



Public-Private Partnership Stories

Brazil: Galeão and Confins Airports



Photo © Igor Pereira Santosula

Brazil's second round of airport concessions will increase operational efficiency, improve the level of service to international standards, and expand the infrastructure capacity of two major Brazilian airports: Galeão and Confins, located in Rio de Janeiro and Belo Horizonte, respectively. The Galeão airport transaction closed on April 2, 2014, followed by the Confins transaction, which closed on April 7, 2014.

The consortium Aeroportos do Futuro, composed of Odebrecht and Changi Airport Group, was awarded the Galeão airport. For Confins, the concession was awarded to the Aerobrasil consortium, composed of CCR/SA and Flughafen Zurich AG.

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

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The Brazilian Private Sector Partnership Program, a partnership between IFC, the Brazilian Development Bank (BNDES), and the Inter-American Development Bank (IDB), together with Estruturadora Brasileira de Projetos (EBP), a company established by the major banks in Brazil and BNDES, provided support for the advisory work.

BACKGROUND

With the aim of introducing private efficiency in the operation of its airports, the Federal Government of Brazil launched a tender for the São Gonçalo do Amarante airport (ASGA) in 2011. This project was part of a pilot which laid the groundwork for future concessions of major Brazilian airports.

The first round of airport concessions took place in late 2011 when the government launched the tender for three major airports: Guarulhos (São Paulo), Viracopos (Campinas), and Brasília.

Following these successful concessions, in mid-2012, BNDES approached IFC to assist with the second round of airport concessions, which would comprise the Galeão and Confins airports, in cooperation with Estruturadora Brasileira de Projetos (EBP).

IFC'S ROLE

The National Aviation Secretary (SAC) authorized EBP to develop the financial, engineering, and environmental studies necessary for the two airport projects. In order to undertake these activities, EBP and IFC signed a Cooperation Agreement.

TRANSACTION STRUCTURE

Galeão

Galeão International Airport is located in the southeast region of Brazil; the airport supports business and tourism activity in Rio de Janeiro and serves as a major air transportation hub for the country and region. The airport is:

- strategically located for domestic services and the domestic hub for GOL and TAM airlines;
- the primary commercial airport in the Rio de Janeiro area, the second busiest in Brazil, and the fourth busiest in Latin America;
- an international gateway with a large origin and destination passenger base and a strong inbound visitor market.

The Galeão project was structured as a 25-year concession, through which the operation and management of assets is transferred to the concessionaire. The concessionaire is responsible for providing all necessary investments, including civil works, to meet growing demand. The construction of an independent 10/28 runway system (to be completed before reaching 262,900 passenger movements per year) is required in the concession agreement.

Confins

Tancredo Neves International Airport, also known as Confins International Airport, is located in the municipalities of Confins and Lagoa Santa, 41 kilometers from downtown Belo Horizonte. The airport is the main commercial airport in the Belo Horizonte metropolitan region, the capital and largest city in the state of Minas Gerais with a population of approximately six million people. The airport serves as a domestic hub connecting with population areas in the northeast and southwest. Airlines such

as Azul and GOL have already begun to develop secondary hub operations at the airport.

The Confins project was structured as a 30-year concession, through which the operation and management of assets is transferred to the concessionaire. The concessionaire has the responsibility to provide all the necessary investments, including civil works, to meet growing demand. The construction of a second independent runway (to be completed before either reaching 198,000 passenger movements per year or December 31, 2020) is required in the concession agreement.

Both concessionaires will be remunerated on the basis of a fixed and a variable concession fee. The fixed fee was set as part of the bid criteria (the highest concession fee), and the variable fee corresponds to five percent of the concessionaire's total annual gross revenue.

BIDDING

Both projects were auctioned at the Bovespa Stock Exchange. Five consortiums submitted a total of eight proposals.

Galeão airport was awarded to the Aeroportos do Futuro consortium, composed of Odebrecht, a leading Brazilian engineering and construction company, and Changi Airport Group, the operator of the Singapore Changi Airport. They are expected to invest \$2 billion over the life of the concession. The Confins airport was awarded to the Aerobrasil consortium, composed by CCR/SA, a large Brazilian engineering and construction company, and Flughafen Zurich AG, the operator of the Zurich Airport (Switzerland). They are expected to invest over \$1.2 billion over the life of the concession.

The winning bid for Galeão was \$7.9 billion and for Confins \$750 million. This was 252 percent higher than the minimum required bid for both airports.

EXPECTED POST-TENDER RESULTS

- Over \$3.2 billion in investments is expected to be mobilized for both airports.
- 42 million people are expected to receive improved access to services.
- Both winning bidders are qualified and experienced airport operators.
- The Galeão airport winning bid, submitted by Aeroportos do Futuro, was the highest bid to date in the airport concessions process.

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