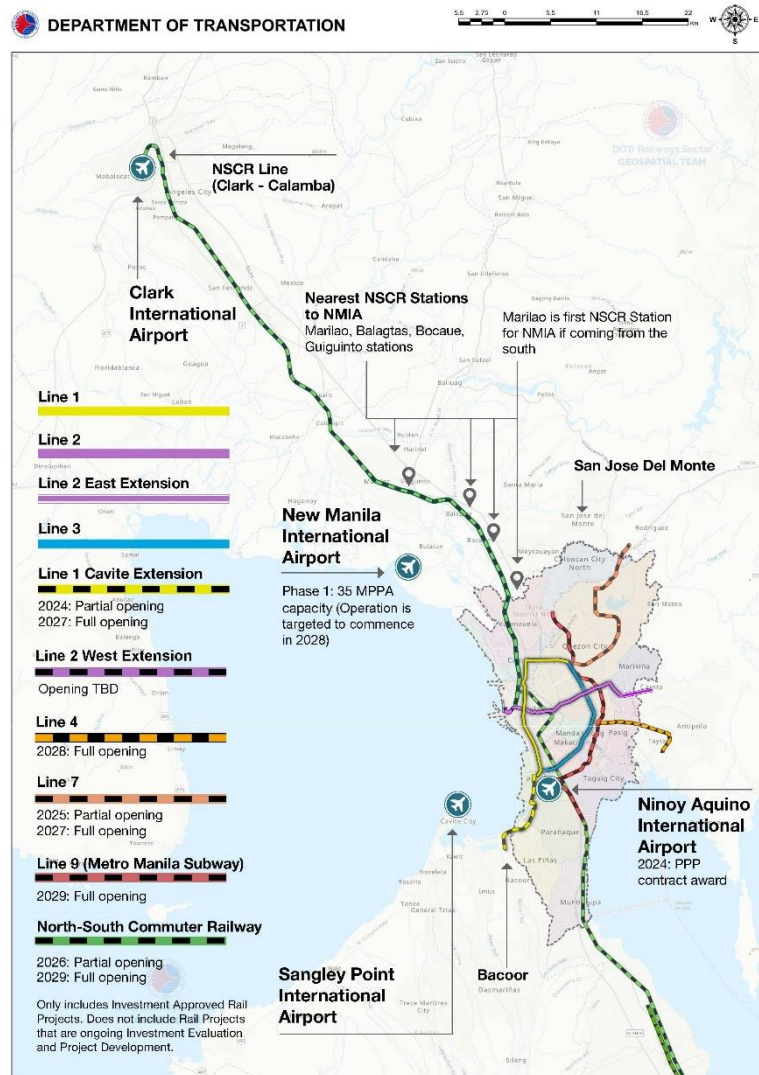
North-South Commuter Railway (NSCR) (Ongoing Construction). NSCR is a 147-kilometer urban rail transportation system from Clark International Airport to Calamba, with 35 stops and two services. The classes of services of NSCR line are the following:

- *Commuter rail service*. It stops at all stations within its route. The maximum speed for this service will be 120 kilometers per hour.
- *Airport Limited Express*. This rail link will connect Clark International Airport and Alabang station. It will use dedicated rolling stock, complete with intercity-grade amenities plus baggage space for people arriving from the airport.

Metro Rail Transit Line 7 (MRT-7) Extension (Planned). MRT is a rapid transit line that, when completed, will be 22.8 kilometers long, with 14 stations. The line runs in a northeast–southwest direction, beginning at San Jose del Monte, Bulacan up to the North Triangle Common Station in North Avenue, Quezon City.

Figure 12 illustrates the GCR Airport connectivity timelines (indicative). The government's goal is for these relevant projects to be completed by 2029 to ensure integration with the overall railway network in the region.

Figure 12. GCR Airport Connectivity



F. Security

The relevant agencies that are currently providing security services at NAIA will continue to provide services within the airport once operated by the Concessionaire:

- *Office of Transportation Security ("OTS")* – an agency attached to the DOTr, designated as the single authority responsible for the security of the transportation systems of the country under Executive Order No. 311 (2004).
- *Philippine National Police Aviation Security Group (PNP AVSEGROUP)* – as the implementing arm of the OTS, it is tasked with securing airports against offensive and terroristic acts that threaten civil aviation, exercising operational control and supervision over all agencies involved in airport security operation, and enforcing all laws and regulations relative to air travel protection and safety, in coordination with airport authorities, under Republic Act No. 6975.
- *MIAA Airport Police Department* - is vested with police authority under its charter, and exercises authority in connection with maintaining security to passengers, cargoes, aircraft, airport equipment, structures, facilities, personnel, funds and documents, as well as regulating the entry to exit from and movement within NAIA.

The Concessionaire may, in addition, provide its own security services, the details of which will be in the Concession Agreement.

G. Financial highlights

The 10-year financial highlights for MIAA are shown in Tables 4 and 5 below.

Table 4. Financial highlights, 2012-2017 (Outturn Prices) (Figures are based on the restated and audited financial statements of MIAA)

PHP in millions	2012	2013	2014	2015	2016	2017
Aero Revenue	5,605.0	5,873.0	6,257.2	6,919.5	8,442.4	9,244.8
Non-aero Revenue	2,822.9	2,971.2	3,135.1	3,639.0	4,100.6	3,888.2
Gross Revenue	8,428.0	8,844.1	9,392.3	10,558.5	12,543.0	13,133.1
National Government share*	-933.8	-1,176.7	-1,084.8	-1,225.0	-1482.9	-1,625.7
Business and Service Revenues, net of Government share	7494.2	7667.5	8307.6	9333.5	11060.1	11507.4
Other Income	84.5	513.4	173.5	-126.8	-19.1	0.0
Total expenses**	-4,112.5	-4,311.9	-4,322.7	-4,935.8	-18,849.7	-9,635.4
Subsidy from National Government***	0	0	0	-770	20,775.8	3,609.5
Net income/(loss)	2,640.6	2,913.9	3,059.4	2,175.4	11,201.2	3,699.8

Table 5. Financial highlights, 2018-2022 (Outturn Prices)

PHP in millions	2018	2019	2020	2021	2022
Aero Revenue	10,226.3	10,954.9	3,262.9	2,676.6	7,086.1
Non-aero Revenue	4,396.5	4,940.4	2,234.0	1,736.8	3,107.1
Gross Revenue	14,622.8	15,895.2	5,496.9	4,413.4	10,193.2
National Government share*	-1,713.6	-1,789.5	-563.1	-587.6	-1429.7
Business and Service Revenues, net of Government share	12909.2	14105.9	4933.9	3825.8	8763.5
Other Income	1,882.3	66.0	50.7	51.5	178.6
Total expenses**	-6,602.5	-6,961.9	-6,021.4	-6,484.2	-6,937.5
Subsidy from National Government***	176.3	0	195.6	70.6	0
Net income/(loss)	6,382.2	5,056.7	-879.0	-2,677.1	1,894.7

*National Government Share. This value represents the 20% share of the National Government on MIAA's annual operating income based on actual cash collection, excluding collections from PSC, in accordance with E.O. No. 298 dated July 26, 1987.

** Total Expenses. Total expenses consist of salary, repairs and maintenance, and other non-cash expenses. In 2016, there was a significant increase in expenses due to the operating equipment's repairs and maintenance, amounting to Php 13.3b payable to PIATCO.

*** Subsidy from the National Government. These figures pertain to (1) a Php20b subsidy recorded from the national government to settle an obligation to PIATCO and subsidies from DOTr (2) the rental of terminal concessionaires from November 2020 to January 2021 paid through subsidy received from DOTr on 22 December 2020 in line with the Bayanihan to Recover as One Act – Assistance Program.

Revenue. NAIA has generated revenues from its aeronautical charges and non-aeronautical or commercial business, as further detailed below:

Aeronautical revenues consist of Passenger Service Charges (PSC), Landing and Take-off charges, Aircraft Parking fees, Tacking fees, and Royalty fees, among others. These charges are detailed in Administrative Order 1 series of 2000. The revised aeronautical charges moving forward would be reflected in a new AO that will be applicable during the concession period. The movement of aeronautical revenues is consistent with the historical trend of passenger and ATM movement and was around 70% of the total revenue, pre-COVID-19.

At present, PSC is the top among the main drivers of MIAA's revenue with international and domestic departing passengers from NAIA being charged PHP550 and PHP200, respectively.

Executive Order (E.O.) No. 30, series of 1998, provided the following revenue sharing structure of the PSC:

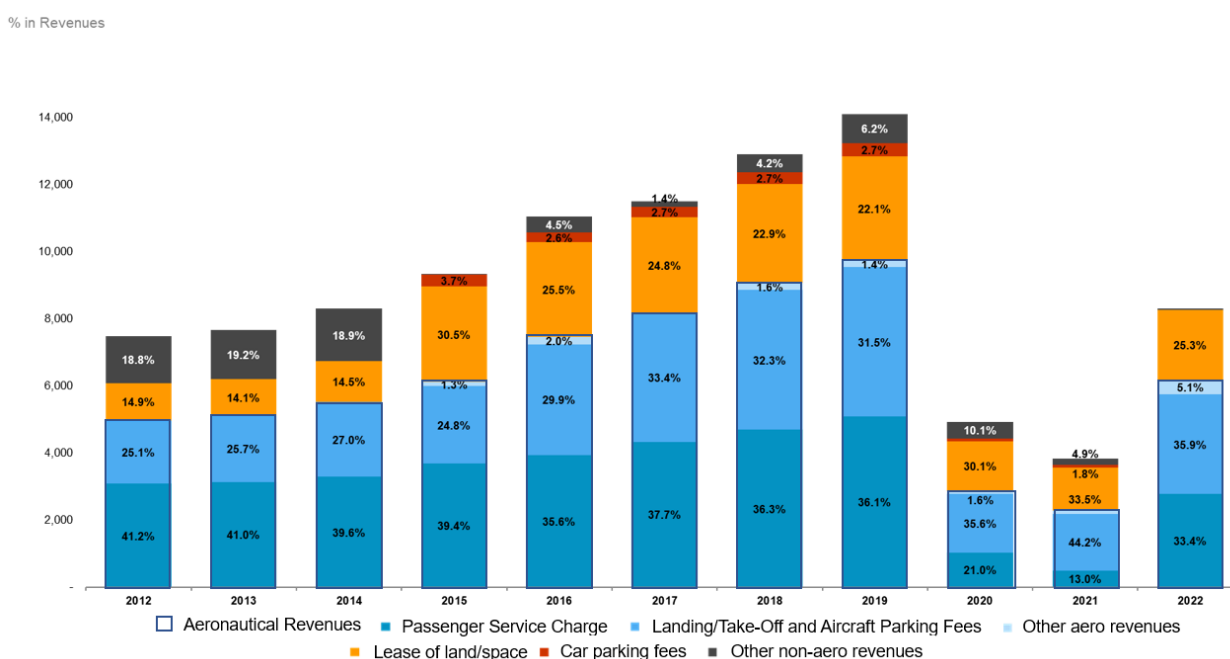
Table 6. PSC Charges

Recipients	International (PHP)	Domestic (PHP)
Airport Operator (inclusive VAT) - MIAA	390	185
Office for Transportation Security (OTS)	60	15
National Government (NG)	100	-
Total	550	200

With proposed rate revisions during the concession period, the PSC is expected to remain as one of the top revenue generators for the Concessionaire. Current unit rates for the PSC and other aeronautical revenues along with the proposed revisions will be provided as part of the Information Documents that will be made available during the Project's tender process.

Non-aeronautical revenues consist of lease of land and space in the terminal buildings, car parking fees, and other income. Non-aeronautical revenues grew at a CAGR of 1.29% from 2012 to 2019. In 2020, there was a significant decrease of 65.4% due to the heightened travel restrictions during the COVID-19 pandemic. Strong recovery in 2022 can be seen due to the increase in the number of passengers amid the continued reopening of the economy.

Figure 13. Revenue Breakdown



Source: Audited financial statements of MIAA

Relevant legal frameworks



BOT Law and Revised 2022 Implementing Rules and Regulations

Republic Act No. 6957, as amended by Republic Act No. 7718, also known as the BOT Law, authorizes government agencies, including government owned and controlled corporations and local government units, to contract with qualified parties for the financing, construction, operation and maintenance of viable infrastructure and development projects under any of the established contractual arrangements.

Revised 2022 Implementing Rules and Regulations of the BOT Law sought to address stakeholder concerns on the financial viability and bankability of PPP projects, and clarified processes, or ambiguous provisions in the law in order to streamline the PPP procurement process.

https://ppp.gov.ph/press_releases/the-revised-2022-irr-of-the-bot-law-is-out-now/

Amendments to Public Service Act

Republic Act (RA) No. 11659 or "An Act Amending Commonwealth Act No. 146 otherwise known as the Public Service Act". Starting April 1, 2023, select sectors such as railways, airports, expressways, and telecommunications are now open to 100 percent foreign ownership. Previously, these sectors were limited to 40 percent foreign ownership.

<https://www.pwc.com/ph/en/tax/issues/ra-11659-public-service-act.html>

RA No. 11659 provides that an entity controlled by or acting on behalf of the foreign government or foreign state-owned enterprises shall be prohibited from owning capital in any public service classified as public utility or critical infrastructure. Further, foreign nationals shall not be allowed to own more than fifty percent (50%) of the capital of entities engaged in the operation and management of critical infrastructure unless the country of such foreign national accords reciprocity to Philippine Nationals as may be provided by foreign law, treaty, or international agreement.

Under RA No. 11659, public utility refers to a public service that operates, manages, or controls for public use any of the following:

- (1) Distribution of Electricity
- (2) Transmission of Electricity
- (3) Petroleum and Petroleum Products Pipeline Transmission Systems
- (4) Water Pipeline Distribution Systems and Wastewater Pipeline Systems, including sewerage pipeline systems

- (5) Seaports
- (6) Public Utility Vehicles.

Notably, airports are not included in the enumerated public services considered as public utilities.

Meanwhile, the March 2023 IRR of RA No. 11659 or "An Act Amending Commonwealth Act No. 146 otherwise known as the Public Service Act" provides that no other public service shall be considered critical infrastructure unless declared by the President. Currently, the March 2023 IRR states that telecommunications services are the sole critical infrastructure under the Act.

Under Rule 8, Section 32 of the IRR of RA No. 11659, telecommunication is the only public service considered as a "critical infrastructure," which is defined as "so vital to the Philippines that the incapacity or destruction of such systems or assets would have detrimental impact on national security.

https://ppp.gov.ph/in_the_news/amended-psa-to-take-effect-in-april/

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