

Mactan (Cebu) International Airport Development Project

Report Date: March 2000
Field Survey: April 1999

1 Project Summary and Japan's ODA Loan

This project aims to expand and improve facilities at Mactan (Cebu) International Airport (opened in the mid-1960s), which holds an important position as the second largest airport in the Philippines after the Manila International Airport. This project also aims to enable the airport to accommodate the predicted rise in passenger and cargo transport, as well as to improve the airport's safety.

The ODA loan covers the entire foreign currency and a part of local currency (75% of the total project cost) of the project cost.

2 Analysis and Evaluation

(1) Project Scope

There were no changes regarding the major airport facilities (construction of runways and Domestic Passenger Terminal Building).

Additional construction arose for the improvement of the existing International Passenger Terminal Building (constructed by Philippine Tourism Authority (PTA) prior to this project), but this construction was aimed at fully enabling the original functions of the airport and it represented an appropriate measure. Moreover, the M/M for consulting services did increase as a result, but this increase was required in order to fully implement construction management.

Moreover, degradation of the equipment at the existing terminal was progressing, and the renovation of this equipment being judged to be essential for the safe operation of the airport, the required procurement and renovation were performed as part of the scope of this project.

(2) Implementation Schedule

The construction work (of runways and a terminal), which represents the main part of this project, was completed 22 months behind schedule. This delay

consisted of a delay (of 8 months) in the tender procedure by the Department of Transportation and Communications (DOTC), the executing agency for this project, and the effects (14-month delay) of the delay in construction of the



Borrower	Republic of the Philippines
Executing Agency	Department of Transportation and Communications (DOTC)
Loan Amount	¥10,790 million
Loan Disbursed Amount	¥10,578 million
Date of Exchange of Notes	March 1991
Date of Loan Agreement	July 1991
Loan Conditions	
Interest Rate	2.7 %
Repayment Period (Grace Period)	30 years (10 years)
Procurement	General Untied
Final Disbursement Date	October 1998

International Passenger Building separately implemented by PTA. The construction of this international passenger terminal prior to this project was agreed to within the Philippine government due to the requirement to open the international passenger terminal as soon as possible, but the delay incurred in its construction resulted in the delayed start of construction of a building connecting the domestic and international flight terminals, which was covered by ODA loan. Furthermore, due to the low quality level of the construction, the amount of repairs performed for improvements covered by this project increased, which also contributed to the extension of the implementation schedule.

(3) Project Cost

Except for additional procurements, there were no major changes in the project cost. However, the value of the yen rose compared to its level at the time of appraisal, and there was a slight underrun in project cost on a yen base. The increase in consulting services was covered by using the contingency.

Comparison of Original Plan and Actual

Item	Plan	Actual
1. Project Scope		
i) Runway	Extension 200m × 45m (total length after extension is 3,300m), Overlay 3,100m × 45m	As planned
ii) Construction and renovation of passenger terminal buildings	Total: 33,300m ²	Total: 34,000m ²
iii) Parking zone	Construction: 22,400m ²	18,600m ²
iv) Additional procurement	-	Boarding bridge × 1, X-ray inspection equipment × 7, Metal detector × 3
v) Consulting Services		
Foreign	172M/M	301M/M
Local	204M/M	468M/M
Total	376M/M	769M/M
2. Implementation Schedule		
i) Selection of consultant	July 1991 to October 1991	July 1991 to October 1991
ii) Bidding	November 1991 to July 1992	November 1991 to March 1993
iii) Construction and renovation of passenger terminal buildings and equipment procurement	July 1992 to May 1995	April 1993 to March 1997
iv) Additional procurement	-	January 1998 to December 1998
v) Consulting services	November 1991 to May 1995	November 1991 to December 1999
3. Project Cost		
Foreign currency	¥6,098 million	¥6,528 million
(ODA Loan portion)	(¥6,098 million)	(¥6,528 million)
Local currency	1,219 million peso	1,558 million peso
(ODA Loan portion)	(690 million peso)	(998 million peso)
Total	¥14,387.2 million	¥12,835 million
(ODA Loan portion)	(¥10,790 million)	(¥10,568 million)
Exchange Rate	1 peso = ¥6.8 (in 1990)	1 peso = ¥4.048 (weighted average at the time of loan disbursement)

(4) Project Implementation Scheme

Department of Transportation and Communications (DOTC) served as the executing agency for this project. A project coordination committee including representatives of the Cebu Province was also established locally. This committee performed coordination with DOTC and local parties as well as progress management for the project.

No problems regarding land appropriations and relocation of residents occurred during the implementation of the project.

(5) Operations and Maintenance

Mactan-Cebu International Airport Authority (MCIAA), which has 622 employees as of April 1999, is responsible for the operation and management of the airport. Operation of the airport is performed by the Operation Department (29 employees), and maintenance is performed by the Engineering Department (126 employees). The current operation and maintenance scheme at MCIAA is satisfactory.

(6) Operations and Maintenance Scheme

Regarding the operation of the airport, the number of passengers, cargo volume, and number of takeoffs and landings all have

increased following completion of the project, but the Asian economic crisis and the suspension of business at Philippine Airlines caused a decline in airport utilization statistics during 1998. Regarding the maintenance of the airport, no particular problems have been identified. Moreover, drainage from the airport is being processed within the standard values used in the Philippines.

(7) Financial Status

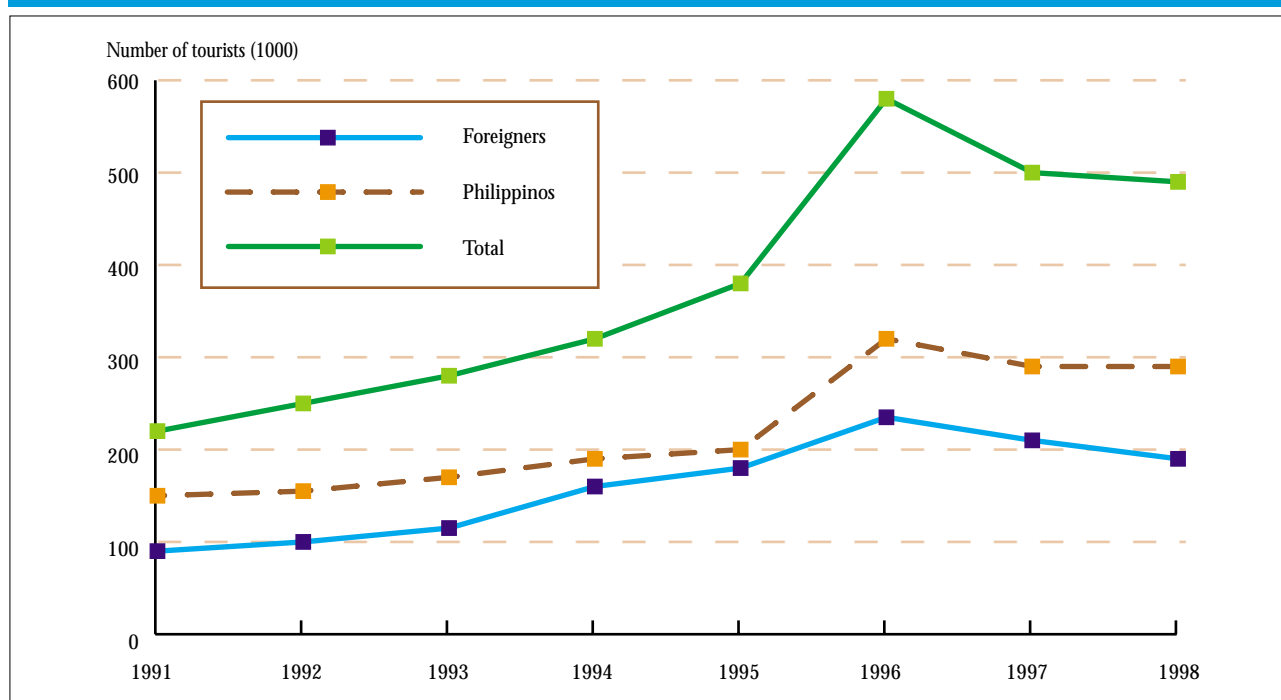
MCIAA enjoys a positive operating income from the airport and its management of the airport is free of problems.

(8) Project Effects and Impacts

(i) The economic internal rate of return (EIRR) calculated at the time of appraisal was 22.2%, but it was 29.3% when recalculated at the time of evaluation.

(ii) The implementation of this project has enabled takeoffs and landings by super carriers, and the role of the airport as a hub airport for the Philippines has been strengthened. Moreover, the number of tourists visiting Cebu Island, after greatly increasing in 1996, the year when the new terminal building was opened, has remained at a high level, and the effects of this project, while indirect, have been recognized. (See Table 1.)

Table 1 Trend in Number of Cebu Tourists



Source: Philippine Tourism Authority

(iii) The value of exports in the Mactan Export Processing Zone adjacent to the airport has been steadily increasing in recent years. Moreover, following the opening of the new airport, the number of companies that have established operations in the Mactan Export Processing Zone has greatly increased, and the airport is considered to be one of the factors in the decision of these companies to set up operations in the zone. (See Table 2.)

Table 2 Mactan Export Processing Zone

Fiscal year	1995	1996 (Jan-Mar)	1997	1998	1999 (Jan-Mar)
No. of companies (operating base)	84	89	102	103	103
Export amount (US\$ million)	880	240	1,133	1,307	318
No. of employees (as of end of December)	28,259	29,304	35,932	35,920	37,118
Total personnel costs (million peso)	1,647	453	2,541	2,931	724
Average monthly income per employee (peso)	4,857	5,148	5,892	6,801	6,499

Source: Mactan Economic Zone, Administration Office



Mactan International Airport



Apron



The Departure Lobby for Domestic Passengers