

Development of Nijgadh International Airport at Bara

Introduction

This Watching Brief is prepared in connection with the proposal of the Government of Nepal (“GON”) to build a second international airport (“Project”) in Nepal. The proposed Nijgadh International Airport (“NIA”) is planned to be the largest in Nepal as well as in South Asia in terms of area. The Project is also listed as the National Priority Project by the GON. This Watching Brief provides an overview of the Project along with its recent development.

Background of the Project

The Tribhuvan International Airport (“TIA”) is the only international airport in Nepal. Inaugurated in 1955, TIA has one domestic and one international terminal and a total apron capacity of 9 medium and wide-body aircraft and 17 small aircraft. Due to its limited capacity, air congestion has become a major issue for TIA threatening its smooth operation. Thus, it is imperative to construct an alternative airport in Nepal to relieve capacity restraints at the TIA.

The GON has proposed to build an alternative airport at Nijgadh, Bara. Though the proposal was discussed since 1995 in several five-year and three-year plans of the GON, it was pushed back amid concerns over financial and legal issues. It finally received impetus in March 2015 when the Ministry of Culture, Tourism and Civil Aviation approved to demarcate 80 square kilometers (approx. 31 square miles) site for the construction of the Project.

Location

The Project is located at Dhumberwana, Nijgadh, Bara District, Province 2 in the southeastern part of Nepal. The majority of the area is currently on the dense forest, bounded by East-West Highway on the north, the Lal Bakeya River on the east, and the Pasaha River on the west. It lies at a distance of 150 kilometers (93 miles) from Kathmandu which is expected to shorten after the completion of Kathmandu-Terai expressway.

While the GON had identified 8 possible sites for the Project, the Parliamentary Panel on January 2019 concluded Nijgadh as the most viable option in terms of visibility, geography, distance from Kathmandu and prospective expansion.

Project Capacity

The Project consists of four international terminals with a total annual capacity of 15 million pax. It has been designed with two parallel runways each 3,600 meters long and 45 meters wide. NIA is proposed to be operational throughout the clock.

Development Period

The Project is targeted to be completed in 6 years (December 2025) among which 6 months is for a feasibility study, 1 year for preparation of detailed project report (“DPR”), 1 year for financial closure and 3 years for construction.

Project Cost

The total estimated cost of the Project at the current exchange rate is around US\$ 3.4 billion. It will be completed in three phases — the first phase will cost \$1.21 billion, the second phase \$1.12 billion, and the third phase \$1.12 billion.

Financial Modality

Initially, two financial modalities, i.e., Build, Own, Operate, Transfer (“BOOT”) model and Engineering Procurement, Construction and Finance (EPCF) model were considered for the Project. Later, the Investment Board of Nepal (“IBN”), the regulatory agency responsible for monitoring foreign investment in Nepal, decided to develop the Project on BOOT model. BOOT is a public-private partnership (“PPP”) model where the role of the GON is to provide facilitation, approval and land use permission while the role of the private entity is to conduct a feasibility study, prepare the DPR, finance, construct, operate, manage and maintenance of the Project.

Application Procedure

The pre-qualifying criteria for the interested investors/developers are at least ten years’ experience in developing international airport with a minimum annual capacity of 10 million pax in PPP model and a net worth of at least US\$ 1 billion at the time of application.

Interested Participants

Five foreign companies fulfilling the pre-qualifying criteria had expressed their interest in the Project. They included:

- 1) China Airport Construction Group, China;
- 2) China State Construction Engineering Company, China;
- 3) GMR, India;
- 4) Vinci Airport, France; and
- 5) Zurich Airport AG, Switzerland.

Shortlisted Participant

IBN has shortlisted Zurich Airport AG to develop the Project. According to the IBN, among the five foreign and one Nepali interested participants, only Zurich Airport AG’s Expression of Interest (“EoI”) fulfilled all criteria set by the GON. IBN has now asked Zurich Airport AG to provide a detailed proposal.

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