

Innovations in Business Banking

InterAction



Left to right: Pascal Bélanger, President, Québec Airport Authority and Normand Sauvageau, Senior Client Relationship Manager, Scotiabank

The Québec Airport Authority prides itself on being passenger-focused, however as Pascal Bélanger, President, of the Québec Airport Authority will tell you, the building's physical constraints were proving to be inefficient and inflexible for its users, about two thirds of whom travel for business.

The renovations now underway are being fast tracked and are slated for unveiling in June 2008. The revitalized facilities will allow more than 1.4 million travelers each year to enjoy a great experience and provide nearly \$47 million in added value to the Québec economy.

Plans include 28 fully-automated check-in counters and a VIP room for use by all airlines. Common passenger check-in and security points, regardless of destination, will make for a more efficient flow of travelers through the airport and a better baggage delivery system will improve handling accuracy.

Growth takes flight

Québec City's busy airport expands capacity and improves services through an innovative capital solution.

Québec City's Jean Lesage International Airport was in need of an extreme makeover. The airport, operated by the Québec Airport Authority, was quickly reaching its maximum capacity of 800,000 travelers per year, servicing 10 airlines and more than 300 weekly flights to destinations in Canada, the United States, South America and Europe. Parts of the terminal building dated back to 1957 and no longer met current building code requirements.

As historic Québec City gets set to celebrate its 400th anniversary in 2008, the time had come to embark on a major program to modernize the airport, expand its capacity, improve services, and attract new carriers and passengers.

To help fund the project, the federal and provincial governments committed a combined \$30 million. The Airport Authority had been investing funds from airport improvement fees and cash surpluses but needed to find financial partners to help them fund this major project, as well as other capital expenditures. The Terminal Project itself represents a total investment in building costs of \$65 million – necessary to complete the renovations and operate the new facilities.

The Airport was interested in a complete financing solution and began the tendering process, seeking a long-term transaction at the most attractive rates.

Scotiabank Commercial Banking and Scotia Capital Inc., the global capital markets and corporate investment banking arm of The Scotiabank Group, combined forces to come up with a unique proposal that provided \$60 million in unsecured funds via a Canadian dollar debt private placement, as well as an additional \$5 million bank funded operating line of credit. In the initial competitive stage, formulating a proposal to combine a bond issue via a private placement with traditional bank debt offered the best of both markets to the issuer. This year, the bank added a \$5 million lease line facility for future capital expenditures.



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The team approach paid off with the Scotiabank Group winning the business, despite having no previous history with the Authority. The proposal exceeded the client's requests and offered a solution that met their total funding needs, according to Normand Sauvageau, Senior Client Relationship Manager with Scotiabank Commercial Banking.

The bond issue was structured and sold on a private placement basis to institutional investors such as life insurance companies and pension funds. The issue took about a month to complete between the award of the mandate to Scotia Capital and the transfer of funds to the Authority. As part of Scotia Capital's suggested strategy to better match the Airport's progressive need for funds, the proceeds from the issue were reinvested in a Capital Reinvestment Note managed by Scotiabank.

"There's always a money issue that can be put at the forefront, but we were impressed with the overall presentation, the quality of the individuals around the table and the extremely professional approach," says Pascal Bélanger, President, of the Québec Airport Authority. "In our opinion, Scotiabank was the leader and the most creative in terms of delivering what we were looking for in a financial partner. Through the selection process, it became evident that they were the best option."

Calling it "a wonderful transaction for the issuer", Mike Costakos, who is responsible for Canadian Private Placements at Scotia Capital, reinforces the value of the collective Scotia Group expertise utilized to best facilitate the transaction. "The effort and cooperation between the Commercial Banking group and Scotia Capital allowed us to efficiently match the needs of the client with a new and innovative financing solution unique to the Canadian market."

In addition, as part of the agreement, the Authority is now also taking advantage of a number of Scotiabank's electronic banking and payment services. Just like the airport renovations, it is about using technology to improve efficiency and provide a great customer experience.

"The Airport Authority now has a quick, simple and reliable way to view balances and transfer funds, including making critical, high-value wire payments using ScotiaConnect® electronic banking," explains Guy Leduc, Senior Manager, Eastern Canada Commercial Sales, Global Transaction Banking.

"We are giving ourselves room to grow and making the passenger experience better," concludes Bélanger. "As a financially sound company, we are answering customers' needs by ensuring we have the right infrastructure and security measures in place to manage growth for the next 20 years."

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