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Fraport's Bender Urges the Philippine Government to Honor Legal Contracts and Be a Reliable Partner

Frankfurt/Main, Germany (ots) -

Fraport AG continues to work on retransferring the Manila airport terminal project (International Passenger Terminal 3) in tandem with a management contract. Fraport AG's executive board chairman Dr. Wilhelm Bender explained this today in an interview with the Frankfurter Allgemeine Zeitung (FAZ), Germany's authoritative national newspaper. Bender further indicated that Fraport AG would not tolerate being damaged by the Philippine government's stance.

"The government is questioning the validity of contract agreements that we signed with the previous government in 1999," said Bender. As a result, the economic viability and funding of the project is no longer possible. "Thus, the Philippine government will jeopardize future privatization projects as well as the country's international reputation as an investment location," said Bender. "We will not be afraid to bring the Philippine government back on the path of honoring legal contracts and of being a reliable partner for this, the biggest foreign investment project in the Philippines," Bender continued. Bender explained that the write down of about EURO 60 million made last year was just an accounting precaution of Fraport AG. "This write down does not mean that we will give up a single cent vis-à-vis the Philippines," Bender said. "Furthermore, we there is no reason for us to make further write downs." Bender appealed to the Philippines to continue negotiating on the previous basis and not to announce a decision which will be detrimental to all parties concerned.

Bender incidentally referred to the German-Philippine Investment Guarantee Treaty, which provides investor protection for Fraport AG.

Note to Editors:

The full text of Dr. Bender's interview in the FAZ follows.

Interview with Fraport AG's

Executive Board Chairman Dr. Wilhelm Bender

English translation of the interview published in today's edition (25.10.02) of the Frankfurter Allgemeine Zeitung (FAZ), Germany's authoritative national newspaper.

Fraport AG has put \$378.8 million, including loan guarantees, into the Manila airport project. Are you any closer to a solution?

Bender:

Since the summer we have found a basis of discussion with the Philippine government. This involves buying back the terminal and thus retransferring the project in tandem with a management contract for Fraport. We still regard this as being a suitable basis for making progress in the project.

What are the major difficulties?

Bender:

The major difficulties are actually the same old ones. The government is questioning the validity of contract agreements that we signed with the previous government in 1999. There are four essential elements, which place the financial viability of the entire project in doubt. The first element is the \$20 departure tax for passengers, which is now supposed to be \$11. Secondly, the vitally important exclusivity of duty free sales in the international terminal is being refused. Thirdly, the relocation of Philippine Airlines to the new terminal has become uncertain, and eventually the exclusivity of international traffic at this terminal could slip away. When all of these elements are in jeopardy, this project is no longer economically viable and thus cannot be financed. Thus, the government would renounce its own original decision and that of the previous government to run a privatization project. This would endanger future privatization projects.

Does this mean that if the status quo prevails Fraport will drop out of the project?

Bender:

No, for me "dropping out" is really the wrong expression. I will say this quite clearly: Fraport will not tolerate being damaged by acts of whatever government. We will fight. We are preparing a lawsuit as well as political measures via the German government. Furthermore, we are planning initiatives via international institutions to make it crystal clear that the Philippine government is on the way to endangering the country's international reputation as an investment location. Of course, we do not like doing this. However, if we are left with no other choice we will not be afraid to do so in order to bring the Philippine government back on the path of honoring legal contracts and of being a reliable partner for this, the biggest foreign investment project in the Philippines.

What kind of lawsuit would it be?

Bender:

It would be an "action for damages" that will protect us against being ousted from a nearly completed terminal project. Whoever believes that it is possible to arrogate, without compensation, a terminal that was financed primarily by us will cause damage to the Philippines. We have many possibilities to fight this.

Do you now have to make allowance for balance sheet adjustments, after writing down about ₱60 million last year?

Bender:

This write down does not mean that we will give up a single cent vis-à-vis the Philippines. This was an accounting precaution of Fraport AG, which in no way changes our legal position. In addition, at this time there is no reason for us to make further write downs. We know that the Philippine president has announced a decision for October 30. I would like to take this opportunity to appeal publicly to the Philippines to continue negotiating on the previous basis and not to announce a decision on October 30, which will be detrimental to all parties concerned. Incidentally, I refer to the German-Philippine Investment Guarantee Treaty that protects us as an investor.

Are there any potential, well-financed buyers for your 30-percent share in the project?

Bender:

There are interested private investors, also in the Philippines.

In consultation with the government, we have had discussions with these investors. If necessary, we will continue these discussions.

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