



Public Private Partnership for the Norman Manley International Airport

Kingston, Jamaica
November 2016



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The comments and feedback obtained will assist GOJ in deciding how to structure the potential transaction going forward by ensuring that the requirements of prospective investors have been duly considered.

This Document does not purport to contain all of the information that a prospective investor may need or desire. It has been prepared to assist interested parties in making their own evaluation. In all cases, interested parties should conduct their own investigation and analysis of the information set forth in this Document.

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The Investment Opportunity

The Government of Jamaica (the "GOJ"), through the Ministry of Transport and Mining (the "MTM") has initiated the process of implementing a re-tender of a Public Private Partnership ("PPP or the Transaction") to identify a private sector operator with proven experience in the aviation sector to finance, develop, operate and maintain the Norman Manley International Airport ("NMIA" or the "Airport") under a long term concession. The previous tender process has been terminated.

The GOJ is re-evaluating the Transaction requirements after receiving feedback from investors. GOJ is seeking to:

- ✦ Develop and enhance the position of NMIA as a competitive airport in the region;
- ✦ Increase service quality standards to provide passengers with an improved overall airport experience in line with international best practices;
- ✦ Introduce private sector finance, technical know-how and operational efficiencies to maintain a state of the art aviation facility; and
- ✦ Mobilize additional private sector investment in the Airport's infrastructure.

NMIA is one of the two major international airports in Jamaica, the other being the Sangster International Airport (SIA), which is approximately 177 kilometres north-west of Kingston. NMIA will be the only airport included in the Transaction.

Initial preliminary estimates of the capital investment for improvements to the Airport's facilities and maintenance over the life of the concession are approximately \$100 million.

NMIA represents an **attractive investment proposition**. Highlights of the opportunity include:

- ✦ **Well maintained and modern airport facility** which has undergone substantial expansion and re-development with over US\$150 million invested since 2004.

- ✦ **Stable and growing passenger traffic** coupled with a liberal air services market environment expected to result in passenger growth to 3 million per annum by 2048 from 1.5 million in calendar year 2015. Cumulative traffic growth for the calendar years 2014 and 2015 was 10.8% (average of 5.4% per annum) while traffic growth for the current year to September 2016 is running at 4%.
- ✦ **Improving macroeconomic conditions** in Jamaica which should support traffic trends at NMIA.
- ✦ **Maximization opportunities** for retail revenue given opportunities to reconfigure and improve the internal layout of retail and concession areas.
- ✦ **GOJ's track record of successful PPP's in the airport and seaport sectors**, with Sangster International Airport concessioned to the private sector in 2003.
- ✦ **Transparent and competitive bidding process** to be conducted.

Under a private operator, NMIA is expected to experience strong improvement in financial performance, with potential for EBITDA margins above the 50% level, in line with strongly performing peers driven by:

- ✦ Aeronautical revenue growth
- ✦ Commercial revenue optimisation
- ✦ Operational efficiencies

Interested investors and operators are invited to provide their feedback, outlining their views about the investment opportunity, potential issues affecting the attractiveness of the Transaction, necessary conditions required for the project to be viable, and any additional issues that may be of concern to investors and operators.

This feedback will be used to gauge market appetite for the Transaction, which will assist GOJ and its advisors in structuring and implementing a viable project.

We would appreciate your preliminary indication of interest, as well as a statement of any areas of concern that you may have by November 11, 2016.

NMIA Overview

NMIA is located approximately 19 miles from Kingston city centre and is currently the second largest airport in Jamaica after Sangster International Airport, located in Montego Bay. NMIA is currently operated by NMIA Airports Limited (“NMIAL”) which was incorporated in 2003 as a wholly-owned subsidiary of the Airports Authority of Jamaica (“AAJ”) and is operated under a 30-year concession agreement with AAJ.

Air Traffic

Historically, Jamaica has experienced high levels of emigration and now benefits from a strong visiting friends and relatives (VFR) market, with non-resident Jamaicans returning to the island. Jamaica’s total international traffic is approximately 5.5 million passengers, of which approximately 80% is tourist driven and of which the majority (approximately 80%) travels through SIA.

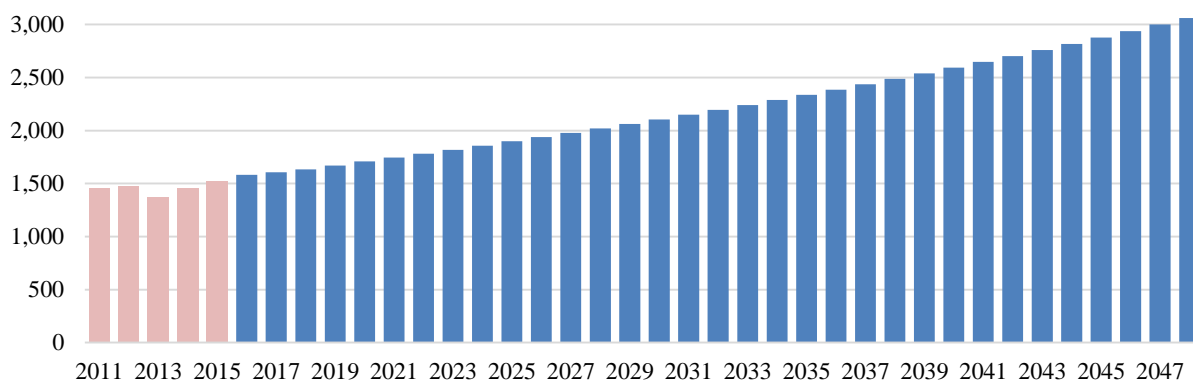
Overall traffic levels at NMIA have remained relatively stable in the range of approximately 1.4 – 1.5 million passengers per annum for the past fifteen years, with some observed year-to-year fluctuations. Passenger traffic is composed largely of “visiting friends and relatives” (VFR) related to Jamaicans living abroad and business traffic associated with the corporate and government agencies located in the south, central and eastern parishes of the country. The catchment area has recently been expanded due to the improvement in the ease of access from the Highway 2000 project. The newly completed

North-South Highway, which opened in April 2016, provides a significantly faster and more direct route to the island’s north coast tourist destinations, which are major catchment areas for both VFR and tourist passenger traffic. These traffic components are sensitive to economic trends within Jamaica and hence a continuous recovery of the economy will translate into rapid rates of growth in aviation activity at NMIA.

Future air traffic at NMIA is expected to grow in line with the economic growth in source markets in the U.S.A. and Europe, as well as in Jamaica. In the short-term, real GDP growth for Jamaica is expected to be in the 2 – 3% range in 2018 – 2020. The Government has established an Economic Growth Council committed to a mandate to achieve 5% growth in four years i.e. by 2020. Moreover, low-cost airlines will continue to increase their market share of Kingston traffic. Preliminary forecasts project the number of passengers to increase from 1.5 million in calendar year 2015 to 3 million in 2048, which represents a CAGR of 2.1%. This projection could however be favourably impacted by a combination of the Government’s GDP growth target and the access to tourism traffic on the north coast destinations created by the new highway link.

Similarly, preliminary forecasts for cargo traffic estimates a compounded growth rate of 1.4% from 2015 to 2048.

Figure 1: NMIA traffic – total passengers by calendar year (000’s)



Source: AAJ and LeighFisher forecasts.

Carriers and Routes

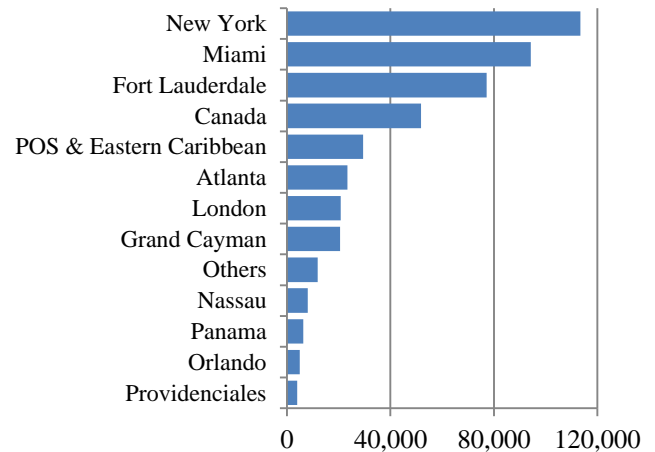
A diverse mix of passenger airlines serve NMIA, with no single airline accounting for a dominant share of total scheduled departing seats. Caribbean Airlines remains the largest carrier at NMIA with an approximate market share of 25% for 2015. Its major destinations are New York, Ft. Lauderdale and Toronto, as well as a large number of countries within the Caribbean region.

The second ranked carrier is American Airlines with a market share of 22%. American Airlines funnels all of its Jamaican traffic through its Miami hub. The third largest airline is JetBlue, at 20%, flying to both Fort Lauderdale and New York. Combined, these three airlines account for 67% of the overall traffic. No other airline has a market share above 6%.

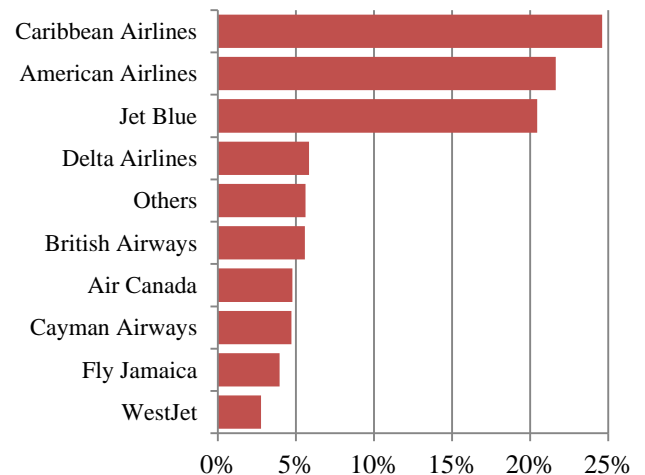
During the northern hemisphere summer season, the load factor for these carriers and many others are in excess of 90%. British Airways, now with the only direct Trans-Atlantic service, is experiencing load factors in excess of 80% throughout the year.

Figure 2: Route share

Passengers by Route (July - Sep 2016)



Carrier Market Shares (CY 2015)



Infrastructure

NMIA represents an excellent opportunity for an investor to acquire a well maintained and modern airport facility which has undergone substantial expansion and redevelopment. Over US \$150 million has been invested in the infrastructure at the Airport since 2004, when NMIA embarked on a major Capital Development Program involving the redevelopment and upgrading of the Airport including a large terminal expansion and refurbishment, expansion of aircraft parking stands and taxiways, upgrading the airport access roads and parking lots, construction of a new Energy Centre, development of the first phase of the NMIA Cargo and Logistic Centre, as well as additional improvements.

The Airport's passenger terminal facilities were expanded and refurbished to modern standards in 2008. Based on current passenger throughput there is capacity headroom to accommodate significant growth without the need for expansion. The passenger terminal building consists of three contiguous structures and one perpendicular pier, comprising of a total covered area of about 10,000 square meters. The passenger terminal has sufficient capacity with minor modifications to handle the forecasted traffic through 2038.

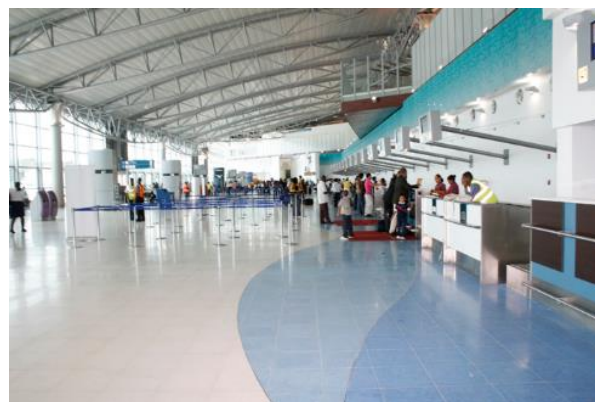
NMIA has a 2,716m long runway and is capable of handling B747 and B777 aircrafts serving long haul destinations such as London. The aircraft apron can accommodate a total of 16 commercial aircraft, including 2 Code B, 8 Code C and 6 Code E aircraft. The Airport is in the process of commencing an extension of the runway to implement runway end safety areas (RESAs) in accordance with ICAO standards.

Major capital investments over the life of the concession would include: runway rehabilitation; RESA provision in line with ICAO requirements and any necessary works for safety compliance.

ACI-ASQ Performance

NMIA has an established reputation for high customer service as a participant in the Airports Council International-Airport Service Quality (ACI-ASQ) programme, and has been ranked between number 2 and 3 in the Caribbean and Latin American region since 2015. The Airport was therefore awarded the recognition of Most Improved Airport in its category in ACI-LAC for 2015 by the ACI.

Check-in Hall



International Departure Lounge



Financial Performance

NMIA represents an attractive investment proposition. Through a combination of steady passenger growth, strong revenue, and operating expense optimization opportunities, it is anticipated that the profitability of the business can rapidly improve through the introduction of an experienced and commercially motivated operator and investor, driving EBITDA margins to above the 50% level and in line with strongly performing peers.

Following a regulatory decision in November 2014, passenger charges were increased in April 2015 to US\$27.93 per passenger, which will support planned capital improvements and operations. Even with this increase, NMIA passenger charges remain competitive in the middle of the peer group of airports in the region.

Non-aeronautical revenue accounted for 38% of operating revenue for the fiscal year 2016. Non-aeronautical revenue performance is strong compared to peers. For the fiscal year 2016, non-aeronautical revenue per passenger at NMIA was US \$9.13, which is among the highest levels in the peer group.

Specific commercial revenue enhancement opportunities could be driven by contract re-tendering, an increase in the amount of retail space available and reconfiguration of the internal layout of the retail and concession areas. This indicates that improvements in revenues should be achievable especially as the Airport grows and through the support of an international and experienced management team.

From an operating expense perspective, management has achieved reductions in total expenditures over the last three years. In addition, the cost of utilities, which represents the second largest expense item, has declined from \$5.5 million in fiscal 2014 to \$3.5 million in fiscal 2016. In particular, there is an opportunity for reducing the cost of electricity via the greater use of alternative energy sources. Also, electricity costs should benefit from the country's greater use of gas generated power by 2018. Future improvements to operating costs could be driven by contract re-tendering, and economies of scale as a result of operational leverage and a fixed cost base.

With the purpose of supporting the Capital Development Program at the Airport, the MTM in 2003 introduced an Airport Improvement Fee ("AIF") for the financing of some development costs and capital expenditure at NMIA. The rate of the AIF at US\$10 is included in the cost of the airline ticket and is payable by every departing passenger embarking on an international flight.

The AIF revenue is credited to the "Airport Expansion Fund" which is held in a designated account called the Expansion Account. The AIF revenue and the funds in the Airport Expansion Fund will not be part of the Transaction. The funds in the Airport Expansion Fund have been dedicated to secure the repayment of certain loans from the European Investment Bank, the Caribbean Development Bank, and the PetroCaribe Development Fund. The AIF Collection Period continues until the earlier of: a) the 31st December 2030 or b) the revocation of the AIF Order.

Figure 3: Non-aeronautical revenue benchmarks

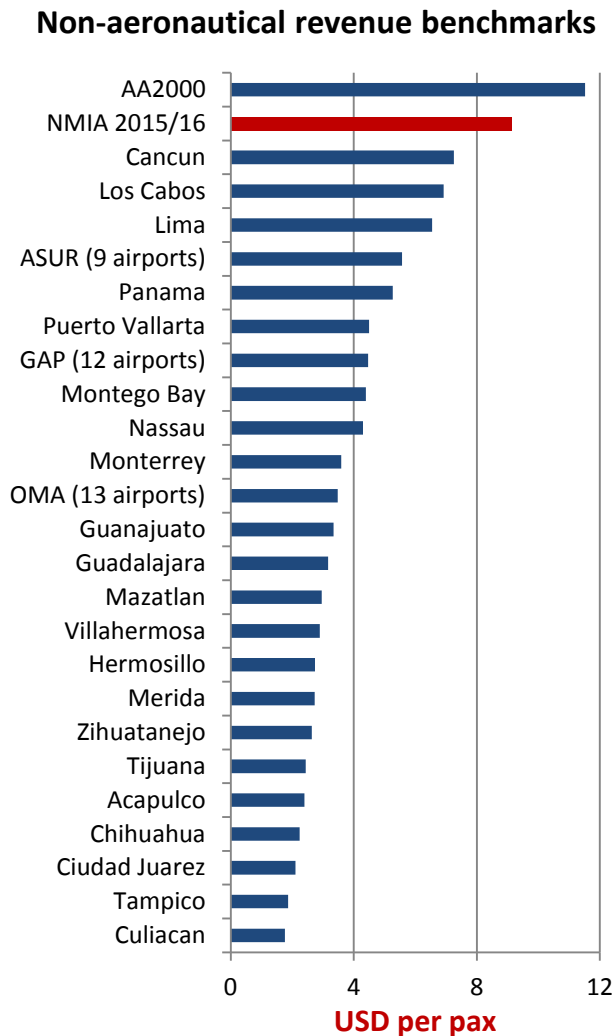
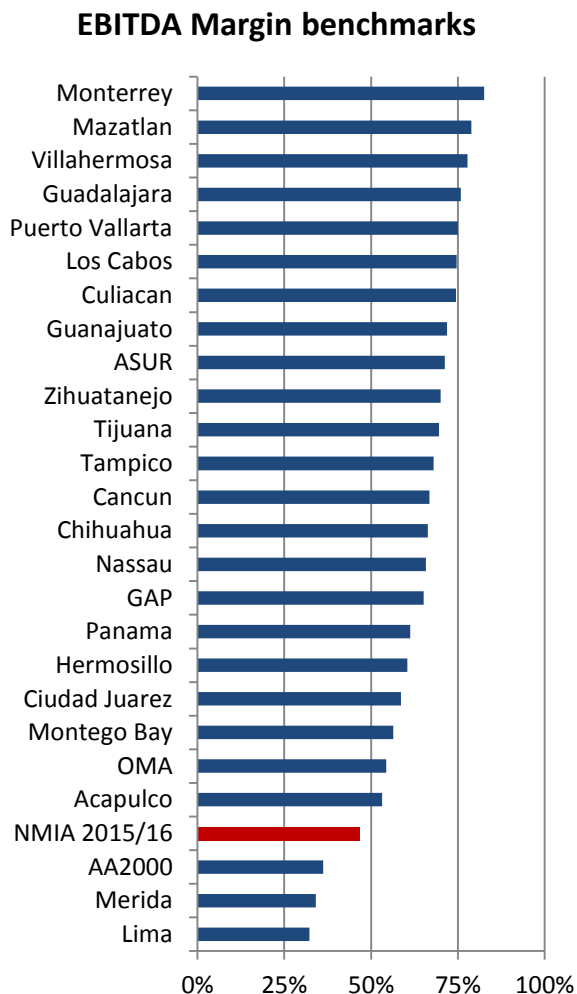


Figure 4: EBITDA Margin benchmarks



Source: Consultant benchmarking

Note: all data is as of December 2015, with the exception of Nassau (June 2015) and NMIA (March 2016)

Legal and Regulatory Framework

Jamaica has a well-established aviation policy and policy instruments, regulations and Acts. It is a signatory of the International Civil Aviation Organisation (ICAO) and as such adopts its various annexes regulating civil and commercial aviation. The implementation of aviation policy resides with the Minister with responsibility for the Ministry of Transport and Mining.

GOJ has appropriate institutional structures in place to manage and administer PPPs and has a proven track record through the successful implementation of a PPP at Sangster International Airport (SIA), the Kingston Container Terminal, and two road concessions for Highway 2000 and the North-South Highway. The GOJ has approved and published a Policy and Institutional Framework for the Implementation of a PPP Programme and also a Policy Framework and Procedures Manual for Privatisation of Government Assets.

Both SIA and NMIA are Scheduled Airports regulated under the Airports (Economic Regulation) Act. This allows for the Jamaica Civil Aviation Authority (JCAA) to regulate and cap maximum airport user charges. Scheduled Airports must be granted Permission to Levy Charges from the JCAA. NMIA's Permission will be transferable to a new operator.

Regulation is based on a single till charging model with annual increases in line with a CPI-x formula – currently x is set at 0. Regulatory reviews occur every five years. The last review was concluded in November 2014 and the adjustments to regulated charges associated with that review were implemented in April 2015.

Jamaica subscribes to a liberalized regime regarding air services agreements (ASA), and is a signatory of 26 bilateral air service agreements. Fifteen ASAs have been initialled between Jamaica and other states (ASAs being applied administratively) Of these fifteen ASAs it is expected that four, subject to Cabinet approval, will be formally signed at the 2016 International Civil Aviation Organization Air Services Negotiation Event in 2016.

Moreover, Jamaica is signatory to a Multilateral Agreement among members of The Association of Caribbean States (ACS) and has an Open Skies Agreement with its largest and currently most important market, the U.S.A.

Such agreements have been in place for some time with Jamaica's two major markets, the U.S.A. and Canada. Airlines from these countries have full freedom to initiate or withdraw services. The JCAA has stated that there has been marked growth in the local aviation industry, and by extension, tourism, as a result of the Government's decision to shift to an Open Skies policy.

It is JCAA's policy to grant extra-bilateral rights in cases where an airline has applied for route authority which is not covered by an existing air services agreement. While Jamaica does not have a comprehensive air service agreement with the European Union, it does have relatively liberal bilateral agreements with several constituent states, including the U.K. JCAA is currently negotiating an open skies agreement with the EU.



Jamaican Economic Outlook



Jamaica, known for its beaches, natural beauty, reggae music, and famous athletes, is the fifth largest island in the Caribbean. The country has a stable political system and gained independence in 1962 from Britain. It remains a member of the British Commonwealth of Countries. It is a Parliamentary Democracy; general elections, are held no more than 5 years apart. The most recent general election was held in February 2016.

Kingston is the capital city of Jamaica with a population of around 1 million. Kingston plays a central role in Jamaica's economy with Government institutions and many multinationals with regional headquarters in Kingston. The vast majority of non-tourism based activity takes place within the city. The Jamaican national Government's offices are located in Kingston. Several multinationals and financial institutions also have regional headquarters in Kingston.

The Jamaican Government passed legislation to create an International Financial Centre. Generally GOJ is seeking to regenerate Downtown Kingston and is considering the development of a logistics hub as part of its Vision 2030 strategy.

Economic Performance & Outlook

Jamaica continues to make progress since commencing the Economic Reform Programme in 2013, supported by the Extended Fund Facility (EFF) with the International Monetary Fund. Jamaica's commitment to the programme has been strong with the Government maintaining fiscal prudence and ensuring that all quantitative performance criteria and structural benchmarks are met. Since approval of the EFF in 2013,

Jamaica has successfully completed thirteen quarterly reviews as at June 30, 2016, meeting all quantitative and structural benchmarks. The Government has reached management approval for a new three-year precautionary Stand-By agreement with the IMF expected to be considered by the IMF Board in November 2016.

In furtherance of its commitment to economic growth and job creation over the medium term, the GOJ established an Economic Growth Council (EGC). The EGC, led by private sector members, has provided the GOJ with a framework of proposed initiatives expected to yield economic growth – 5% in four years.

Real growth in GDP for FY 2015/16 was reported at 0.9% while inflation has been trending downwards with a reported outturn of 3.0%. The improvement in economic activity was largely driven by the Goods Producing Sector as well as the Service Industry. Expectations are that growth in this sector will continue into FY 2016/17, arising from more favourable weather conditions compared to the adverse drought conditions which prevailed during FY 2015/16. In the April to June 2016 quarter, the Jamaican economy posted a higher than expected 1.4% growth in GDP.

At the end of FY 2015/16, the GOJ recorded a fiscal surplus of 7.4% of GDP. The Debt/GDP ratio is moving in the targeted direction, falling to 120.3% at the end of March 2016 compared to a ratio of 128.4% at March 2015. The Jamaican economy is also expected to record real GDP growth of 1.8% for fiscal year 2017.

Macro Variable	Actual			Forecasts		
	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Nominal GDP Growth (%)	6.9	4.3	5.8	8.3	8.3	7.9
Real GDP Rate (%)	0.2	0.9	1.8	2.7	2.7	2.6
Annual Inflation Rate (%)	4.0	3.0	5.5	5.5	5.0	5.0

Source: Bank of Jamaica

The Transaction

GOJ is seeking the views of the private sector in connection with the re-tendering of a Public Private Partnership for NMIA.

GOJ has engaged the IFC to advise on the structuring and execution of the Transaction. Currently, the GOJ and its advisors are undertaking studies with the objective of identifying a revised and attractive transaction structure.

We look forward to receiving your preliminary indication of interest, as well as a statement of any areas of concern that you may have.

An indicative transaction timetable is presented below. For further information or to discuss this potential opportunity in more detail please contact:

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GOJ reserves the right to cancel, change or amend this process at its discretion.

Indicative Transaction Timeline ⁽¹⁾

Date	Milestone
Nov 2016	Restructuring and approval of transaction
Dec 8, 2016	Issue Request for Qualifications (RFQ)
Jan 16, 2017	Deadline for RFQ submissions
Feb 22, 2017	Publish RFP and draft Concession Agreement
Mar 27-31, 2017	Bidders' conference and site visits in Jamaica
Jun 7, 2017	Deadline for bid submissions
Jul 2017	Commercial closing
Feb 2018	Financial closing

1) Subject to change