

Privatization in the Provision of Airport and Air Navigation Services

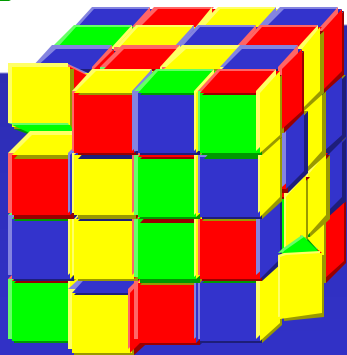
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General

Why?

Globalization

Liberalization



Who wants it?

Governments

ICAO Policy on Autonomous Authorities

ICAO recommends that
Governments explore establishing
autonomous authorities

ICAO Policy on Privatization

➔ Privatization may offer significant benefits in certain cases

Caveat

Safeguards must be implemented first



Doc 9082

**Statements by the Council
to Contracting States
on Charges for
Airports and
Air Navigation Services**



Doc 9562

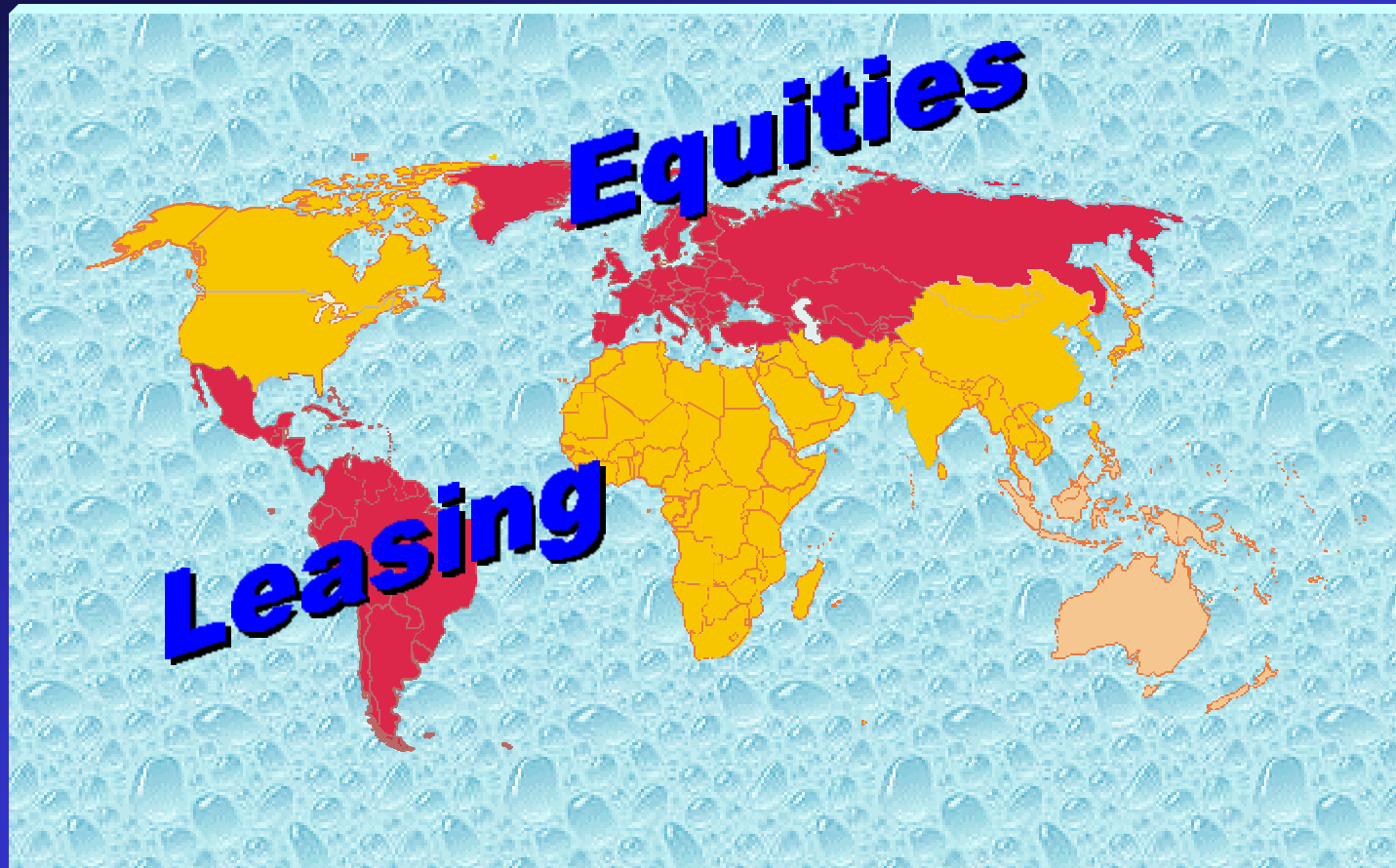
**Airport
Economics
Manual**

Doc 9161

**MANUAL ON AIR NAVIGATION
SERVICES ECONOMICS**



Global Trends



Driving Forces

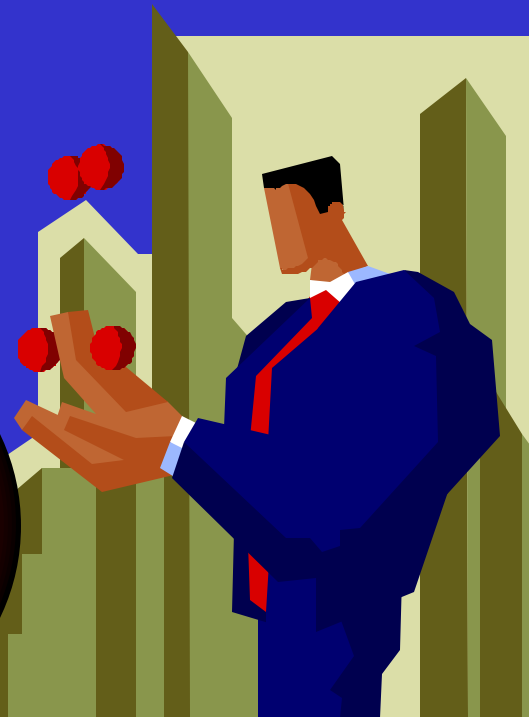
- Finance
- Government Outlook
- Attractive Offers

Financial considerations

States

**Social
structure**

**Airport
infra-
structure**



Financial Considerations

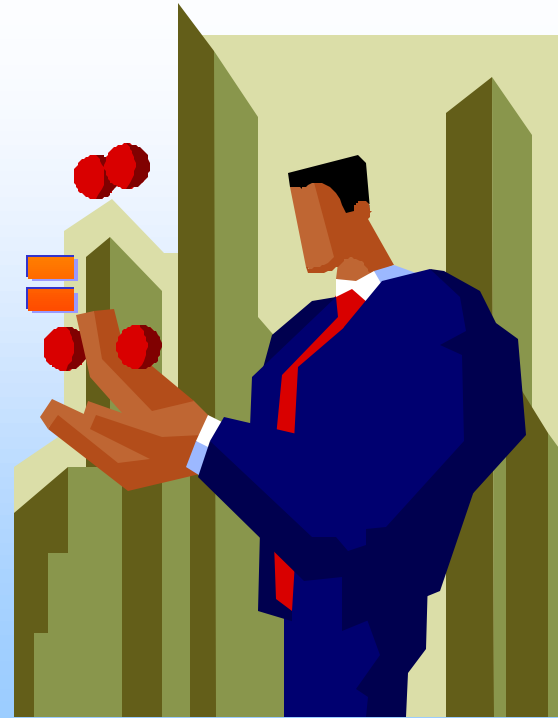
- ✓ Where traffic volume high, private sector can finance
- ✓ Source of revenue for governments
- ✓ Good financial bids from private sector

Government Outlook

Airports =

commercial entities =

non-core sector



Global Airport Management Industry

Terms used

==

Commercialization

Freehold Sale

Corporatization

Business Principles

Joint Venture

Joint Sector

Lease, ...

Privatization

Wraparound

Build,

Franchise

Own

Equity

Management

Operate

Transfer

Divestiture

Privatization

Direct involvement of private sector in ownership or management of certain facilities/services through ...

Major Stages of Privatization

- ➔ Government-owned enterprises
- ➔ Private sector participation/
involvement
- ➔ Privatized airports

Government-owned Enterprises

- ➔ Autonomous corporation
- ➔ 100% equity owned by government
- ➔ Commercial enterprises
responsible for airport and/or ANS

Private Sector Participation

- ➔ Development and management of airport facilities or ANS
 - < than 50% stake
- ➔ Short/Medium-term leases
 - < 20 years
- ➔ Management contracts

Privatized Airports

- ➔ +50% private sector stake in equity
- ➔ Trade sale/freehold sale
- ➔ Long-term leases - +20 years

Government Options

**State
Ownership** **Contracts**
Leases

**Minority
participation** **Ownership/
control**

**What works best
for your
state?**

***Airports and
ANSS are
Service Industries***

Primary Objective?

To provide safe, secure,
efficient and economical
service to airlines,
passengers, shippers and
other users

Key to Success?

Financial and operational
autonomy of ownership and
organizational structure

Special Features of *Airport* Infrastructure

Agreements

Bilateral

Multilateral

Monopoly

Airports

Safety and Security

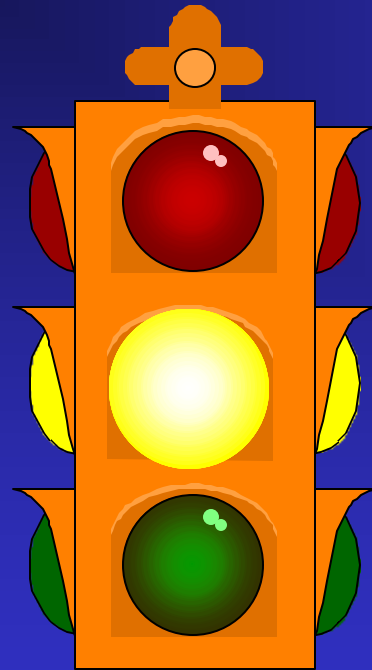
Major Issues to be considered

- ➔ In-depth analysis of airport infrastructure
- ➔ Profit and loss account of airports and ANSs separately
- ➔ What services and facilities are to be privatized and the method
- ➔ The remaining services?

Privatization

Air Navigation Services

ANS



Privatization

**Legal and
Regulatory
ASPECTS**

SARPS



Privatization process

- ➔ Government should provide all possible information to potential bidders
- ➔ Selected operator should be well-reputed, financially sound and experienced

Risks to States

- ➔ Leasing entity may become bankrupt
- ➔ Private entity may ignore safety requirements
- ➔ Conflict of interest between one entity and another

Reorganization of Civil Aviation Structure

- ➔ Keep remaining airports and ANS with government
- ➔ Create autonomous entity for provision of airports and ANS with government commitment to meet financial needs to cover other requirements
- ➔ Autonomous entity can manage ANS and other airports stay with gov.
- ➔ Privatize remaining airports and select a party which demands least subsidy

Selection of Private Investor Needs

Open bidding

Outside consultant



***Which option is
best for***



YOU

