



Public-Private Partnership Impact Stories

Saudi Arabia: Hajj Airport Terminal



Photo © Jean Laprevotte/IFC

The millions of religious pilgrims who visit Makkah and Madinah every year are experiencing better quality services at the Hajj Terminal at Jeddah's King Abdulaziz International Airport as a result of a concessions awarded by the General Authority of Civil Aviation of the Kingdom of Saudi Arabia (GACA) to expand and modernize the terminal facilities. The concession agreement was signed in December 2006, the construction was completed in September 2010, and the terminal is now fully operational.

A consortium led by the Saudi Binladin Group in association with Aéroports de Paris Management won the 20-year build-transfer-operate concession for the Hajj Terminal in Jeddah. The consortium has invested \$249 million in a new terminal has the capacity to process 3,800 arriving passengers and 3,500 departing passengers per hour, which meets the level "C" service standard from the International Air Transport Association ("IATA") for peak operations.

This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.

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BACKGROUND

Since 1981, the Hajj Terminal at King Abdulaziz International Airport in Jeddah has been the main facility for processing pilgrims visiting Makkah and Madinah for the Hajj and Umrah pilgrimages. The increasing number of Hajj pilgrims every year overburdened the capacity of the outdated facilities, resulting in poor service and long processing and waiting times. GACA recognized that the existing terminal was inadequate to handle the growth of Hajj and Umrah pilgrims and looked to IFC for advisory assistance.

IFC'S ROLE

GACA appointed IFC as the lead advisor for structuring and implementing a public-private partnership with an international airport operator that had the experience to build and operate modern terminal facilities.

GACA's objectives included:

- Increasing terminal capacity and the quality of airport services.
- Developing the terminal as a commercially viable business to minimize government subsidies.
- Introducing private sector financing, technical expertise, and efficiencies.

TRANSACTION STRUCTURE

Because the existing terminal had such serious capacity and service deficiencies, GACA emphasized the need for timely improvements. The concession agreement included three phases:

- Interim: immediate operational and facility rehabilitation to improve passenger processing before the concessionaire takes over operations.
- Phase I: increased capacity to process 3,800 arriving passengers and 3,500 departing passengers per hour, which meets the level "C" service standard from the IATA for peak operations.
- Phase II: implementation of the concessionaire's strategy and vision for the long range rehabilitation of the complete Hajj terminal complex.

In return for the capital investment, the concessionaire was granted exclusive rights to:

- Handle all Hajj and Umrah passengers at the airport.
- Collect fees from airlines using the terminal.
- Collect terminal building charge payments from GACA; the payments are based on the volume of passenger traffic in the terminal.
- Collect non-aeronautical fees at commercial rates.

BIDDING

IFC organized a transparent international bidding process to

ensure selection of a reputable consortium capable of handling such a complex airport infrastructure project.

Nine (Saudi and international) consortia were prequalified and five submitted bids. Based on the combined scores of the technical and financial proposals, the consortium led by the Saudi Binladin Group in association with Aéroports de Paris Management was awarded the contract, along with two other shareholders, Al Najah Economic Development Company and The Al Najah Investment Development Company. The companies have joined forces through a specialist purpose company called Hajj and Umrah Terminals Development Company.

POST-TENDER RESULTS

- The fully modernized East Hajj Terminal was completed in time for the 2010 Hajj.
- 6.2 million Hajj and Umrah pilgrims were served in 2010 and processing and waiting times have markedly improved.
- The terminal is expected to serve 11 million pilgrims by 2022.
- \$249 million has been invested in the project as of 2010, in line with original estimates and timeframes.
- Between 2013-2017, the fiscal impact of the project will be \$14 million, higher than the original estimate of \$10 million for that time frame and is expected to generate \$55 million by 2028

** Unless otherwise stated, monetary values are presented in 2010 US dollars. Results are from a post-completion evaluation completed November 2010.*

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