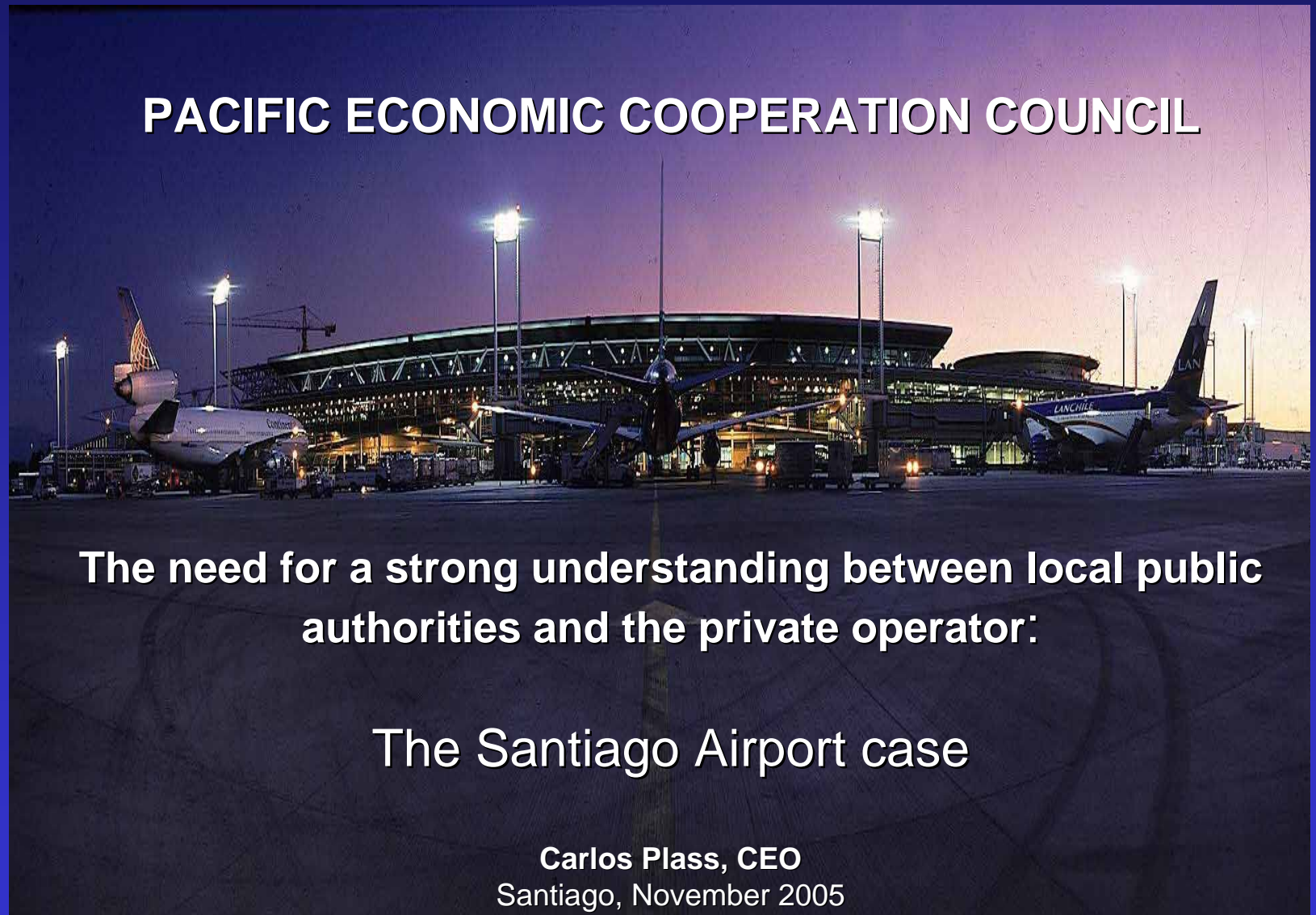


# PACIFIC ECONOMIC COOPERATION COUNCIL



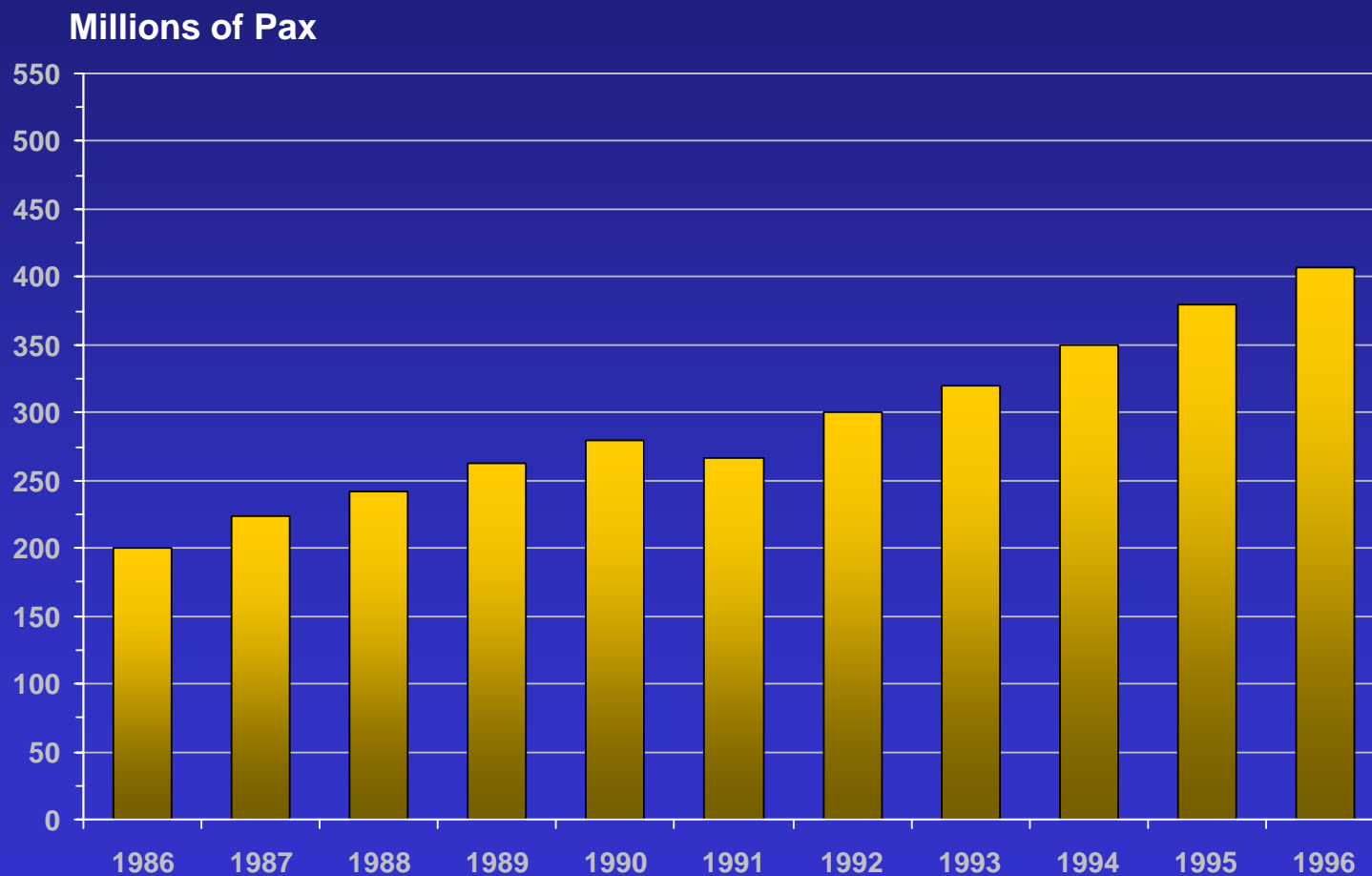
**The need for a strong understanding between local public authorities and the private operator:**

**The Santiago Airport case**

**Carlos Plass, CEO**  
Santiago, November 2005

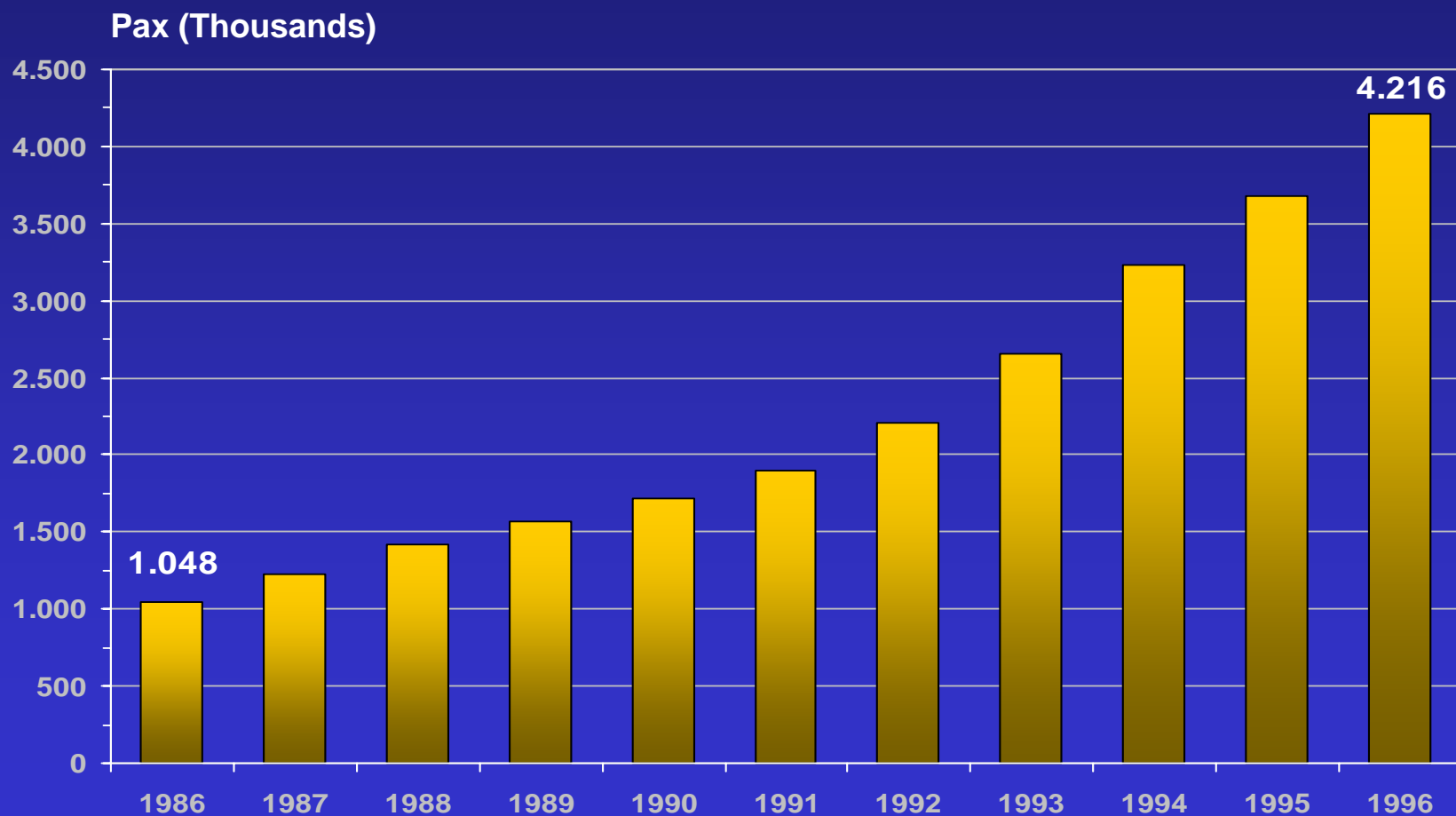


***In 1996 worldwide passenger traffic rate was growing at about 6,6 % a year***



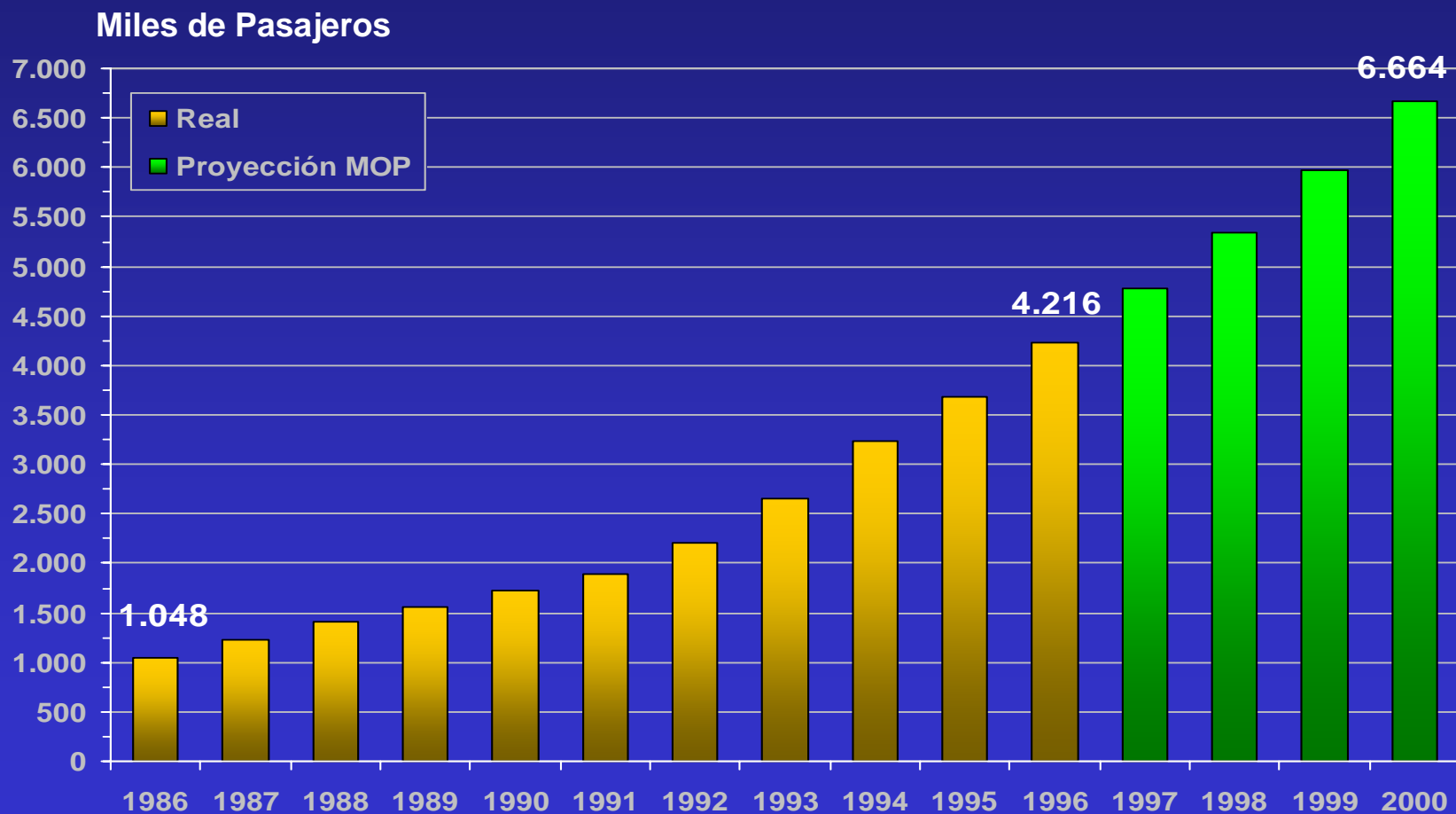


***....While in Chile during the same period the traffic growth rate (CAGR) was at an impressive 15 %...***



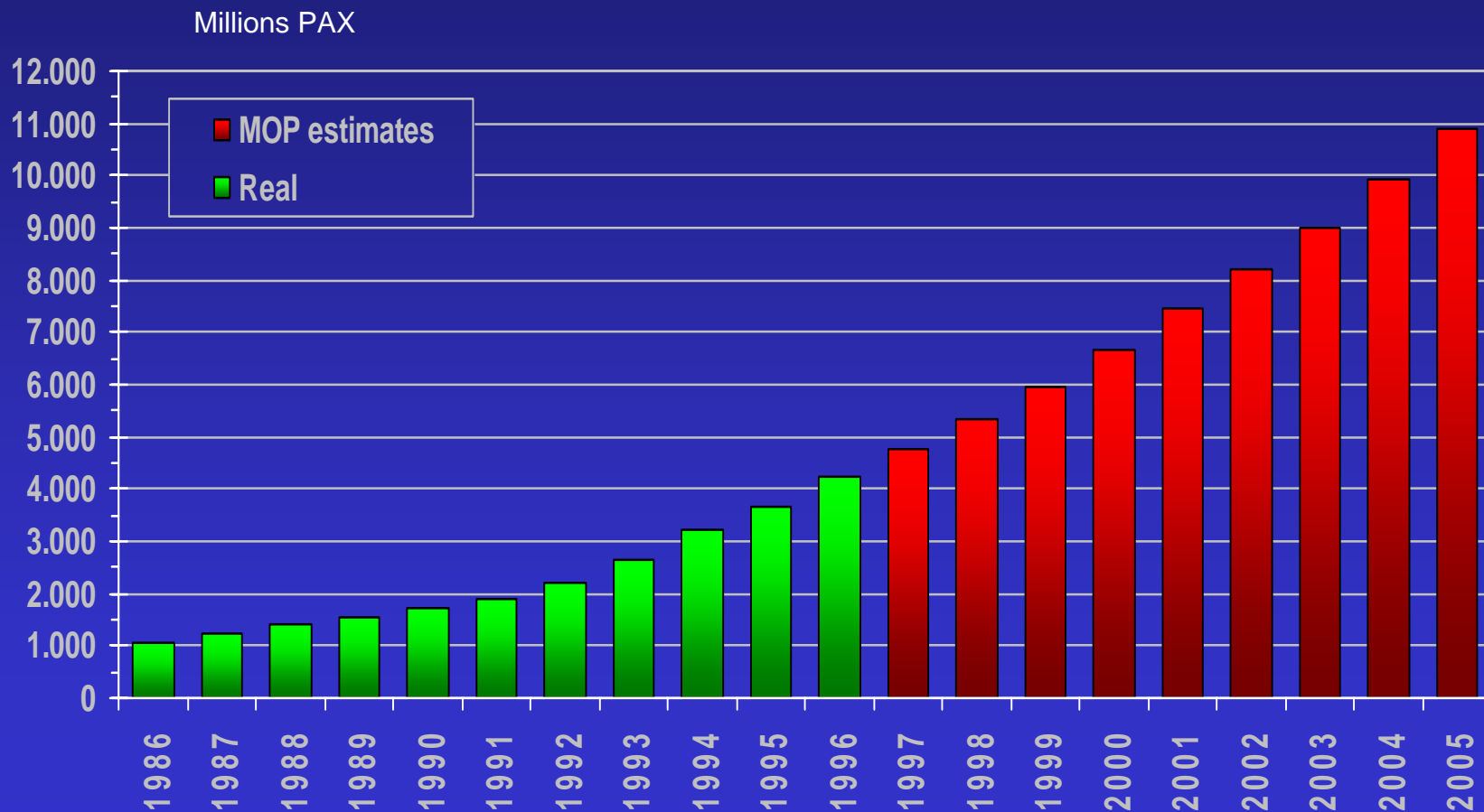


*...This accelerated growth rate represented a serious challenge for the existing airport infrastructure...*





***Based on the forecast, MOP required SCL (back in 1997) to build facilities to handle up to 12 million passengers...***





***... SCL arranged during 1998 the financing, placed successfully a US\$ 213 million bond (rated BBB+) and begun the first construction phase.....***















***... Over the next 30 months, SCL invested more than US\$ 200 millions...***

- ✈ 92.000 m<sup>2</sup> new Passenger Terminal building
- ✈ New Import and Export Cargo buildings
- ✈ Integrated Baggage Scanning Control System
- ✈ 180.000 sq. meters of aprons and taxi ways
- ✈ 60 meters high Control Tower / DGAC building
- ✈ New Customs Inspection Facility
- ✈ A perishable inspection facility for SAG - USDA
- ✈ Extension of runway to allow the new Airbus A-340's to improve take- off performance



















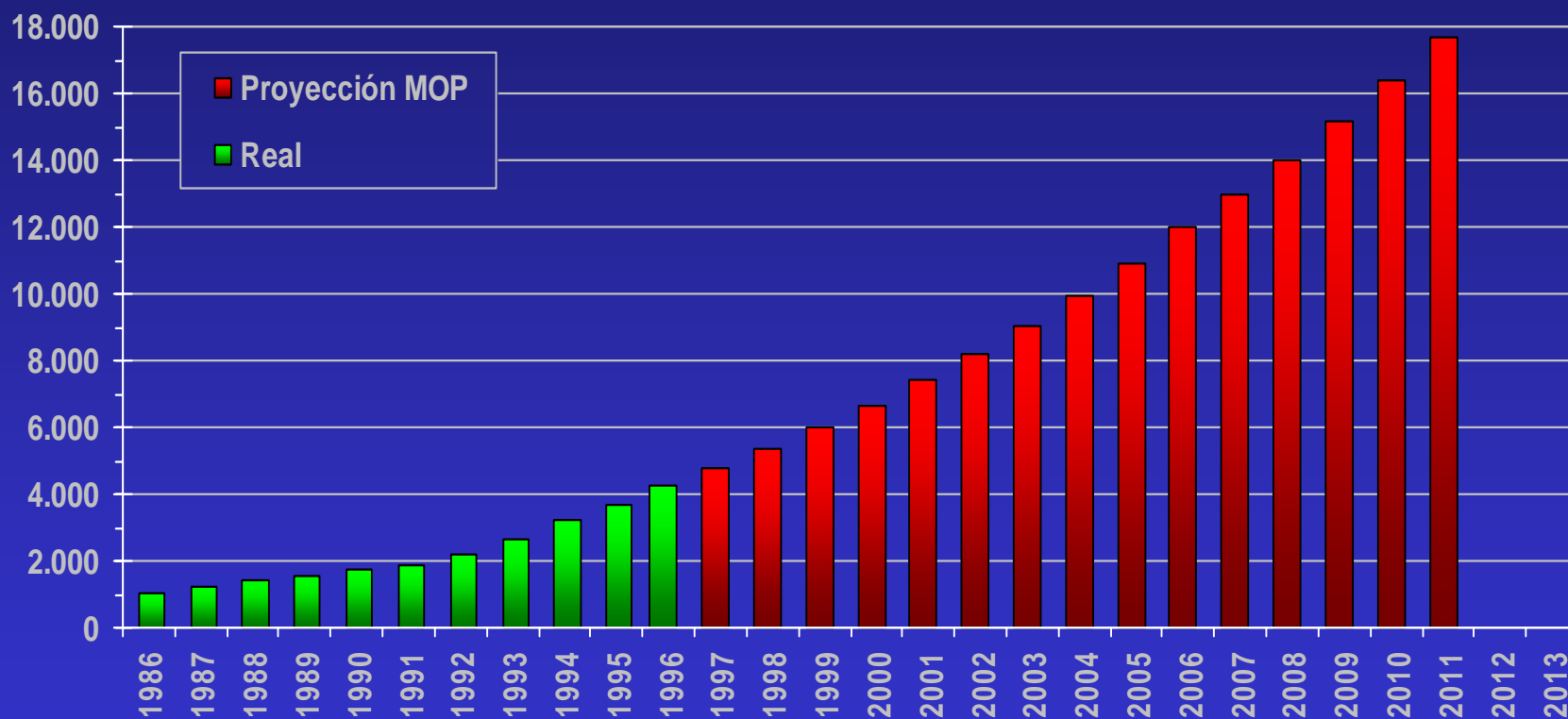


***...with our new infrastructure and world class services, SCL has been awarded and recognized (by passengers and airlines) four times as the best Airport in Latin America***

***... but, what happened with our forecasts...?***

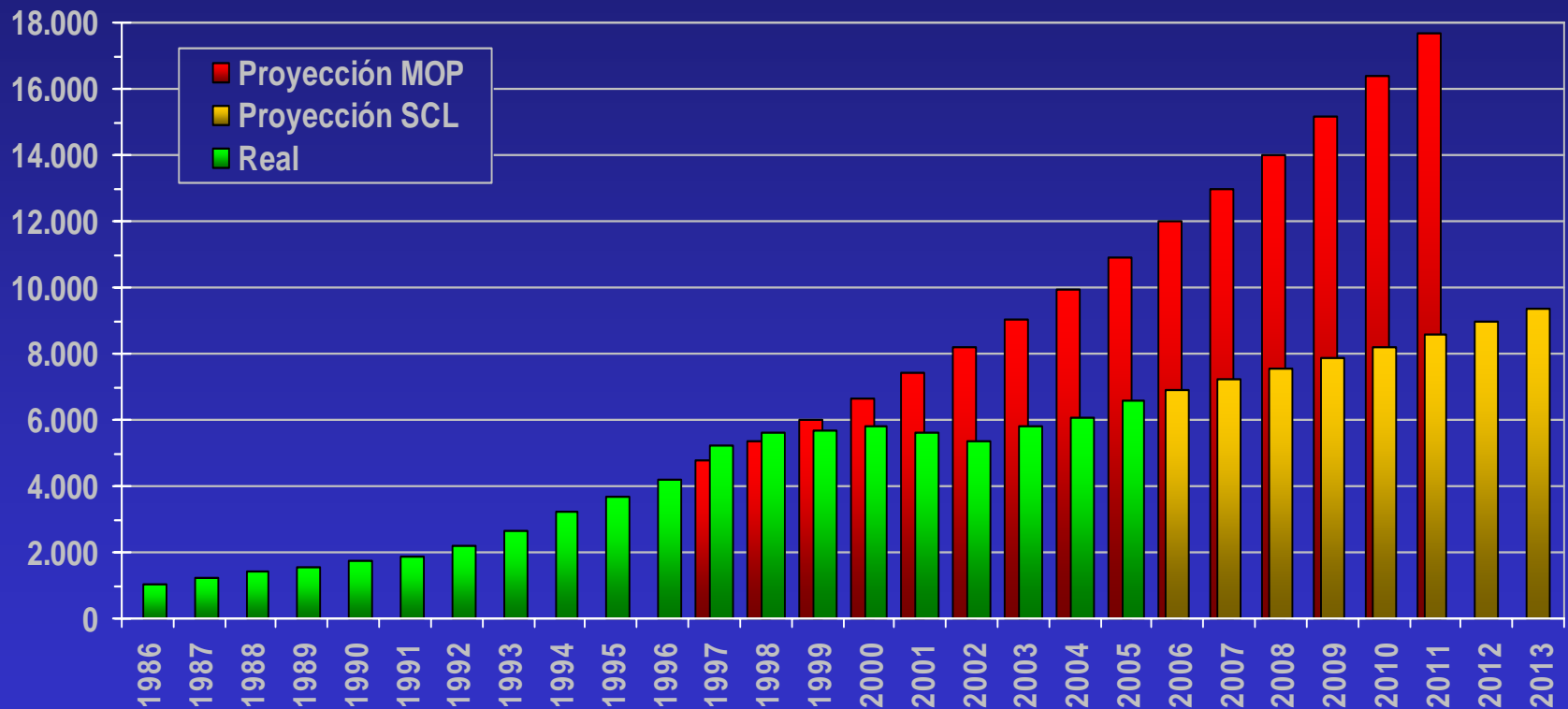


## *Passenger Traffic forecast (1997)*





*The real passenger flows were considerable lower than the original represented by the model*







***... given the rigidity of the concession contract,  
SCL was under serious threat...***



## ***The situation was accelerated by number of well-known world events...***

- ✈ Terrorist attacks in the US caused:
  - Significant drop in traffic / Changes in travel patterns
  - Stopped any plans for route expansion
  - Insurance companies to charge exorbitant rates
- ✈ Reduction of the number of airlines and operators
  - From 28 airlines operating in 1997, today there are only 21
  - 10 foreign carriers and 3 domestic have ceased operations at SCL during the last 7 years
  - Increased code sharing and alliances



## ***The situation was accelerated by number of well-known world events...***

- ✈ Economic and political crisis in Argentina
  - Significant traffic drop between Chile y Argentina, which represents about 30% of SCL's international traffic
- ✈ Dollar v/s Peso exchange rates: the dollar soared to record levels in 2002
- ✈ Regional and domestic economic shifts (Asian economic crisis - 1999)
- ✈ SARS



## ***Major challenges had to be faced...***

- ✈ Refinancing of the concession
- ✈ Contract amendment: adjustment to new business / industry practices
- ✈ Loopholes in the contract
- ✈ Headcount downsizing
- ✈ Areas of competition

## ***Economic stability of the concession can only be maintained / achieved if ...***

### ✈ The government:

- Behaves as a real partner
- Modifies concession terms under exceptional conditions (MAC's)
- Recognises the new reality / Allows new income sources
- Flexible contract clauses
- Defines clear areas of competition

### ✈ Bond holder:

- Flexible guarantee terms
- Increase line of credit to finance other projects

