



Republic of the Philippines
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS

NAIA EXPRESSWAY PROJECT

Preliminary Information Memorandum



June 2011

Transaction Advisors



Technical Advisor



With Assistance From



Disclaimer

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ACRONYMS

BOT	Build-Operate-Transfer
BTO	Build-Transfer-Operate
DBP	Development Bank of the Philippines
DENR	Department of Environment and Natural Resources
DOF	Department of Finance
DPWH	Department of Public Works and Highways
EO	Executive Order
ICC	Investment Coordination Committee
IFC	International Finance Corporation
IRR	Implementing Rules and Regulations
JICA	Japan International Cooperation Agency
NAIA	Ninoy Aquino International Airport
NEDA	National Economic and Development Authority
PBAC	Pre-qualification, Bids and Awards Committee
PIM	Preliminary Information Memorandum
PPP	Public-Private Partnership
RA	Republic Act
RFP	Request for Proposals
ROP	Republic of the Philippines
ROW	Right-of-Way
TCA	Toll Concession Agreement
TOC	Toll Operation Certificate
TRB	Toll Regulatory Board
VOT	Value-of-Time

UNITS

Km	Kilometer
AADT	Average annual daily traffic

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Purpose of this memorandum

The purpose of this Preliminary Information Memorandum is to provide preliminary information to potential investors on the proposed transaction, and to solicit comments and feedback on key issues, bid process and timing for the selection of the winning bidder.

Finalizing the details of the Transaction and bid documents will be largely based on investors' feedback, and hence investor feedback is actively encouraged. In particular, the Department of Public Works and Highways (DPWH) is keen to hear investor's thoughts on the following areas:

- (i) Appetite and interest in participating in Transaction.
- (ii) Risks and concerns associated with the Transaction.
- (iii) Manner and timetable for the conduct of the competitive tender process.

Feedback may be sent by email to DBP and IFC at the contact information provided below:

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Information contained in this Memorandum

This Memorandum summarizes the major elements of the NAIA Expressway Project, including the current regulatory framework for toll roads, the service area, tariff structure, the configuration of Metro Manila's transport system, and government institutions that would be involved in the implementation of the Project. It also summarizes possible investment issues and the Build-Operate-Transfer (BOT) Law procurement process.

EXECUTIVE SUMMARY

The Investment Opportunity

- The NAIA Expressway Project (the Project), sponsored by the Department of Public Works and Highways (DPWH), is one of the priority projects of the Republic of the Philippines (ROP) under its Public-Private Partnership (PPP) Program launched by President Benigno Aquino III in November 2010.
- The Project is a strategic component of the Metro Manila Urban Expressway System that is intended to provide a high-standard expressway that would facilitate the efficient flow of existing and future traffic to and from the country's premier international and domestic airport, the Ninoy Aquino International Airport (NAIA) Complex, and link two major expressways serving Metro Manila.
- The ROP, represented by DPWH, will be the direct counterparty in the Toll Concession Agreement (TCA) to be implemented under the Philippine BOT Law (Republic Act (RA) 6957 as amended by RA 7718).
- The Project will be procured under a fully transparent and competitive process strictly following the rules and procedures of the Philippine BOT Law and its Implementing Rules and Regulations.
- To promote project viability and sustainability, the Government is prepared to provide grant financing, referred to as the Government Financial Support (GFS), to partly cover the capital cost of implementing the project.
- Right-of-Way (ROW) required for the Project will be provided free and clear to the Concessionaire by the pre-agreed timeline, which will be defined in the TCA.
- The complete requirements for the issuance of the Toll Operation Certificate (TOC) by the Toll Regulatory Board (TRB) will be provided to bidders and incorporated in the TCA. Upon compliance with these requirements, DPWH will ensure the issuance by the TRB of the TOC by the pre-agreed timeline, which will be defined in the TCA.
- The Project has a toll rate structure that is affordable and competitive, with levels to be set comparable with tolls charged in existing toll roads serving Metro Manila. A toll adjustment formula will be prescribed in the TCA and its application over the concession period will be guaranteed by the DPWH.

INTRODUCTION

The Philippine government launched in November 2010 an aggressive program for PPPs in order to develop much needed infrastructure that would support its objectives of sustained and inclusive economic growth.

The NAIA Expressway is among the government's priority PPP to be implemented under the Philippine Build-Operate-Transfer Law (the BOT Law) through the solicited mode (the Transaction).

In preparation for the competitive tender, the DPWH availed of the support of the Japan International Cooperation Agency (JICA) to assist in updating the Feasibility Study for the Project.

Furthermore, DPWH engaged the services of the Development Bank of the Philippines (DBP) with the International Finance Corporation (IFC), an affiliate of the World Bank, to act as Lead Transaction Advisors in developing, structuring and assisting DPWH in the conduct of the competitive tender for the Project. IFC in turn has hired specialized consultants for this project to support the work of the Advisors: expressway technical specialists (LeighFisher), international legal consultants (Hogan Lovells Singapore), and local lawyers.

TRANSACTION PREPARATION PROCESS

DPWH and its advisors have prepared and structured the legal, technical and economic aspects of the NAIA Expressway Project and now wish to conduct a preliminary market test of the Transaction opportunity with potential investors. The feedback from this preliminary briefing and subsequent consultations with investors that may be conducted would provide useful guide to the DPWH and its advisors in finalizing the terms of the Transaction and the process/timetable for tender.

The Project has been endorsed to NEDA-ICC for approval. Once cleared, the Project documents will be finalized and thereafter the tender process initiated (Tender Phase). The Tender Phase will also include the opening of a data room for investors' own due diligence; pre-bid consultation of the transaction documents and a transparent bidding and award process to the winning bidder.

PROJECT DESCRIPTION

With the existing NAIA Terminals nearing capacity, the Republic of the Philippines sought to address this problem by constructing the NAIA Terminal 3 in the early 2000s to promote investments and tourism in the country. Furthermore, with the sale and commercialization of a portion of the Villamor Airbase and the planned development of the reclamation area along Manila Bay, increased economic activity in these areas are expected to drive up usage of the existing road network around the airport.

Thus, the NAIA Expressway was conceived to provide fast and reliable access to the three NAIA Terminals and connect the South Luzon Expressway/Skyway with the Manila-Cavite Toll Expressway/Roxas Boulevard, the gateway to the reclamation area. Broadly, the objectives of the project are as follows:

- To reduce traffic congestion of roads in the vicinity of the NAIA Terminals; and
- To improve international/domestic investment environment for faster economic development.

Phase I of the construction of NAIA Expressway and its related roads project started in 2003 and was completed in 2010. The NAIA Expressway Phase I is an elevated expressway that runs from the Metro Manila Skyway to Sales Road near NAIA Terminal 3. It was funded directly by the National Government and was implemented by DPWH under six (6) separate construction contracts grouped into four (4) packages.

NAIA Expressway Phase II is the continuation of Phase I and includes the extension of the expressway all the way to Roxas Boulevard in Parañaque City via Andrews Avenue, Domestic Road and NAIA Road.

The Project entails private sector participation in the financing, design, and construction of the adjustments to Phase I and extension (Phase II) of the NAIA Expressway, with the following features:

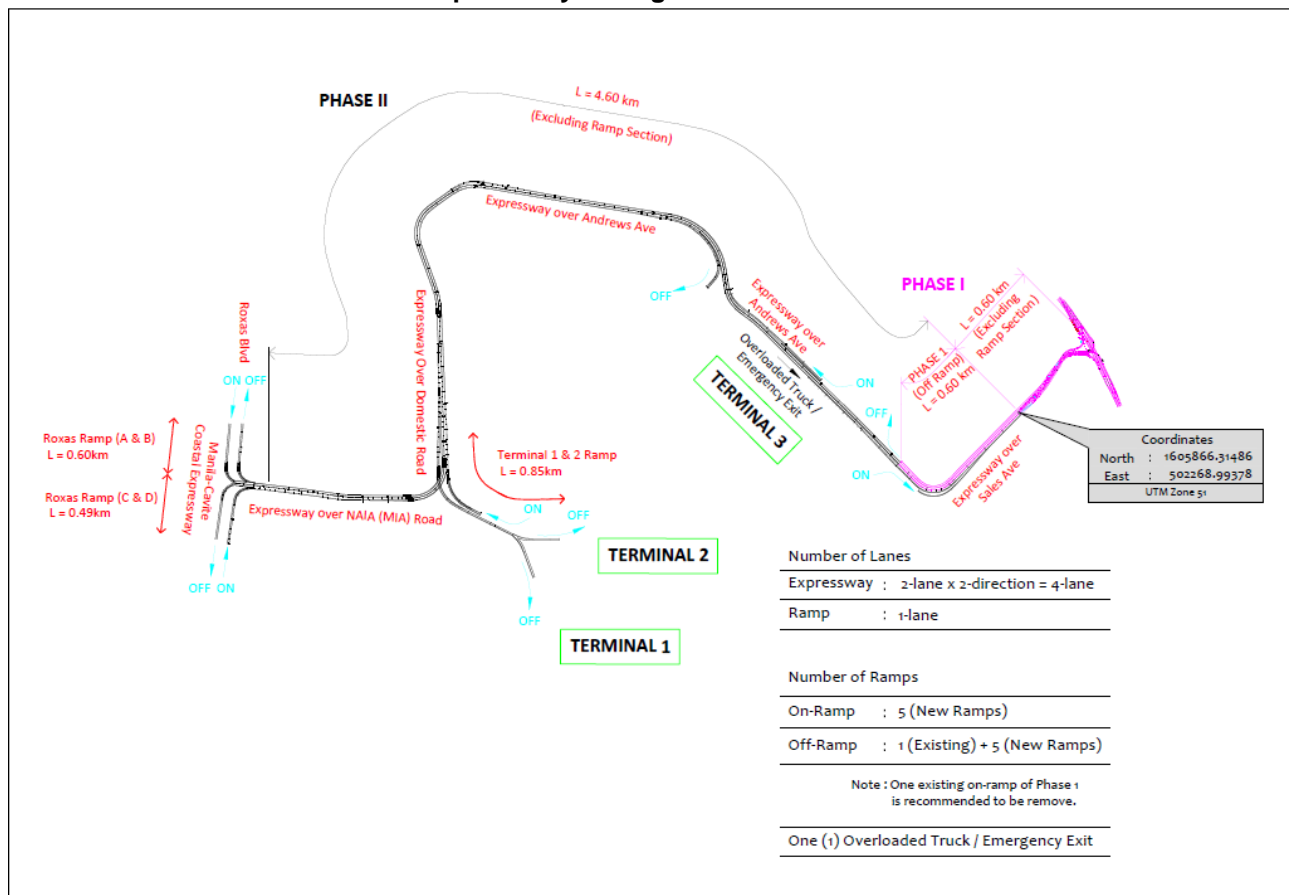
- Additional 4.6 km of 4-lane viaduct from the existing NAIAX Expressway Phase I near NAIA Terminal 3 to Roxas Boulevard, over the existing roads of Sales Avenue, Andrews Avenue, Domestic Airport Road and NAIA Road.
- Upgrading the existing 600m NAIA Expressway Phase I to Phase II standards.
- Ramps to and from NAIA Road, Terminal 3 and other strategic locations.
- Provision of toll plazas, plus additional toll operating equipment and safety facilities for the DPWH-constructed Phase I to standards compatible with those of Phase II.
- The Operation and Maintenance of the entire NAIA Expressway (Phase I and Phase II) as an Open-system tolled expressway.

The Project description and alignment are shown in Table 1 and Figures 1 and 2.

TABLE 1 NAIA Expressway Project Description

Elements	Characteristics
Phase I (existing, for adjustments)	0.6 km
Phase II	4.6 km
Total Length (Phase I & II)	5.2 km
No. of Lanes	4 lanes (2-lane x 2-direction) 1 lane for ramps
Ramps	5 on and 5 off
Concession period	35 years
Construction period	2 years
Preparation of the Detailed Engineering Design	10 months
Operation start year	2015

FIGURE 1 Minimum Expressway Configuration



Source: "NAIA Expressway - Performance Standards and Specs - JICA Rev_15May (may18).doc"

FIGURE 2 Toll Booth Configuration



Source: "NAIA Expressway - Performance Standards and Specs - JICA Rev_15May (may18).doc"

To ensure the continuous use of the existing roads and to minimize the impact of the construction of NAIA Expressway on traffic, during construction, at-grade roads will be required to be opened at all time with the following number of operable lanes:

TABLE 2 Number of Traffic Lanes of At-Grade Roads

At-grade Road		Existing No. of Traffic Lanes	No. of Traffic Lanes During Construction	No. of Traffic Lanes After Construction
Sales Avenue	East Bound	3 (Before on-ramp) 2 (After on-ramp)	2	3
	West Bound	3 (Under off-ramp) 2 (Under off-ramp)	2	3
Andrews Avenue (Sales Ave – Roundabout)	East Bound	3-4	3	3-4
	West Bound	3	3	3
Andrews Avenue (Roundabout – Domestic Rd)	East Bound	3	3	3
	West Bound	3	3	3
Domestic Road	North Bound	3	2	3
	South Bound	3	2	3
NAIA (MIA) Road (Domestic Rd – Quirino Ave)	East Bound	4	2	4
	West Bound	4	2	4
NAIA (MIA) Road (Quirino Ave – Roxas Blvd)	East Bound	4	2	4
	West Bound	3	2	3

A detailed traffic management plan will be required as part of the Technical Proposal to be submitted by the Bidders for the evaluation and approval of DPWH.

CONSTRUCTION COST

The construction cost estimate was estimated based on several factors, as follows:

- a) Unit price was used for similar ROP and BOT projects implemented or tendered from 2010-2011; and
- b) Procedures and composition for the derivation of base construction cost, used in similar projects.

The civil works cost was divided into four components:

- a) General requirement;
- b) Expressway Ramp and Viaduct;
- c) Reconstruction of At Grade Road; and
- d) Toll Plaza

The estimated civil works cost for NAIA Expressway is approximately **Php9.3 billion**. This does not include any contingencies or consultancy costs nor does it include costs related to financing or insurance.

PROJECT IMPLEMENTING AGENCY

The Project is being implemented by DPWH, a department of the executive branch of Government. It is the engineering and construction arm of the Government. DPWH is primarily responsible for the planning, classification, design, construction, operation, maintenance, and supervision of all public works and infrastructure facilities, particularly national roads and highways.

Its specific legal mandate in relation to national roads and highways is set out in its charter, Executive Order (EO) No. 124¹ as amended under Book IV, Title V, Chapter 1, Section 3 of EO 292² or the Administrative Code of 1987 as follows:

- a) Provide technical services for the planning, design, construction, maintenance, or operation of infrastructure facilities;
- b) Develop and implement effective codes, standards, and reasonable guidelines to ensure the safety of all public and private structures in the country and assure efficiency and proper quality in the construction of public works;
- c) Ascertain that all public works plans and project implementation designs are consistent with current standards and guidelines;

¹ Effective 30 January 1987

² Dated July 25, 1987

- d) Identify, plan, secure funding for, program, design, construct or undertake prequalification, bidding, and award of contracts of public works projects with the exception only of specialized projects undertaken by Government corporate entities with established technical capability and as directed by the President of the Philippines or as provided by law;
- e) Provide the works supervision function for all public works constructions and ensure that actual construction is done in accordance with approved government plans and specifications;
- f) Assist other agencies, including the local governments, in determining the most suitable entity to undertake the actual construction of public works projects;
- g) Maintain or cause to be maintained all highways, flood control, and other public works throughout the country except those that are the responsibility of other agencies as directed by the President of the Philippines or as provided by law;
- h) Provide an integrated planning for highways, flood control and water resource development systems, and other public works;
- i) Classify road and highways into national, regional, provincial, city, municipal, and barangay roads and highways, based on objective criteria it shall adopt; provide or authorize the conversion of roads and highways from one category to another;
- j) Delegate, to any agency it determines to have the adequate technical capability, any of the foregoing powers and functions; and
- k) Perform such other functions as may be provided by law.

In addition to its charter, EO 686, which was issued in 2007, provides that the DPWH also has the powers to:

- a) determine the kind, type and nature of roads and highways;
- b) enter into construction, operation and maintenance contracts for roads and highways; and
- c) condemn private property for roads and highways.

THE PHILIPPINE TOLL ROAD SYSTEM

The Philippine High Standard Highway Master Plan is shown in Figure 3. The current toll rates on operational toll roads in the Philippines are reported in Table 5.

The toll rate proposed for the NAIA Expressway will be comparable with the current Skyway toll per km and is therefore considered to be an acceptable rate, particularly taking into account the higher willingness to pay of people accessing the Airport.

The following table shows other transport costs that can be used as benchmarks for understanding the willingness to pay the new toll on the NAIA Expressway.

TABLE 3 Other Transport Costs in Manila

Good	Cost (PhP)
1 litre of gasoline (unleaded) and diesel	57.5 and 47.5
Taxi from airport to Makati City hotels	regular taxi: 125; airport tourist (yellow) taxi 250; pre-paid coupon taxi: 500
Maximum LRT fare	20
Day flat rate airport parking fee (for cars and jeeps)	35
Overnight airport parking	50 per night
Park N Fly	300 per full day (including overnight)
Jeepney ticket	8 for the 1 st 4km
Local bus (non air conditioned)	10 for the 1 st 4km
FX (minibus) air conditioned	15 for the 1 st 4km
Makati on street parking	35 for 2 hours

TABLE 4 High Standard Highway Master Plan – 200km Sphere of Metro Manila

Existing	Length (Km)
Subic-Clark-Tarlac Expressway*	93.77
North Luzon Tollway*	82.62
C-5 Expressway (Segment 8.1)	2.34
Metro Manila Skyway, Stage 1*	9.30
Slex (Magallanes-Alabang)*	13.43
Manila Cavite Toll Expressway*	6.75
South Luzon Tollway*	36.03
Manila-Cavite Toll Expressway (R-1 Extension)*	7.00
Metro Manila Skyway, Stage 2*	6.86
Southern Tagalog Arterial Road (Star)*	42.00
Total	300.1
Project Name Planned/On-Going	Length (Km)
Tarlac-Pangasinan-La Union Toll Expressway*	88.58
C-5 Expressway (Segment 9 & 10)	9.69
NAIA Expressway*	5.2
Total	103.47

Source: DPWH

*Toll Road

TABLE 5 Philippine Toll Road System Toll Rate (2011 Pesos per Km)

Toll Road		Class 1	Class 2	Class 3	Remarks
		Car, Jeep, Pick-up	Light Truck	Heavy Truck, Trailer	
Metro Manila Skyway	Elevated Phase 1	6.84	13.68	20.53	Skyway/Buendia – Bicutan (9.5km)
	Elevated Phase 2	11.92	23.84	35.76	Alabang-Bicutan (6.88km)
	At grade	7.85	15.70	23.56	Magallanes-Alabang (13.50km)
North Luzon Expressway (NLEX)		2.38	5.92	7.08	
Alabang-Calamba-Sto. Tomas Expressway (ACTEX)		3.02	6.04	9.10	Alabang – Sto. Tomas, Batangas
Manila Cavite Toll Expressway (MCTE)	Phase 1	3.33	6.82	9.85	R-1 Extension to Bacoor (6.6km)
	Phase 2	8.96	17.92	26.87	Bacoor Bay to Kawit, Cavite (6.475km)
Southern Tagalog Arterial Road (STAR)		1.43	2.86	4.26	
Subic-Clark-Tarlac Expressway (SCTEX)		2.68	5.36	8.04	

Source: TRB, 2011 May

Note: Skyway, Manila Cavite Expressway, part of NLEX are open systems

TRAFFIC ANALYSIS

A JICA study team was commissioned by DPWH to conduct a traffic study for NAIA Expressway. The traffic estimation was based on a network traffic model developed using the JICA STRADA³ software, including all steps of the travel model calibration and demand forecasting. The results of this traffic study will be provided to bidders.

Base year for the model is 2010 and Annual Average Daily Traffic (AADT) values derive from observed data extrapolated from the following two documents:

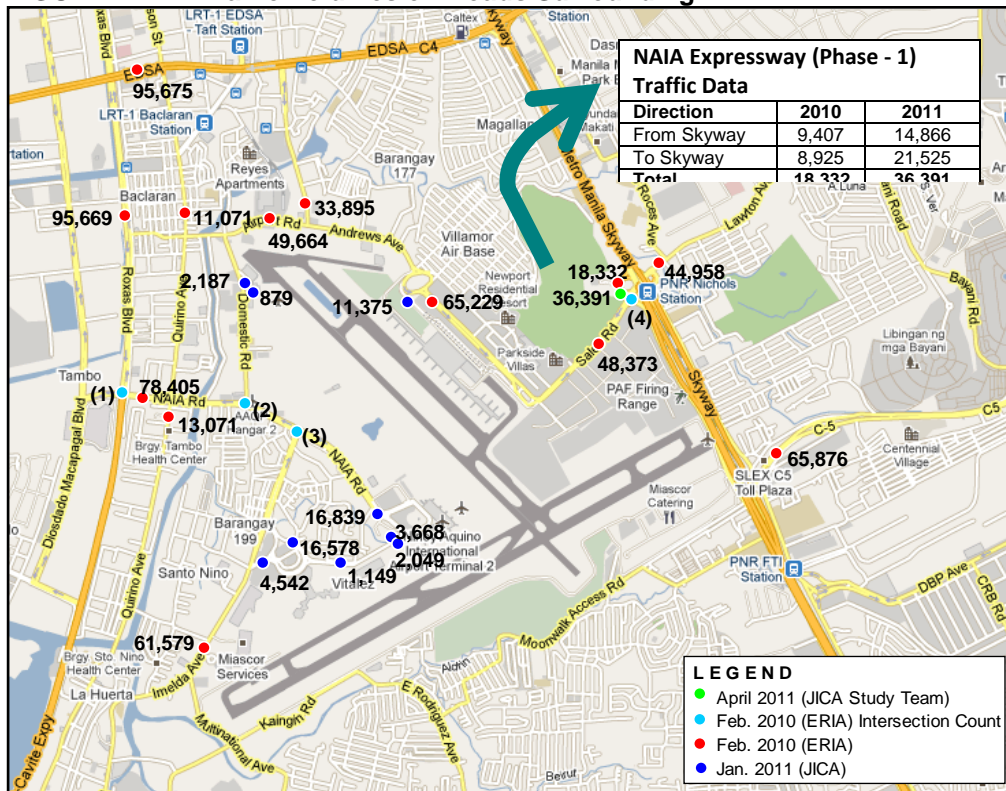
- Feasibility study completed in February 2010 by Filipinas Dravo Corporation in association with Philipp's Technical Consultants Corporation on behalf of the Ministry of Economy & Trade, Government of Japan and the Economic Research Institute for ASEAN and East Asia; and
- Study on Airport Strategy for Greater Capital Region (January 2011).

Traffic volumes (expressed as AADT) on roads surrounding NAIA are discussed below:

- As seen in Figure 4 below, there is a high number of vehicles in the corridor where the future expressway runs – 48,373 on Sales Road, 65,229 on Andrew's Avenue, 78,405 on NAIA Road (Seaside Drive);
- Recorded traffic at NAIA Expressway (Phase I) in 2010 is 18,332 vehicles in both directions. This number increases to 36,391 at beginning of 2011 with 60% of traffic moving in the direction of Skyway;
- Most of these vehicles entering Skyway are exiting at the Makati exits of Skyway (Magallanes exit and Osmena exit). At present, use of the entire stretch of NAIA Expressway Phase I is free of charge as well as use of portion of Skyway from NAIA Expressway to the Skyway Makati exits;
- The number of vehicles recorded at the main entrance of terminals of the airport is also significant at 16,578 a day at Terminal 1, 16,839 at Terminal 2 and 11,375 at Terminal 3. Traffic recorded at the gate of the Cargo Terminal is 1,149 vehicles a day; and
- Observed traffic volume at the major corridors in vicinity of the airport is also high at 95,669 in Roxas Boulevard and 95,675 in EDSA.

³ JICA STRADA is a software tool for planning, managing, and analyzing of transportation systems and has been used for studies done around the world such as in Manila (1999), Ho Chi Minh (2004), Jakarta (2003), Cairo (2002), Hanoi (2005) and Nairobi (2004). The software provides a set of tools for traffic demand modeling as well as capabilities for presentation graphics and transportation models.

FIGURE 4 Traffic Volumes on Roads Surrounding NAIA



Source: “Review and Update of Feasibility Study of NAIAX Phase II Final Report 2011_06” – Chapter 4

Looking at the hourly variation of traffic, the following observations are seen:

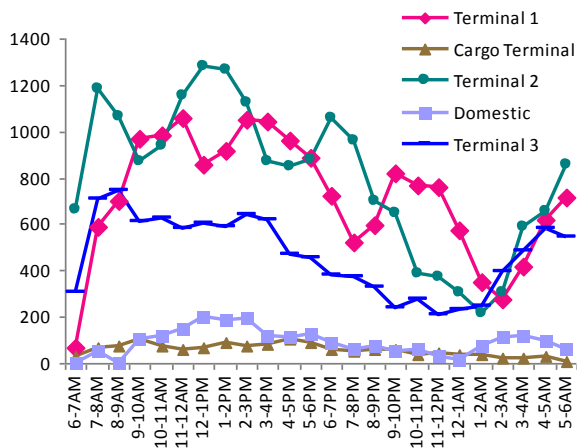
- Traffic accessing the terminals of the NAIA has peak period at noon time (11:00AM to 3:00PM) and dramatically decreases around midnight (1:00AM to 3:00AM). The highest number of vehicles recorded in one hour is 1,283 at Terminal 2. There is no observed difference of traffic characteristics between weekday and weekend day.
- The peak hours of traffic on Sales Road are between 8:00AM and 11:00AM during the weekday. On weekend days however there is also a high volume of vehicles from 5:00PM onwards moving in the direction of Andrew’s Avenue.
- At Andrew’s Avenue (near Aurora Road), both on weekday and weekend day, there is a constant high volume of vehicles from 6:00AM to 7:00PM, with each direction having more than 1000 vehicles per hour. The highest recorded number of vehicles in an hour is 2,119 on a weekday and 2,862 on the weekend.
- Traffic volume at Andrew’s Avenue near Domestic Road is also very high and the number of vehicles recorded constantly exceeded 1,000 vehicles an hour from 6:00AM to 9:00PM on weekdays. On weekend days however, the traffic characteristics change and there is a very high peak of traffic at noon time in the direction of Roxas Boulevard, and then again at 9:00PM to 10:00PM in the same direction. This peak hour may be correlated with airline flight schedules.

- The highest traffic volume is observed on the NAIA Road (Seaside Drive) where both weekday and weekend day have the same traffic characteristics. The flow in the direction of coastal road is higher than the opposite direction and traffic volumes substantially decrease from 6:00PM onwards. Peak hours of traffic however are different, with peak hours on weekday from 11:00AM to 5:00PM and on the weekend from 9:00AM to 5:00PM.

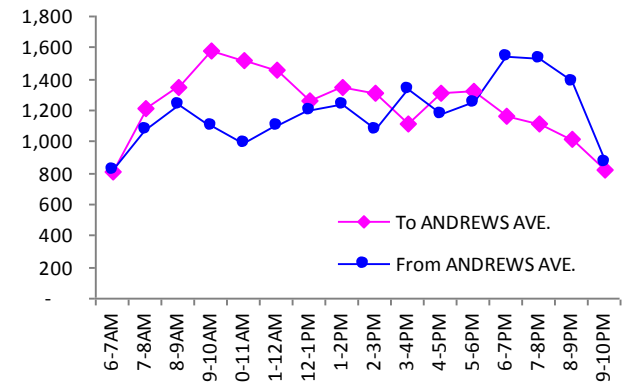
The following figures show observed traffic condition at NAIA Expressway study area.

FIGURE 5 Hourly Variation of Traffic In NAIA Expressway Study Area (Weekdays)

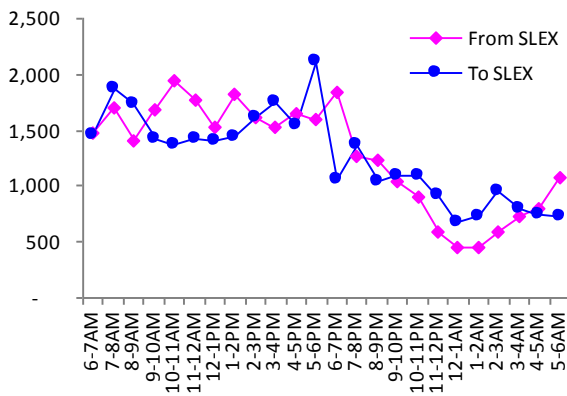
AIRPORT TERMINALS



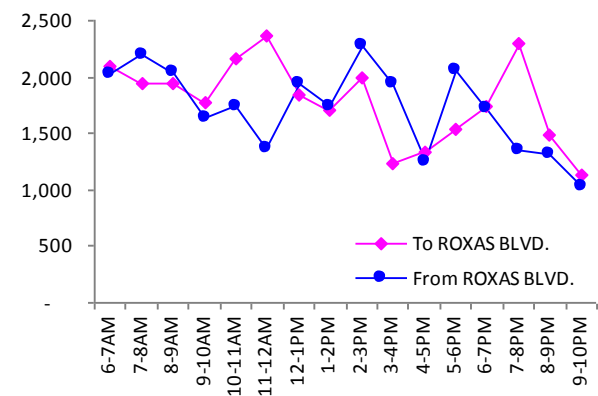
SALES ROAD



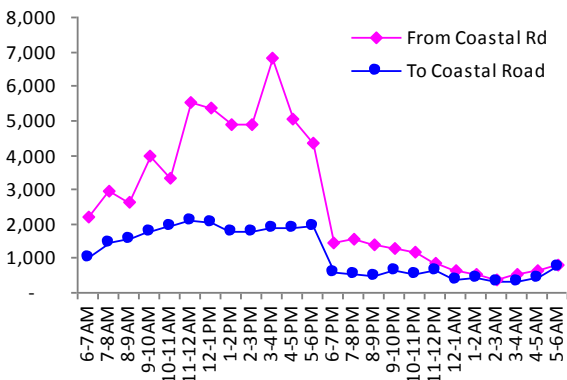
ANDREW'S AVENUE (NEAR AURORA ROAD)



ANDREW'S AVENUE (NEAR DOMESTIC ROAD)



NAIA ROAD (SEASIDE DRIVE)

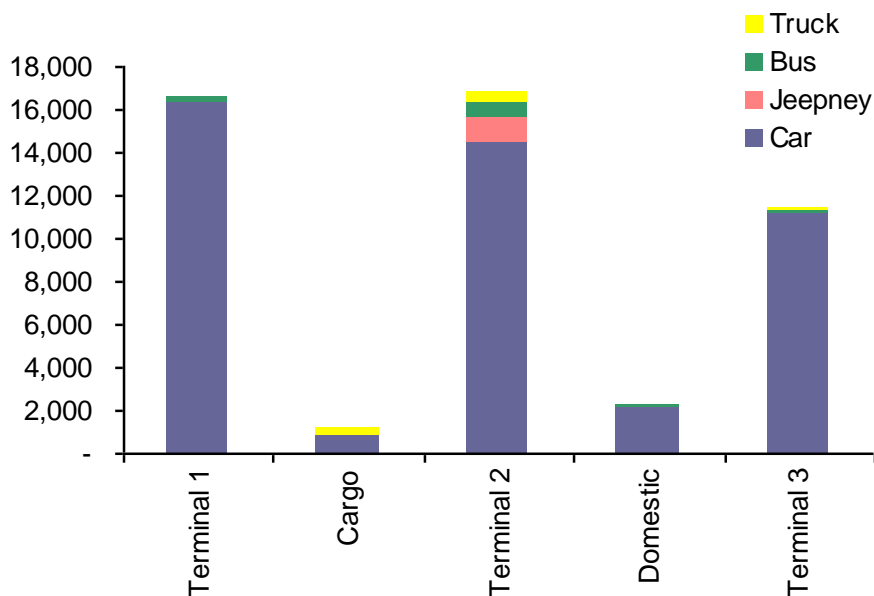


Source: "Review and Update of Feasibility Study of NAIA Phase II Final Report 2011_06" – Chapter 4

Regarding vehicle composition, most of the vehicles recorded at the main gates of airport terminals are private cars. For example:

- At Terminal 1, 99% are cars and the remaining 1% are buses.
- At Terminal 2, share of cars is 86%; jeepneys, 7%; buses at 4%; and trucks, 3%.
- At Domestic Airport, 99% of the traffic is cars.
- At Terminal 3, share of cars is about 98% and the remaining 2% is shared by buses and trucks.
- At Cargo Terminal, cars' share is 70% and trucks' share is 30%.

FIGURE 6 Traffic Composition at the NAIA Terminal Main Gates



Source: “ Review and Update of Feasibility Study of NAIA Phase II Final Report 2011_06” – Chapter 4

The main users of the corridor where the future NAIA Expressway runs are cars. The share of cars at Sales Road is 69%, at Andrew’s Avenue near Aurora Street 67%, at Andrew’s Avenue near Domestic Road 58%, and at NAIA Road (Seaside Drive) 66%.

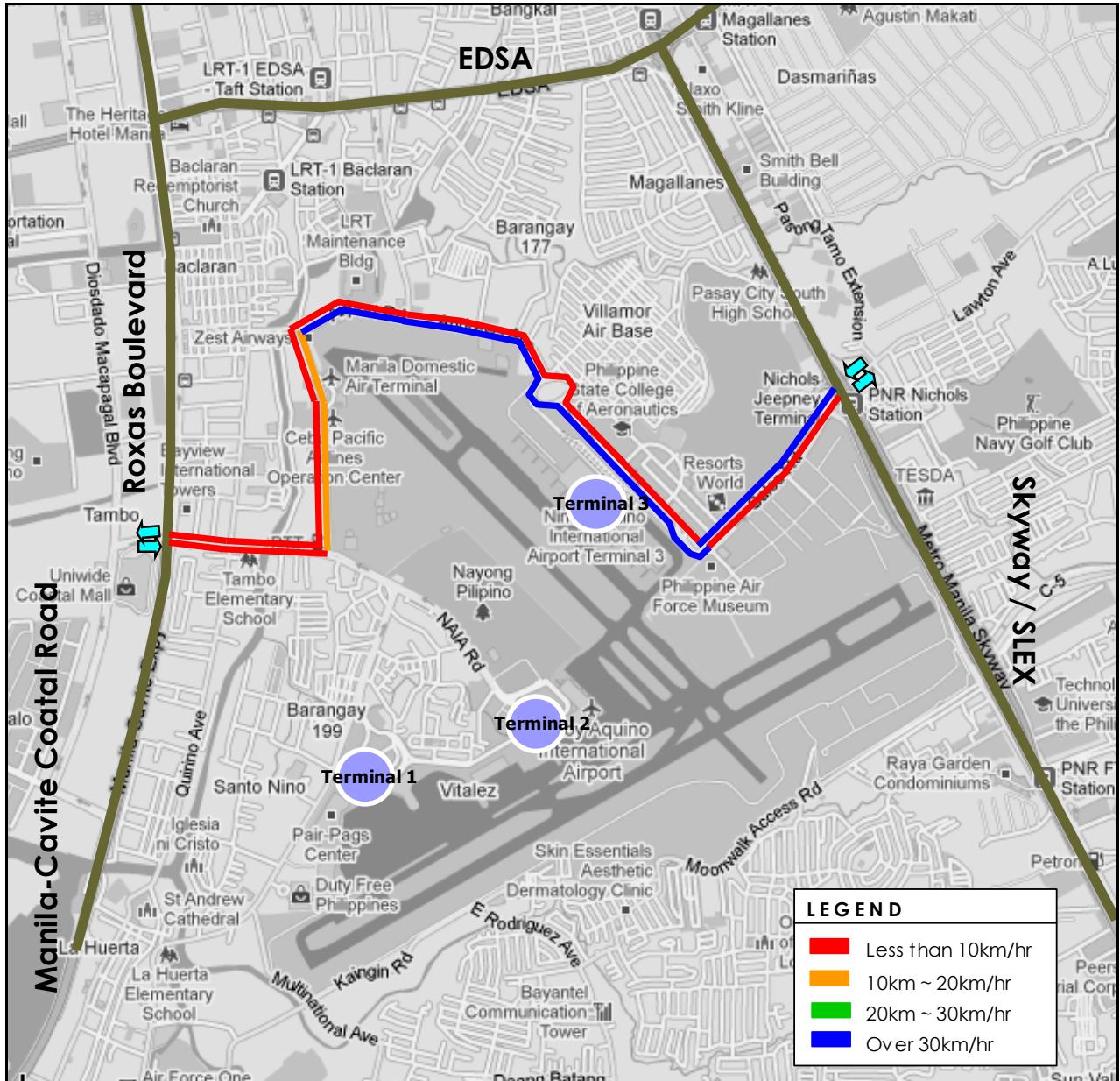
A travel time survey has been conducted by JICA on 15th April 2011 (Friday) from 7:00AM to 9:00PM where a single run every hour was carried out to determine the most congested period. The survey shows that:

- The longest travel time spent in the section is around 40 minutes (5:00 PM) and the direction is from Skyway to Roxas Boulevard. This means travel speed is below 10 km/hr for the entire 5.8 km stretch.
- The shortest travel time is 11 minutes (12:00AM) in the direction of Roxas Boulevard to Skyway. Average travel speed is around 30 km/hr.

- If NAIA Expressway Phase II is built the expected travel time is around 8 minutes (excluding any stop time at a toll plaza) from Roxas Boulevard to Skyway. The travel speed is about 45 km/hr for the entire 5.6 km expressway stretch.

Figure 7 shows speeds in the most congested hour (5 to 6PM).

FIGURE 7 Travel Speed from Roxas Blvd. to Skyway Expressway (From 5 to 6pm)



Source: “ Review and Update of Feasibility Study of NAIA Phase II Final Report 2011_06” – Chapter 4

Road congestion can be observed on many of the existing roads in the area, and the volume of traffic has almost reached the roads theoretical capacity:

- Sales Street at 84%.
- Andrews Avenue at 91%.
- Domestic Road at 86%.
- NAIA Road at 82%.
- Imelda Avenue at 81%.
- Ninoy Aquino Road at 81%.
- EDSA at 100%.
- Roxas Boulevard at 100%.

JICA Base Year traffic has a 2010 Origin/Destination (OD) matrix (or trip table) derived from a combination of the OD matrix from the “High Standard Highway Study” and the OD matrix from the “Airport Strategy for Greater Capital Region”. It has been used, in combination with a network model to estimate traffic volumes on roads surrounding NAIA.

MODE SHARE

The following conversion rate has been used by JICA to derive the vehicle trips by passenger trips and cargo movement.

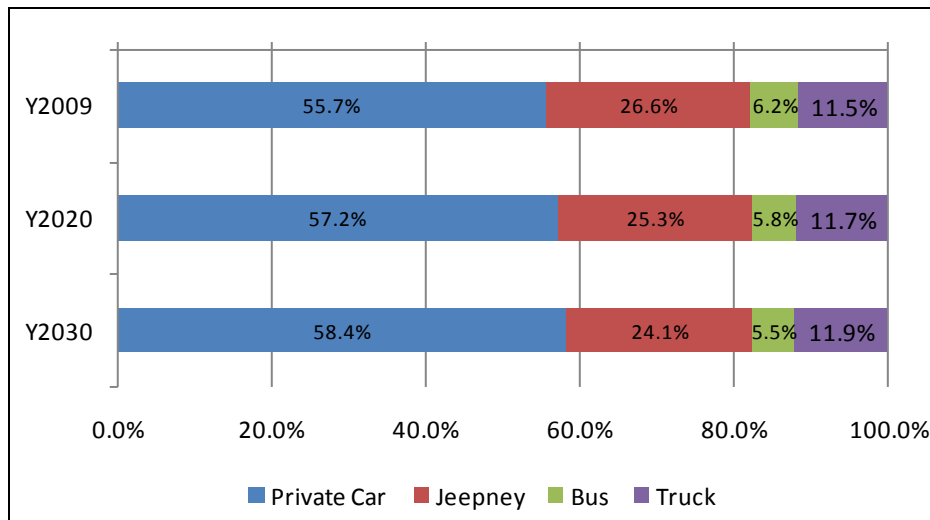
TABLE 6 Conversion Rate

Vehicle Type	Conversion Rate
Private Car	3.5 person/vehicle
Jeepney	9.3 person/vehicle
Bus	30.8 person/vehicle
Truck	4,008 kg/vehicle

Source: “Review and Update of Feasibility Study of NAIA Phase II Final Report 2011_06” – Chapter 4

The total vehicle trips (by applying average passenger occupancy and loading weight) are estimated by JICA to be 9 million trips per day in 2030, which is about 1.6 times more than the current demand (5.56 Million vehicle trips). The growth rate of private cart trips is assumed to be higher, thus modal share of private car to the total vehicle will increase from 55.7% at present to 58.4% in 2030 (see Figure 8).

FIGURE 8 Modal Share in 2009, 2020 and 2030



Source: “ Review and Update of Feasibility Study of NAIA Phase II Final Report 2011_06” – Chapter 4

TRAFFIC CAPTURE BY THE TOLL ROAD

A Willingness-to-pay survey was carried out by JICA on passengers inside the terminals of NAIA. This survey asked passengers, who owned a car, their opinion as future expressway users. The survey’s purpose was to gauge the public’s acceptance of toll rates to be applied at the NAIA Expressway. Findings from the survey indicate:

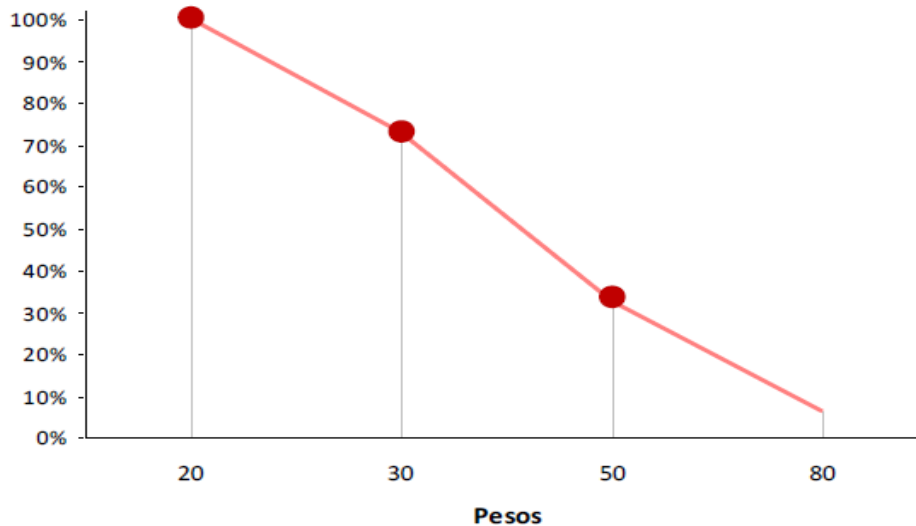
- 62% of respondents used a car to arrive at the airport and 38% used a taxi.
- 67% started their trip inside Metro Manila.
- The average travel time of respondents from Metro Manila was 1.1 hours. Those coming from nearby provinces of Cavite, Laguna and Rizal were also able to get to the airport with an hour or so. The recorded highest average travel time is more than 10 hours, which was for those from the provinces of Ilocos Sur and Isabela.
- Almost 92% expressed their willingness to use the expressway in their future travel to the airport terminals.
- People were willing to pay to use the expressway to the airport as follows: 85% were willing to pay 20 pesos, although at 22 pesos, the number reduces to only 49%.
- The lowest toll level given by respondents was 5 pesos and the highest was 200 pesos.
- Those interviewed were also asked about non airport (other) trips. Almost 92% expressed their willingness to use the expressway also in other daily trips from Coastal Road to/from Skyway.
- The level of toll people were willing to pay for other trips was as follows: at 30 pesos 73% still expected to use the expressway, while at 40 pesos the number is 50%. At 50 pesos the number decreases to around 32% (see Figure 9).

TABLE 7 Toll Motorists are Willing to Pay on NAIA Expressway To/From the Airport

(₱)	Sample	Share (%)	Amount (%)
5	4	0.6%	100%
10	62	9.0%	99%
12	1	0.1%	90%
15	34	4.9%	90%
16	1	0.1%	85%
17	1	0.1%	85%
20	245	35.6%	85%
22	7	1.0%	49%
25	12	1.7%	48%
30	108	15.7%	47%
35	1	0.1%	31%
40	23	3.3%	31%
42	1	0.1%	27%
45	1	0.1%	27%
50	138	20.1%	27%
60	6	0.9%	7%
65	1	0.1%	6%
70	7	1.0%	6%
75	3	0.4%	5%
80	21	3.1%	5%
100	9	1.3%	2%
150	1	0.1%	0%
200	1	0.1%	0%
Total	688	100.0%	

Source: “ Review and Update of Feasibility Study of NAIAX Phase II Final Report 2011_06” – Chapter 4

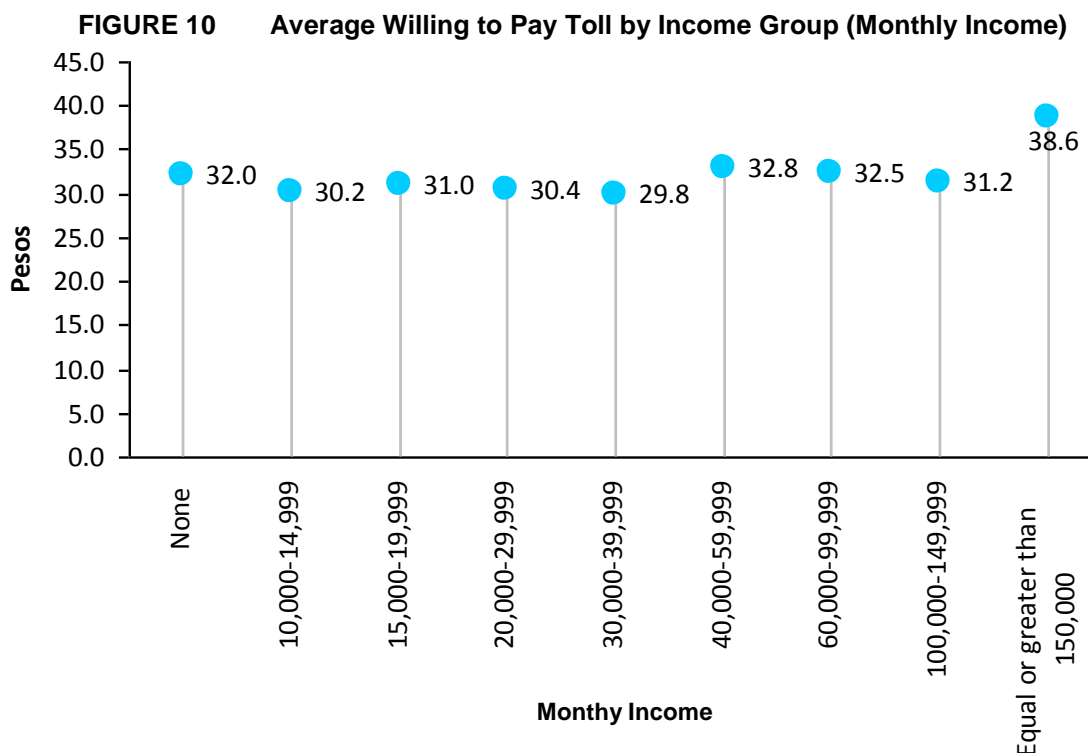
FIGURE 9 Toll Motorists are Willing to Pay for Other West-East Trips



Source: “ Review and Update of Feasibility Study of NAIAX Phase II Final Report 2011_06” – Chapter 4

Figure 10 illustrates the motorist’s willingness to pay by income level.

The average toll they are willing to pay is 31.6 pesos. This is the average amount they are willing to pay to use NAIA expressway on their way to airport terminals.



Source: “ Review and Update of Feasibility Study of NAIA Phase II Final Report 2011_06” – Chapter 4

The Value-of-Time (VoT) values used by JICA in their study have been derived from data from the study done by JICA on “The Development of the Public-Private Partnership Technique for the Metro Manila Urban Expressway Network”, and assumed an increase of value in accordance with inflation rate of 5% per year. Values for 2015, 2020 and 2030 are reported in table below.

TABLE 8 Value of Time by Vehicle Type, Php/Hour

Mode	Y2015	Y2020	Y2030
Car	428.4	566.8	923.3
Jeepney	600.0	796.9	1,298.1
Bus	1999.9	2,606.9	4,246.4
Truck	1200.0	1,493.5	2,432.7

Source: “ Review and Update of Feasibility Study of NAIA Phase II Final Report 2011_06” – Chapter 4
Unit: Peso/hour

PROCUREMENT PROCESS

LEGAL BASIS OF PROCUREMENT

The international competitive bidding for the Project (the Bidding) will be conducted in accordance with the procurement rules and procedures set forth in the BOT Law (Republic Act No. 6957, as amended by Republic Act No. 7718) and its Revised Implementing Rules and Regulations (April 2006) (the Revised IRR).

NATURE OF THE PROCUREMENT PROCESS

The Bidding for the Project will be conducted in an open and transparent manner following the two-envelope/two-stage system for soliciting bids under the Revised IRR. The selection process will be administered by the BOT Pre-Qualification, Bids and Awards Committee (PBAC) of the DPWH.

Under the two-envelope/two-stage system, Bidders are first pre-qualified on the basis of legal, technical and financial eligibility requirements set by the DPWH. Only those Bidders who pre-qualify will be deemed eligible to participate in the next stage and formally submit their technical and financial proposals to the PBAC on the bid submission deadline. The pre-qualification documents, the technical proposals and financial proposals will be evaluated based on their completeness, adequacy and compliance with the prescribed evaluation criteria.

The general procedure for the Bidding will be as follows:

- a. Bidders will be asked to submit their pre-qualification documents on or before the pre-qualification submission deadline. The requirements for the preparation and submission of pre-qualification documents will be fully explained in the Request for Qualification document to be issued by the PBAC.
- b. The envelope containing the Bidders' pre-qualification documents will be opened immediately after the lapse of the deadline and will be checked for completeness. The PBAC will then determine whether a Bidder is pre-qualified or eligible to participate in the next stage of the Bidding. Only those Bidders who pre-qualify shall be allowed to submit their technical and financial proposals. The PBAC shall inform disqualified Bidders in writing of the reasons for their disqualification from the Bidding.
- c. Bidders who pre-qualify will be requested to submit to the PBAC their technical proposals and financial proposals in two (2) separately sealed envelopes on or before the bid submission deadline. The requirements for the preparation and submission of technical proposals and financial proposals will be fully explained in the Request for Proposals (RFP) document to be issued by the PBAC.
- d. The PBAC will first open the Bidders' technical proposals after the lapse of the deadline and evaluate the same according to the evaluation criteria prescribed in the RFP. Only those Bidders whose technical proposals pass the technical evaluation criteria will have their financial proposals opened and evaluated. Bidders who fail the technical evaluation will receive back their financial proposals unopened together with a letter from the PBAC stating the reasons for their disqualification from the Bidding.

- e. The financial proposals of technically compliant Bidders will be opened and evaluated by the PBAC on a subsequent date. The Bidder who submits the lowest amount for the Government Financial Support requirement will be selected as the winning project proponent and will be awarded the Toll Concession Agreement.

A more detailed description of the bidding process is provided in Table 9 below.

TABLE 9 Solicited Bidding Process under BOT Law

BIDDER	PROCESS FLOW	PROPOSED TIMELINE OF DPWH
<p>Secures Request for Qualification document from DPWH</p>	<p>ADVERTISEMENT/ INVITATION TO PRE-QUALIFY AND BID</p>	<p>Publishes invitation for pre-qualification once a week for 3 consecutive weeks in 2 newspapers of general circulation and in one local newspaper in area where project will be implemented.</p> <p>The invitation may also be (1) posted continuously in DPWH’s website during the stated period and (2) published in at least one international publication.</p> <p>Issues official notices to project proponents registered with them.</p>
<p>Prepares pre-qualification documents within at least 45 days from last date of publication.</p>	<p>PREPARATION OF PRE-QUALIFICATION DOCUMENTS</p>	
<p>Submits pre-qualification documents to DPWH.</p> <p>Disqualified bidders may, within 15 working days from receipt of notice of disqualification, appeal to the Secretary of the DPWH. Bidder must file a non-refundable appeal fee amounting to no less than 0.5% of the Project cost</p>	<p>PRE-QUALIFICATION OF BIDDERS</p>	<p>Within 10 days after the deadline for the submission of pre-qualification documents, determines who among the bidders are pre-qualified and disqualified.</p> <p>Informs bidders whether or not they pre-qualified within 10 days.</p> <p>In case of an appeal by a disqualified bidder, the Secretary of DPWH acts on appeal within 45 working days from receipt of appeal and upon filing of a non-refundable appeal fee.</p>
<p>Pre-qualified bidders prepare their bids within at least 120 days.</p>	<p>ISSUANCE OF REQUEST FOR PROPOSAL / BID PREPARATION</p>	<p>Issues the Request for Proposals / tender documents to pre-qualified bidders.</p>

BIDDER	PROCESS FLOW	PROPOSED TIMELINE OF DPWH
		<p>Conducts pre-bid conference to clarify any matters relating to the bidding or the bid documents at least 60-120 calendar days before the deadline for bid submission.</p>
<p>Pre-qualified bidders submit their proposal in 2 envelopes:</p> <p>1st envelope – technical proposal, including bid security</p> <p>2nd envelope – financial proposal</p>	<p>BID SUBMISSION AND EVALUATION</p>	<p>Evaluates technical proposal within 8 days from bid submission deadline.</p> <p>Evaluates financial proposals of bidders who meet technical criteria within 1 day from date of completion of evaluation of technical proposals.</p>
	<p>APPROVAL OF CONTRACT AWARD</p>	<p>PBAC submits to Secretary of DPWH a recommendation of award within 3 days after completion of its financial evaluation.</p> <p>Secretary of DPWH approves PBAC’s recommendation for contract award within 1 day from submission by PBAC of its recommendation.</p> <p>Informs unsuccessful bidders of the results of the bidding.</p>
<p>Winning bidder receives Notice of Award and complies with all conditions and requirements indicated therein within 30 days from receipt of Notice of Award.</p>	<p>ISSUANCE OF NOTICE OF AWARD</p>	<p>Within 1 day from submission by PBAC of recommendation to award, Secretary of DPWH signs and issues Notice of Award to winning bidder, which must indicate the required submissions by winning bidder.</p> <p>Within 7 days from receipt of the requirements for award, the Secretary of DPWH determines and notifies winning bidder of its compliance with conditions in Notice of Award.</p> <p>If deadline is not met by winning bidder, DPWH may confiscate bid security.</p>

BIDDER	PROCESS FLOW	PROPOSED TIMELINE OF DPWH
Winning bidder signs contract within 3 days from receipt of advice from DPWH that it has complied with all conditions in Notice of Award.	EXECUTION OF CONTRACT	Signs contract within 3 days from receipt of winning bidder of the advice from DPWH that winning bidder has complied with all conditions in Notice of Award. Contract is effective upon signing by DPWH, unless another date is stipulated.

CONCESSION STRUCTURE

LEGAL FRAMEWORK FOR CONCESSION

The BOT Law provides the legal framework for government agencies to enter into PPP contracts with qualified private sector proponents for the prosecution of government infrastructure or development projects. In particular, the BOT Law and its Revised IRR describe the requirements and procedures for the preparation, approval, tendering and implementation of PPP/BOT projects.

The Project will be a public utility. The Project provides flexibility for the Concessionaire to both own the income stream and operate the Project, provided it satisfies the Filipino nationality requirement under Art. XII, Section 11 of the Philippine Constitution, or to own the income stream from the Project and appoint a Facility Operator to operate the Project. Under the second option, only the Facility Operator needs to satisfy the Filipino nationality requirement.

PROJECT STRUCTURE

The Project will be implemented as a variant of the Build-Transfer-Operate (BTO) contractual arrangement, which is one of the PPP variants specifically authorized under the BOT Law. In a BTO scheme, the private sector party or concessionaire will be required to construct the infrastructure facility and assume construction-related risks arising from cost overruns, delays and other performance risks connected to construction. Once the facility is commissioned satisfactorily, title over the facility is transferred to the implementing agency, but the private sector party operates the facility on behalf of the implementing agency pursuant to the terms of the concession agreement. As a form of repayment for financing, constructing, operating and maintaining the facility, the private sector party is authorized to charge and collect tolls, fees and charges from the end users.

The principal terms and conditions governing the transaction are set out in the TCA, which provides for the obligations of the DPWH and the Concessionaire in respect of the development and operation of the facility, and other mutual undertakings, covenants and conditions to be performed or fulfilled by each of the parties.

The Government further recognizes the need to extend fiscal support to the Project in order to reduce the impact on commuter fares and to enhance the viability and bankability of the Project. Projects which are prosecuted as a solicited transaction under the BOT Law which would have difficulty being fully sourced from private investments are allowed to be financed by the government up to fifty percent (50%) of project cost through direct government appropriations and/or Official Development Assistance of foreign governments or institutions. For this Project, the Government will provide the ROW and contribute financing to partially cover the capital cost for constructing the facility.

KEY COMMERCIAL FEATURES OF THE DRAFT TCA

The following are some of the key commercial features and terms that are contemplated under the draft Toll Concession Agreement being prepared for the Project:

- Grant of a 35-year concession (inclusive of construction period), reckoned from the delivery of the government of the ROW⁴, to the Project Proponent to exclusively undertake the following:
 - raise financing for the balance of the Project cost (not covered by the GFS) and achieve financial close within one year from the signing of the TCA;
 - design the Phase I adjustments and Phase II works;
 - construct the Phase I adjustments and Phase II works within two years from approval of the Detailed Engineering Design;
 - operate and maintain the adjusted Phase I and completed Phase II, or if the Concessionaire is foreign-owned or controlled, through its qualified Facility Operator to undertake the operation of the Project to defined levels of performance standards;
 - collect the authorized toll from users of the NAIA Expressway which shall be operated as an open system;
 - assume the commercial risks for the profit or loss in the Project as a going business concern; and
 - turn-over the NAIA Expressway in good condition to DPWH at the end of the concession period.

- DPWH obligations:
 - procure and deliver in a timely manner the required ROW;

⁴ Refers to the land or land rights required for the Project based on the conceptual designed prepared by DPWH.

- subject to Concessionaire compliance with pre-defined obligations, ensure the grant of the TOC from the TRB
 - assist the Concessionaire in securing necessary national government consents for the Project;
 - provide to the Concessionaire the agreed GFS based on pre-agreed milestones, which will be defined in the TCA; and
 - ensure the application of the toll adjustment formula prescribed in the TCA and provide compensation in the event of disallowances of authorized computed tolls.
- Other major commercial points include:
 - The bid parameter will be the lowest required GFS.
 - The selection of the Independent Consultant (IC) will be done by DPWH from a shortlist of firms to be approved by the Concessionaire. The cost of the IC shall be borne equally by DPWH and the Concessionaire.
 - There will be two (2) sets of tolls for the Expressway, one applied on the main expressway and the other for the segment between Terminal 3 and the Skyway.
 - Opening tolls will be set by DPWH and approved by TRB. The approved toll rates will be disclosed during the tender process.
 - Periodic toll adjustments shall be made bi-annually and based only on a domestic inflationary index based on the following formula:

$$TR_n = TR_o [(CPI_n / CPI_o)]$$

where:

TR_n	=	new Toll Rate as adjusted
TR_o	=	old Toll Rate as of the last adjustment
CPI_n	=	Consumer Price Index for month of the new review date issued by the National Statistics Office
CPI_o	=	Consumer Price Index for the month of the last review date issued by the National Statistics Office

- A performance regime related to efficient flow of traffic, ride quality, safety, security and cleanliness will be defined in the TCA and payment obligations will be imposed on failure to meet Key Performance Indicators.
- Force majeure shall be a risk that will be shared by both the Concessionaire and DPWH.

Below is the risk allocation matrix for the Project.

TABLE 10 Risk Allocation Matrix

Risk/Responsibility	Allocation	Remarks
Traffic	Concessionaire	No minimum traffic guarantee
Toll & Adjustment Implementation	DPWH	Compensation provided for disallowance of adjustment based on agreed formula
Project Financing	Concessionaire and DPWH	Private financing and GFS, respectively
Inflation & Foreign Exchange	Concessionaire	Relief provided for domestic inflation through Toll Adjust formula
Basic ROW Acquisition & Delivery	DPWH	Free and clear, delivered by pre-agreed timeline
Design/Construction	Concessionaire	Performance Security for Construction posted in favor of DPWH
Operation/ Maintenance	Concessionaire	KPIs set with corresponding penalties for non-compliance, Performance Security for Operations posted in favor of DPWH
Political Risks	DPWH	Limited events
Force Majeure	Concessionaire and DPWH	Relief provided to Concessionaire on O&M performance of obligations, procedure and mechanism for addressing impact of FM events to be provided in the TCA
Turn-over at the end of Concession	Concessionaire	At pre-agreed conditions, testing & acceptance regime included in TCA

REGULATORY FRAMEWORK

NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

The National Economic and Development Authority (NEDA) is the country's independent economic development and planning agency. The NEDA is primarily responsible for formulating the country's social and economic policies, plans and programs, including the formulation of annual and medium-term public investment programs.

National projects implemented through the BOT Law and costing more than PhP300 million must be submitted to the NEDA Board for approval upon the recommendation of the Investment Coordination Committee⁵ (ICC).

⁵ The ICC is composed of the Secretary of Finance, as chairman, the NEDA Director-General, as co-chairman, the Executive Secretary, the Secretaries of Agriculture, Trade and Industry and of Budget and Management, and the Governor of the Bangko Sentral Ng Pilipinas, as members.

The NEDA headed by the President as chairman of the NEDA Board, with the Secretary of Socio-Economic Planning, concurrently NEDA Director-General, as vice-chairman. The other members of the NEDA Board are the Executive Secretary and the (a) Secretary of Finance, (b) Secretary of Trade and Industry, (c) Secretary of Agriculture, (d) Secretary of Environment and Natural Resources, (e) Secretary of Budget and Management, (f) Secretary of Labor and Employment, and (g) Secretary of Local Government.⁶

TOLL REGULATORY BOARD

The TRB is a government agency created on 31 March 1977 by virtue of Presidential Decree No. 1112 (PD 1112), otherwise known as the “Toll Operation Decree.” It is an attached agency of the Department of Transportation and Communications.⁷

The TRB Board is composed of the Secretary of Transportation and Communications as Chairman, and its members are the Secretaries of DPWH, the Department of Finance, and NEDA, or their duly authorized representatives with ranks not lower than Undersecretary.⁸ A representative from the public sector, preferably a lawyer or an economist with adequate experience in public utilities regulation, also serves on the Board.⁹

The TRB has the powers to:

- a) grant authority to operate a toll facility and to issue the necessary Toll Operation Certificate;
- b) issue, modify and promulgate the rates of toll that will be charged the direct users of toll facilities; and
- c) approve or disapprove petitions for toll increases.¹⁰

⁶ Executive Order No. 230 (1994).

⁷ Executive Order No. 686 (2007).

⁸ Sec. 2, Executive Order No. 133 (2002)

⁹ Sec. 2, Executive Order No. 133 (2002)

¹⁰ Sec. 3, Presidential Decree No. 1112 and Sec. 4(b), Executive Order No. 686 (2007).

INVESTMENT FRAMEWORK

TAXATION

Non-resident foreign companies are taxed on all Philippine-sourced income at the rate of 35% of gross income. Income earned by foreign companies subject to this rate are dividends, interest on loans, royalties and management fees. Gains realized from disposition of shares of a Philippine corporation are subject to capital gains tax.

If the country of domicile of the foreign company has an existing tax treaty with the Philippines, the appropriate treaty rate on such income applies. The rates under existing tax treaties range from 10% to 25%. At present, the Philippines has tax treaties with twenty-two countries, including the United States, Japan, France and the United Kingdom, as well as with other European and Asian countries.

FOREIGN EXCHANGE

Foreign exchange may be bought and sold freely by foreign corporations operating in the Philippines and may be brought into or sent out of the country with few restrictions.

Foreign investments and profits can also be repatriated in foreign exchange with minimal control from the Bangko Sentral ng Pilipinas (BSP or Central Bank of the Philippines). Registration of foreign investments with the BSP requires proof of inward remittance of the foreign exchange used to fund the investment and has now become essentially an automatic process after the necessary corporate registration has been completed by the Philippine Securities and Exchange Commission. Should the banking system be also used for the payment of royalties, the related royalty contract should be registered with the Technology Transfer Registry of the Bureau of Patents, Trademarks, and Technology Transfer.

FOREIGN OWNERSHIP AND MANAGEMENT

The Philippine Constitution and a number of Philippine laws operate to limit the extent to which non-Philippine nationals may participate in the ownership and management of public utilities, such as the NAIA Expressway.

The Philippine Constitution, provides that no franchise, certificate or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to 60/40 companies. Furthermore, participation of foreign investors in the governing body of any public utility enterprise is limited to their proportionate share in its capital and all executive and managing officers of such corporation or association must be citizens of the Philippines.

To ensure compliance with these nationality requirements, Commonwealth Act No. 108, also known as the “Anti-Dummy Law,” provides that any person, corporation or association with a right, franchise or privilege, the exercise or enjoyment of which is expressly reserved

by the Constitution or the laws to the citizens of the Philippines or to 60/40 companies, is prohibited from permitting or allowing the use, exploitation or enjoyment of such right, franchise or privilege by a non-qualified person or entity or in any manner permitting or allowing any non-qualified person to intervene in the management, operation, administration, or control thereof, whether as an officer, employee or laborer therein, with or without remuneration, except technical personnel whose employment may be specifically authorized by the Secretary of Justice. The Anti-Dummy Law, however, allows the election of aliens as members of the board of directors or governing body of corporations in proportion to their allowable participation in the capital of such entities and the employment of foreigners in the capacity of technical consultants.

OTHER INFORMATION TO BE SUPPLIED

As part of the Bid Documents, a more comprehensive Information Memorandum will be provided including other pertinent data and documents such as:

1. Review and Update of the Feasibility Study of the NAIA Expressway Phase II (RUFS) prepared by the JICA Study Team;
2. Soil Boring Data (Geotechnical Investigations) for Phase II from the original Feasibility Study prepared by Filipinas Dravo Corporation;
3. Phase I As-Built drawings, tender documents including plans and specifications, and geotechnical investigation data; and
4. Maps of underground utilities from different utility companies.

INDICATIVE TIMETABLE

2011

- July - Publication of Invitation to Participate and Bid
- August - Pre-qualification Conference
- September - Submission of Qualification Documents
Notice of Pre-qualification
Release of Draft Concession Agreement to Pre-qualified Bidders
- October - Pre-bid Conference
- December - Release of Final Concession Agreement to Pre-qualified Bidders

2012

- January - Submission of Bid
Issuance of Notice of Award
- March - Signing of the TCA

2013

- March - Approval of the Detailed Engineering Design
Delivery of ROW
- April - Start of Construction

2015

- April - Start of Operations

2048

- March - Turn-over of the NAIA Expressway to DPWH