

Suggested presentation outline

1. Brief history of Cyprus airports
 - Nicosia
 - Larnaca
 - Paphos
 - Airports in the occupied areas
2. Traffic Statistics
3. The importance of airports in Cyprus (Island, Tourist Destination etc)
4. The need to redevelop the airports (Increasing Traffic, Functionality, Hub etc)
5. The BOT project
 - Why the BOT method was chosen
 - Law of 2001
 - Brief description of the tender process
 - Shortlisted consortiums
 - Negotiations with Alterra Consortium
 - Current situation (negotiations with Hermes Airports)

1. Brief history of Cyprus airports

The DCA is, among its other functions, responsible for the smooth and efficient operation of the airports and ensures that international standards and recommended practices adopted by the International Civil Aviation Organization (ICAO) are adhered to.

Nicosia International Airport was the first airport of the Republic that started operation in the mid-1940s and it provided the gateway to the rest of the world for the newly-born Republic in the 60s and early 70s. As a result of the Turkish invasion and occupation in 1974 the airport now lies within the buffer zone and remains closed since then.

Larnaca airport was hastily set up after 1974 to serve as the island's main airport. It took the burden of the rapid development of tourism during the 80's and 90's. However the airport was developed without a masterplan and as a result lacks the necessary capacity and functionality.

Paphos airport was developed in 1983 to facilitate tourist development of the western part of the island. It too faces some problems of capacity but its major problem is the seasonality of its traffic.

It must be noted that Ercan (Tymbou) airport in the occupied part of Cyprus is an illegal airport and as a result no international airlines operate to it.

2. Traffic Statistics

Over the 10-year period 1993-2003 passenger traffic through the two airports double in numbers (figure 1) to reach a level of around 6.5 million per year.

However, the events of 11th September 2001, the international economic downturn, the wars in Afghanistan and Iraq and the SARS had a negative effect on the amount of traffic through Cyprus airports over the last 3 years. Passenger traffic in 2003 decreased by 1.2% over 2002, whilst aircraft movements and cargo showed a slight increase.

	<u>2002</u>	<u>2003</u>	<u>Difference %</u>
Passengers	6559815	6483037	-1,2
Aircraft	57596	58358	1,3
Cargo (tonnes)	30950	31725	2,5

Larnaca airport handles just under 5m passengers per year and Paphos airport about 1,5m passengers per year.

Passenger traffic shows extreme seasonality during the year (figure 2). The highest peak is in the summer months with facilities often reaching saturation and as a result causing congestion and delays. Seasonality also exists within the week (figure 3).

Scheduled flights account for 55% of the traffic whilst charter flights for the remaining 45%. At Larnaca, 90% of the traffic is with Europe (figure 4) whilst for Paphos this rises to 99.3%. The dependence of Cyprus on European traffic is clearly evident.

During 2003 the DCA had a revenue of CY£33.369547 of which more than 50% was derived from the operation of the airports (fig. 5) from sources such as passenger tax, landing fees and rents.

3. The importance of airports in Cyprus

It is well known that the Cyprus economy depends heavily on tourism. As an island, quite distant from the major originating tourist markets of Northern Europe, the main mode of transport is by air. At least 90% of tourists arrive in Cyprus by air, either on scheduled or charter flights. The airports are therefore a vital part of the country's infrastructure.

4. The need to redevelop the airports

Towards the end of the 90's it was becoming evident that the infrastructure and facilities at both airports would soon be stretched and that more capacity would be required to accommodate the increasing traffic. There was also a need to make the airports more functional for both the airlines and the passengers (e.g. no transit facilities exist). Additionally the prospect of Cyprus acceding the European Union and the potential of becoming a regional hub reinforced the need to redevelop the airports.

5. The BOT project

In view of the above, the government decided to proceed with the redevelopment of the two airports using the BOT method (Build, Operate, Transfer). The BOT method was chosen in order to avoid burdening the government budget as well as to expedite the redevelopment of the airports.

In 2001 a law was passed authorising the government to negotiate the development and management of the airports with private investors.

Following an open bid competition, 3 international consortiums were shortlisted and were asked to submit their proposals with the 'two envelope' method incorporating their technical and financial proposals.

Following an evaluation of the technical and financial proposals by the Evaluation Committee, negotiations with the preferred bidder (Alterra Consortium) started at the beginning of 2003. These were not successful and the government has now invited the second shortlisted bidder (Hermes Airports) for negotiations. The aim is to complete the negotiations by the end of 2004 and for the consortium to take over the management of the existing terminals, as well as the development of the new airports, by the beginning of 2005. It is anticipated that the cost of the redevelopment of both airports will be in the region of US\$500m. The planned capacity of the new airports, in the first phase, will be 7.5m passengers per year for Larnaca and 2m passengers per year for Paphos.

Figure 1

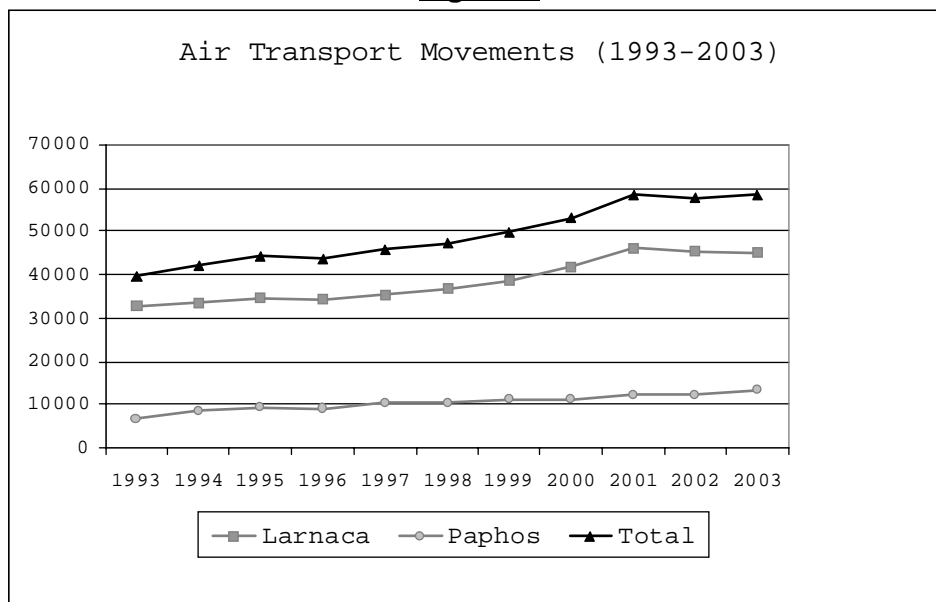


Figure 2

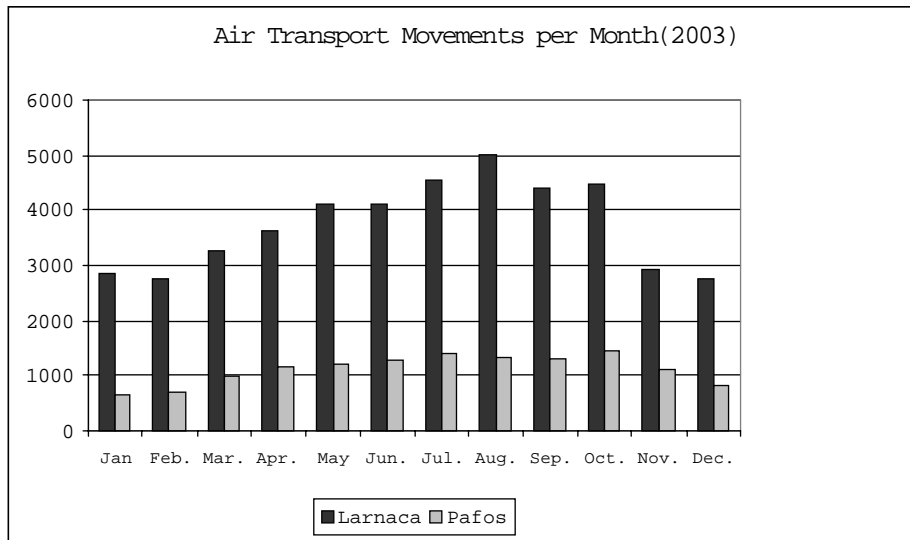


Figure 3

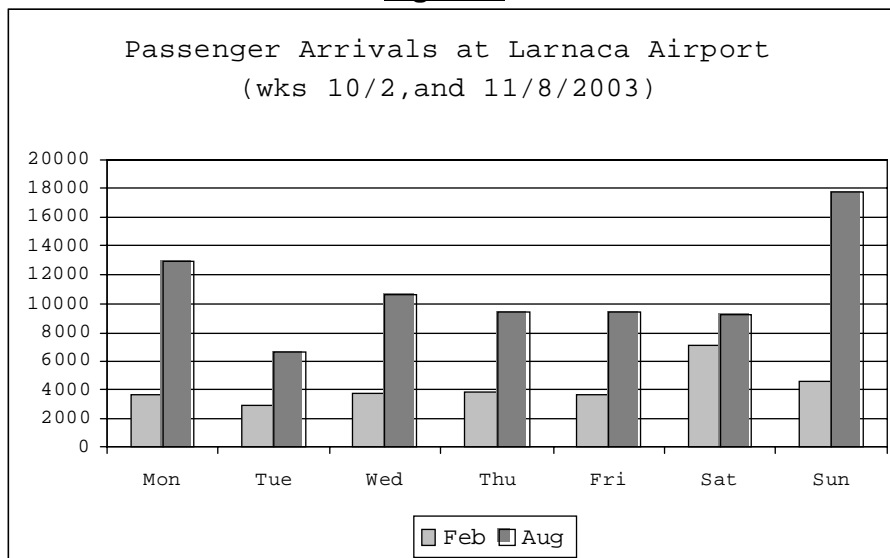


Figure 4

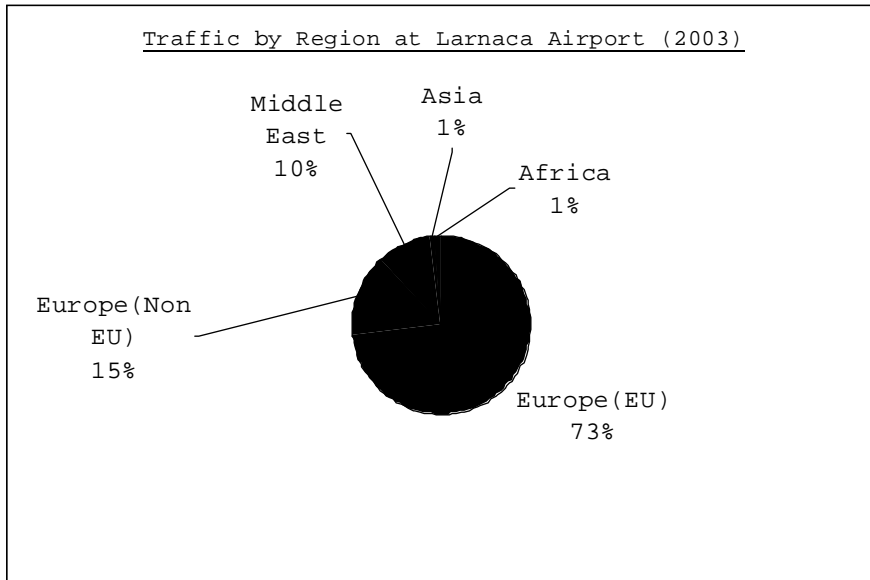


Figure 5

