

PROJECT ABSTRACT

Project number	EC-L1005
Project name	Quito International Airport (Quiport)
Country	Ecuador
Sponsors	Aecon Group, Andrade Gutierrez Concessoes S.A., Airport Development Corporation and Houston Airport System Development Corporation.
Total project cost	Up to approximately US\$582 million
IDB participation	IDB A-Loan: up to US\$75 million
Department	Private Sector Department
Status	Due Diligence
Date	May 25,2004

I. Project Description

- 1.1 Currently, air access to Quito, the capital of Ecuador, is through the Mariscal Sucre airport located in the central area of the city. The airport handles in excess of 2.5 million passengers per annum, but suffers from a number of constraints that cannot easily be rectified because of its location.
- 1.2 As a result of the severe technical constraints of the Mariscal Sucre airport in its current location, the Ecuadorian authorities have decided to develop a new airport for Quito at a more appropriate site. The chosen airport site is near Puembo, a rural village within the Municipal boundary of Metropolitan Quito, but located approximately 18Km east of Quito on a plateau some 15 times the area of Mariscal Sucre. The proposed runway will measure 3600 meters (compared to 3025 meters of Mariscal Sucre airport), and the altitude (2400m ASL) is 400 meters below Quito¹.
- 1.3 The project includes the construction and commercial operation of the new airport and the development of a free trade zone in the area², and the construction of a 4km connector road to connect the airport to the existing Interoceanic Highway at an estimated total project cost of US\$582 million³. Also included in the project is the operation of the Mariscal Sucre airport from financial close until completion of and transfer of all flights to the new airport and definitive closure of the Mariscal Sucre airport (the Project).
- 1.4 The Project will be developed by Corporación Quiport S.A. (Quiport), a special purpose company, whose shareholders currently are Aecon Construction Group Inc., Airport Development Corporation, Andrade Gutierrez Concessoes and HAS Development Corporation (the “Shareholders” and/or “Sponsors. It is expected that the new airport will be completed in 51 months from the commencement of its construction.
- 1.5 Senior debt financing assumptions contemplate an initial debt financing structure of US\$350 million, of which IDB could provide up to US\$75 million and the rest would come from OPIC, US Eximbank and EDC.

1 As opposed to Guayaquil, there is no possible expansion for the Mariscal Sucre airport like for the Guayaquil airport, and consequently no gradual option for Quito.

2 The free trade zone, including the new airport itself, will remain tax-free for a period of 20 years.

3 Including financing costs.

II. Project Benefits

- 1.6 The existing airport handles in excess of 2.5 million passengers per annum, but suffers from a number of constraints that cannot easily be rectified because of its location. There are three principal restrictions on the current airport operations: (i) the terminal building is operating close to capacity at peak times, and there is no land available for expansion of the terminal facilities, (ii) the runway is too short to permit large airplanes to take off with a full load, therefore, restricting the range of direct flights to many destinations in North America and Europe, and (iii) the clearances, the approach and the surrounding land-use are not up to current safety standards. Current standards for safety, clearances and land use cannot practically be achieved in the current location. Contributing factors restricting the range of direct flights are also the altitude of Quito (2800m ASL) and the surrounding mountains, which restrict the useable airspace.
- 1.7 The combination of the above mentioned factors have impaired the operational record of the airport, and six serious accidents and numerous incidents were reported in the last 12 years. At the present time, Mariscal Sucre airport is not in compliance with International Civil Aviation Organization (ICAO)⁴ standards, and as a result, the U.S. Federal Aviation Administration (FAA) has classified it as a Category 2 airport⁵. Quiport and the HAS /ADC Operating Company have taken over the Operation at MSA and are working to restore the Category 1 rating to the airport.
- 1.8 The quality and efficiency of air transportation is crucial for the Ecuadorian economy. Timely implementation of the investments under this concession, and air facility management in line with international standards, will constitute an important ingredient to the country's competitiveness. Thus, this project constitutes an important contribution to the modernization of a crucial component of the country's basic infrastructure. This is particularly true in the case of the major export products from the Quito area and the Pichincha province (flowers), for which the airport functions like an inland port.

III. IDB Participation

- 1.9 The Project is a key element of a country's infrastructure for a sustainable development in a global economy, thus the Project is consistent with IDB's strategy in Ecuador to promote efficient infrastructure management with private sector involvement.
- 1.10 The participation of the IDB in this project provides strong additionality benefits. Long-term sources of financing in Ecuador are practically non-existent without the presence of a multilateral and/or bilateral institutions. Also, IDB's involvement will contribute to the Project's ongoing compliance with adequate environmental and social requirements for the operation of the existing airport, and the construction and operation of the new airport.

⁴ The International Civil Aviation Organization (ICAO) is a United Nations agency of which Ecuador is a member country.

⁵ The FAA rates the different countries in function of their security and safety procedures.