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Sangster Airport divested - Way clear for US multimillion dollar expansion

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By Denise Clarke, Staff Reporter

WESTERN BUREAU:

THE JAMAICAN Government yesterday signed the official agreement for the privatisation of the Sangster International Airport in Montego Bay, and clearing the way for a US\$190 million expansion of the facility.

MBJ Airports Limited, an international consortium headed by the Canadian-based Vancouver Airport Services also signed the 30-year lease to expand and operate the airport.

The new managers will take up office on March 1, and will immediately begin the expansion of the airport, to include the construction of a new terminal, immigration and custom facilities and additional shops.

Outbound passengers, however, will be asked to shoulder a portion of the bill for the development of the Sangster airport, by way of a US\$5 airport improvement fee. This is in addition to the US\$20 departure tax now being charged.

Minister of Transport and Works Robert Pickersgill, who made the announcement, said provision for this fee is included in the Airport Economic Regulations Act passed in February last year.

"Section 6 of the Act makes provision for an airport improvement fee of US\$5 to be levied on each passenger using the airport for travel from Jamaica, except for passengers exempted from such taxes," Mr. Pickersgill said.

The additional fee will be included in the ticket pricing and is to be paid over to the Government on a weekly basis. The money will go into a special bank account to be used specifically for the improvement of the airport.

Aeronautical fees could also be affected by the airport divestment. The Airport Economic Regulations Act also provides for the fees paid by the airlines to be reviewed by the Civil Aviation Authority (CAA) after the first twelve years of the lease agreement. However, the Act also provides for an interim review at the end of six years, where the rate can be adjusted if deemed necessary.

In the meantime, Government is expected to collect millions of dollars over the 30-year period, through an annual concession fee, to be paid by the airport operators. The amount of the concession fee will be calculated based on the flow of passengers and cargo through the airport. It will have three components a base-fee per passenger or per one hundred kilogram of cargo, in addition to 45 per cent of the total gross of any excess revenue, and equal sharing of returns beyond a threshold of 25 per cent.

Dr. Vin Lawrence, who was the chairman of the Jamaican arm of the negotiating team, said the three-tiered approach to the concession fee is aimed at addressing uncertainty in the financial forecasts.

"The three-tiered concession arrangement recognises the uncertainty behind financial forecasts and that actual revenues are not likely to be exactly as is forecasted. The element of a base concession fee guarantees a return to the Government... and participation in the returns beyond that forecasted, and ensures that any excesses are shared equitably with the people of Jamaica," Dr. Lawrence explained.

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Prime Minister P.J. Patterson, who gave the main address, said the divestment of the Sangster International Airport has relieved the Government of the need to borrow to upgrade the facility.

"This agreement does not require any Government guarantee. The capital risk rests with the investor," Mr. Patterson emphasised. "It will allow the Government to devote its limited resources of loan financing which it can mobilise to meeting priority areas, which can only be met by the Government such as health, education and national security."

He stressed that the Government will continue to exercise significant control and influence over the expansion work to be carried out at the airport. The expansion will be done in several phases, with the Phase 1A to begin immediately after MBJ Airports Limited take over the airport on March 1.

The work to be done in this phase includes the installation of six jet bridges on the existing terminal, and the installation of a modern computerised security control system. Phase 1B is scheduled to begin in July this year, and will see the construction of a twelve-gate concourse to be tied into the existing terminal.

Phase Two will begin in July 2005 or sooner, and include the development of a new terminal, which will be linked to the existing terminal, to form a complex to house new immigration and custom facilities as well as shopping areas.

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