

**INTERNATIONAL CIVIL AVIATION ORGANIZATION
AIRPORT PRIVATIZATION SEMINAR FOR THE NAM/CAR/SAM REGIONS
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**DRAFT DEFINITIONS OF DIFFERENT TERMS USED IN THE CONTEXT OF
PRIVATIZATION IN THE PROVISION OF AIRPORTS AND AIR NAVIGATION
SERVICES**

by

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Privatization. Direct involvement of private sector in the ownership or management of certain facilities and services, through a management contract, a lease, participation in equity, outright sale or a significant participation in the ownership or management of a major part of the facilities and services.

Private participation/Private involvement. Minority participation or involvement in the ownership or management of certain facilities and services or significant participation or involvement in a major part of the facilities and services.

Corporatization. Creation of a legal entity outside government to manage certain facilities and services, either through a specific statute, legal instrument, charter or under an existing statute.

Commercialization. An approach to management of facilities and services in which commercial principles are applied or emphasis is given on development of commercial activities.

Business principles. An approach to management of facilities and services in which commercial considerations have a priority.

Joint sector participation. An ownership and management structure in which the private and the government sectors both participate.

Joint venture. An enterprise with more than one major partner.

Wraparound Addition. Expansion and improvement of an existing government facility and management by a private entity.

Lease. The right to occupy certain defined premises or possess some equipment for a fixed period, which may be used for business purposes.

Long-term lease. A lease of a facility for a period of 20 years or more.

Medium-term or short-term lease. A lease of a facility for a period of less than 20 years.

Build, Operate and Transfer. An ownership and management system by which a private entity obtains certain facility on lease to build and operate and at the end of the lease returns it to the owner.

Build, Own, Operate and Transfer. This is similar to Build, Operate and Transfer system except that the private entity takes over ownership of the facility during construction.

Build, Transfer and Operate. An ownership and management system by which a private entity designs, finances, and builds certain facility and retains its ownership during the construction period. After completion of construction the ownership is transferred back to original owner and thereafter the private entity leases the facility.

Lease, Develop and Operate. A system similar to Build, Operate and Transfer but with a relatively longer-term lease.

Build, Own and Operate. A system of ownership and management by which a private entity builds the premises or facility, owns and operates it on a perpetual basis.

Buy, Build and Operate. A system similar to Build, Own and Operate except that some facility may be existing which the private operator buys before he starts building.

Management Contract. A system of management by which a private entity takes over the management of a facility for a fixed period on the basis of predetermined payment terms.

Franchising. A system of ownership and management in which a private entity is delegated the responsibility of ownership, financing and operation of certain facilities.

Equity. An interest of an ownership nature, as distinguished from an interest of creditor nature.

Sale of equity. Sale of shares of a company.

Major stake in equity. Over 50 percent share in equity.

Minor stake in equity. Lower than 50 percent share in equity.

Share flotation. Offer of shares for sale in stock market.

Divestiture. Transfer of ownership of a facility from government to private sector which can be in stages.

Outright trade sale. Sale of a facility without any restriction on its use, except by the regulatory authority.

Freehold sale. This has the same meaning as outright trade sale.