ANSConf-WP/102
19/6/00
ITEM 2
(English only)

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Montreal, 19 - 28 June 2000)

Agenda Item 2: Organizational issues

MARSA ALAM INTERNATIONAL AIRPORT - EGYPT THE FIRST FULL BUILD OPERATE AND TRANSFER (BOT) AIRPORT IN THE WORLD

(Presented by the Arab Republic of Egypt)

INFORMATION PAPER

SUMMARY

The paper describes the background of constructing Marsa Alam International Airport in Egypt, the legal environment accompanying this construction and the non-traditional methodology of forecasting traffic of the Airport.

1. Background

1-1 In the eighties Egypt adopted an economic reform policy with one of its pillars the involvement of the private sector in constructing the infrastructure required for economic development. Airports were among this infrastructure as a pivotal element in the tourism industry, which adds much to the economy of Egypt.

1-2 The total tourism development plan included a promising area extending from Qusseir to Marsa Alam on the Egyptian Coast of the Red Sea. An Airport was required in the middle of that area to promote its development. In 1995 the Airport site was selected 67 km South of Qusseir and 60 km North of Marsa Alam.

The Airport is to serve a coastal area extending 120 km along the coast, allowing an area of 200 square kms. for the construction of different tourist resorts.

1-3 In June 1996 ECAA requested offers from Egyptian and Foreign investors to establish Marsa Alam International Airport on a BOT basis. In September 1996 the best offer was selected which was the offer submitted by, an international investment group in the fields of industry, commerce and tourism, with branches in the four continents and a total investment value of 4000 million U.S.$ of which 600 U.S.$ million are invested in Egypt. The Group was granted the Concession of the Airport for a period of 40 years.

2. Selecting the Airport Site :-

2-1 The proper selection of the Airport site is one of the most important factors affecting the efficiency of the Airport. Usually designers pay more attention to the distance to the city to be served, geological conditions and climate affecting the site.

2-2 With the new concept of Airport economics, it is necessary when choosing a site to determine the effect of that choice on the investment need for constructing the airport.

2-3 Perhaps if we move the site for 2 or 3 kms, we can save millions of dollars in earth works.

3. Making the Legal Environment Possible.

3-1 To enable investors to build airports in Egypt under the BOT System it was necessary to pass some new laws.

3-2 Law No. 3/97 was issued allowing the private sector to build and operate commercial airports. The investor would have to comply with the Civil Aviation Act of Egypt, but he has the freedom to fix fees and charges provided he gets the approval from the ECAA.

3-3 Law No. 3/97 keeps the authority for ATC with the ECAA in those airports.

3-4 After law No. 3/97, Law No. 8/97 for investment incentives was passed, and the activity of building and operating airports was included among the activities which enjoy tax holidays and customs exemptions.

3-5 Many investors asked for the right of arbitration to be included in the contracts related to concession of public utilities. The Egyptian Government agreed to that and amended the Egyptian Arbitration Law accordingly.

3-6 Moreover Law No. 161/97 was passed which exempted equipment and services required for the operation of aircraft in the customs areas from the general sales tax.

4. The Concession Agreement for the Airport

4-1 The Best Offer was selected in September 1996 and the concession agreement was signed in February 1998.

4-2 Because Marsa Alam International Airport was the first BOT contract to be signed by Egypt it required 17 months to agree on a contract agreeable to both parties.

4-3 However this was not wasted time as the contract for Marsa Alam International Airport was used as a model for contracting to build and operate other airports in Egypt under BOT.

4-4 Main Articles of the contract were as follows:-

4-4-1 If laws are changed, the Government will compensate the Investor for damages which may occur to him as a result of the change.

4-4-2 The Investor is responsible for all studies and designs needed to build the airport.

4-4-3 The Investor should establish a company with the sole responsibility of building and operating the airport. The period required of the company would be 50 years to cover the 40 years concession period.

4-4-4 The ECAA have the right to inspect the airport services regularly and at any time.

4-4-5 The Investor will pay to ECAA a defined ratio of all its revenues.

4-4-6 The Investor is responsible for coordination with all Authorities. ECAA will help him in this respect.

4-4-7 Any disputes that occurred would be solved by negotiation, then through a group formed by both parties and then by Arbitration in London.

4-4-8 The Airport will be administrated by a board of directors of nine, two of whom will represent ECAA.

5. New Methodology for Traffic Forecast

5-1 Traffic forecast is normally based on historical data, and rates of growth in previous years.

5-2 That methodology was not suitable for forecasting Marsa Alam International Airport traffic. There was no historical data, and the area to be served by the Airport is new and under development.

5-3 The methodology used was to define the basic element which will generate the airport traffic, then depend on the declared plans for the establishment of that element, then estimate the number of passenger traffic which each unit of that element will generate, and based on all this make the required Airport traffic forecast.

5-4 The basic element was defined, as the ROOM in hotels and tourist villages. For the declared forecast for the building of those rooms, we relied upon on that issued by the Tourist Development Authority for the area of Marsa Alam. This forecast was as follows:-

5-5

Year	Rooms
2000	5000
2005	9363
2010	17428
2015	31041
2020	35819

5-6 The second factor required to make the airport forecast was how many passengers would one room generate.

5-7 For this respect we used two methods:
Mathematical assuming that the room takes an average 1.6 guests, the tourism seasons continue through 250 days every year, the tourist stay for 7 days and 65% of the tourists arrive and depart by air.
This method gave 65 pax./year for one room.

5-8 Statistical gathering of the data, which relates the number of rooms in the Hurghada and Sharm El-Sheikh areas to the number of pax. traffic at each of those two airports.
This method gave between 95 and 120 pax traffic for each room.

5-9 We used the 65 pax room to make our lower traffic forecast, and we used 100 pax/ room to make the higher traffic forecast.
The high forecast was used to make the Master Plan, and the lower to calculate the size of the Airport components in the first Phase.

5-10 The forecast on which the airport design was based as follows :-

Year	Low		High	
	A/C	Pax	A/C	Pax
2002	840	94200	840	100000
2007	3750	200400	4640	500000
2010	9270	403200	13900	1750000
2040	15770	2880000	29250	5400000

6. The airport, a catalyst for development.

6-1 When work commenced on the Marsa Alam International Airport in March 1999 a boom stared in acquiring land in the area and tourist investors started building.

6-2 The development by The Holding Group through its Egyptian company, . Group of companies, Cairo at Marsa Alam comprises a large scale mixed use and tourist development on approximately 24 million square meters upon which the Airport is the pivotal line. The development of the first phase core area of Port Ghalib which has already started construction will benefit greatly at the opening of the Airport.

7. Action by the Conference.

The conference is requested to note the information about Marsa Alam International Airport, Egypt, and the invites States to make use of the Egyptian experience.

- END -