

**ICAO
NAM/CAR/SAM Regions
Airport Privatization Seminar**

**Airport Commercialization As An
Alternative To Privatization**



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Sypher

SPECTRUM OF MANAGEMENT/ OWNERSHIP OPTIONS

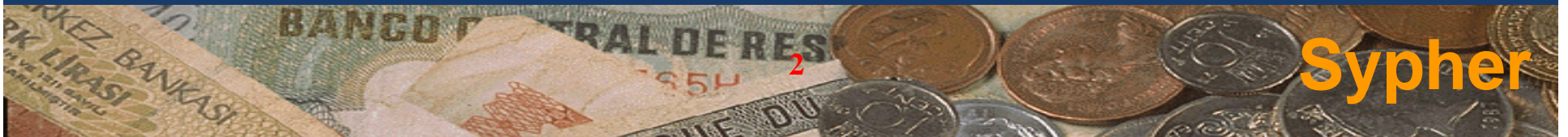
Government
Support &
Control

Government
Department

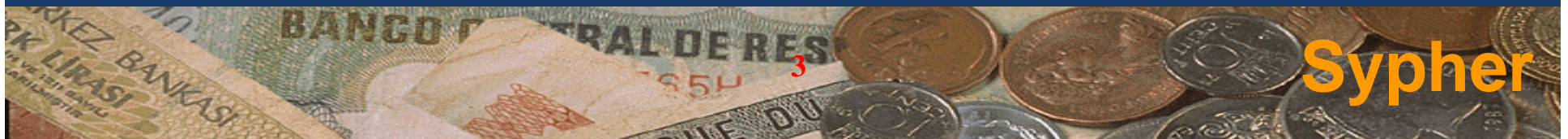
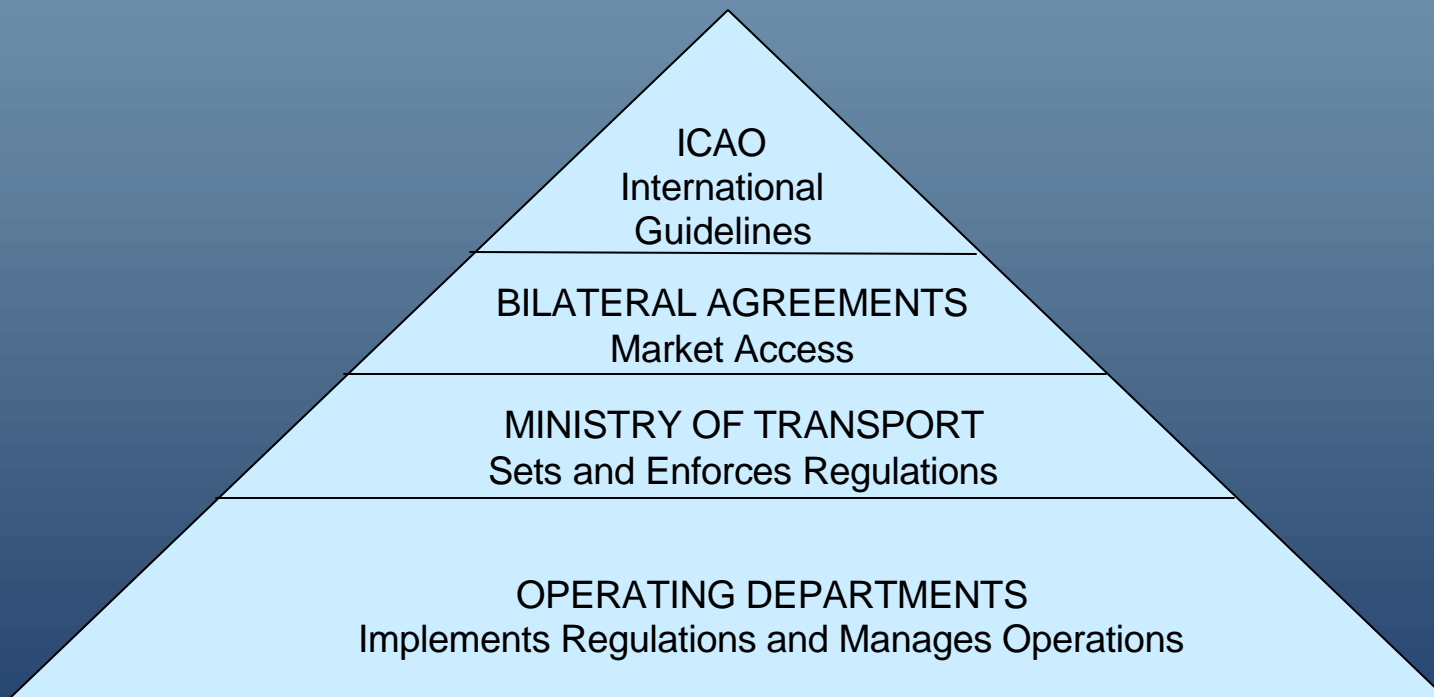
Commercial

Private

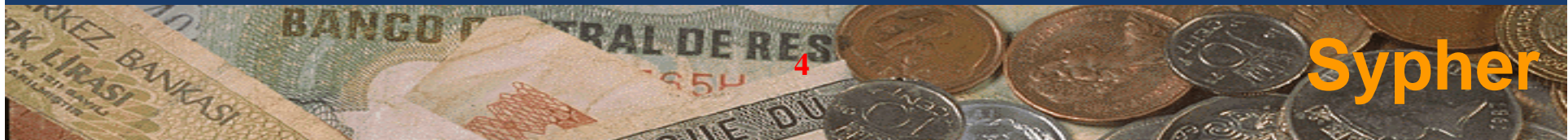
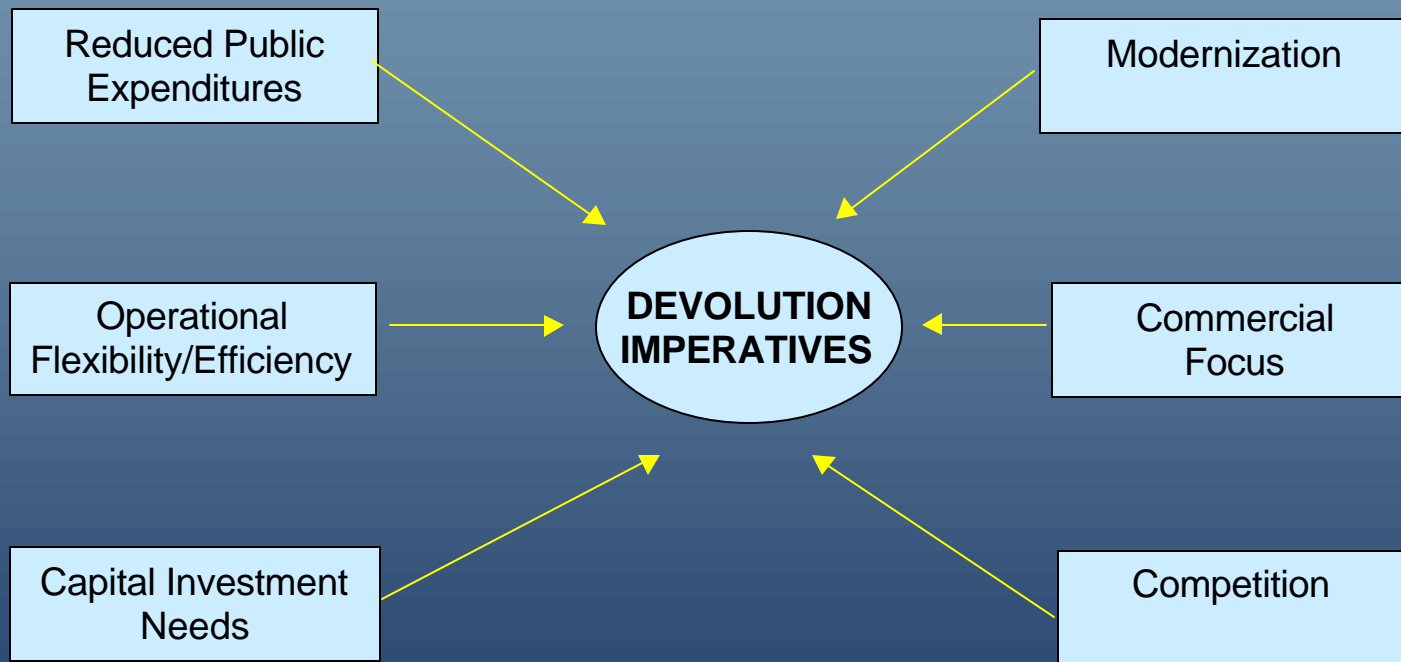
Commercial Focus/Rate of Return



AVIATION INSTITUTIONAL FRAMEWORK



GOVERNMENT DRIVERS



WHAT IS AIRPORT COMMERCIALIZATION?

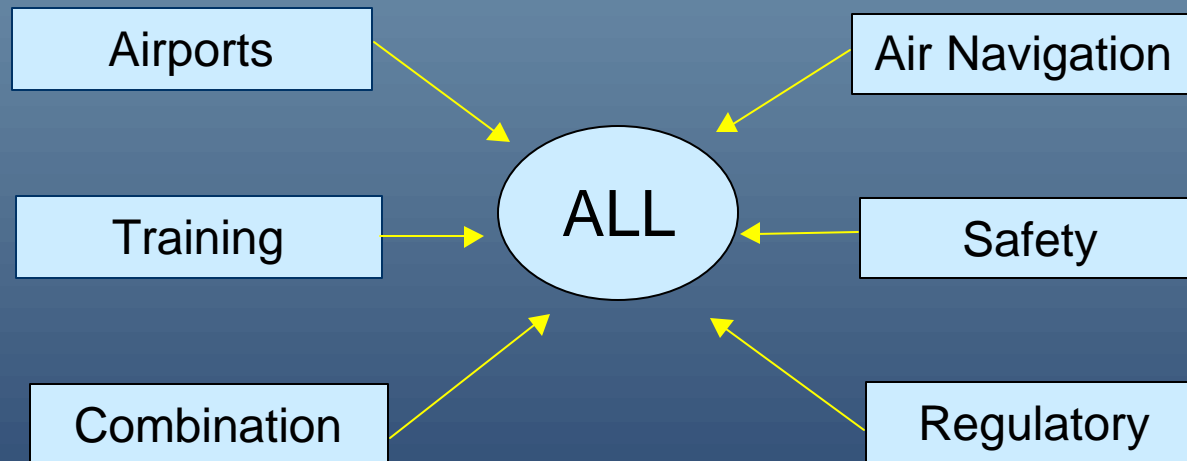
- Shift of aviation management and operations from government department to a “business focused” enterprise
- Shift in management not ownership
- Corporate forms
 - Parastatal (Crown Corporation)
 - Not-For-Profit Non-Statutory Corporation
 - For-Profit Non-Statutory Corporation
- Government is only “shareholder” initially



WHAT IS AIRPORT COMMERCIALIZATION

(Continued)

→ Key decision is which unit(s) to include:



COMMERCIALIZATION PRINCIPLES

- **Preserve safety & security**
- **Contribute to national economy**
- **Improve productivity**
- **Promote containment of costs**
- **Rationalize investments**



COMMERCIALIZATION PRINCIPLES

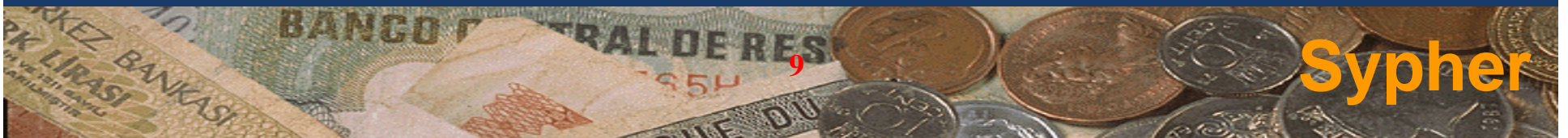
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- ➔ **Incorporate accountability mechanisms**
- ➔ **Incorporate mechanisms for user input**
- ➔ **Incorporate environmental protection provisions**



BENEFITS OF COMMERCIALIZATION

- Allows time to develop broader policy goals/objectives for sector
- Provides opportunity to implement legal and regulatory framework
- Step towards potential privatization
- Allows further evaluation
- Allows asset base to be valued



BENEFITS OF COMMERCIALIZATION

(Continued)

- Allows true revenue potential to be estimated
- Phase-in impact on national carrier
- Allows time to address human resource issues



GENERAL ISSUES IN RESTRUCTURING

- Equality between commercial and non-commercial units
- Level of government support/guarantees
- Government retention of revenues
- Government responsibility for directed capital



GENERAL ISSUES IN RESTRUCTURING

(Continued)

- Ability of legislative/regulatory framework to support commercialization
- Ultimate objective for air transport sector
- Strength/health of national carrier
- Impact of change in government



ISSUES IN DETERMINING VALUE

- **Government/cash accounting**
- **Cost of other government departments**
- **Lack of cost centre reporting**
- **Limited historical asset records**
- **Multiple data sources**
- **Inconsistency between sources**



EXPENDITURE CONSIDERATIONS

- Level of analysis and justification
- Completeness of cost base
- Level of financial authorities
- Services provided to OGDs
- Funding source and expenditure type



REVENUE CONSIDERATIONS

- **Crediting of revenue to central fund**
- **Ability of users to pay**
- **Commercial contracting principles**
- **Collection and follow up**
- **Link between fees and cost of service**
- **Scale of activity**



STAFFING CONSIDERATIONS

- Wage and productivity link
- Wage and qualification link
- Technical focus historically
- Private sector differentials
- Status of non-professionals
- Division of duties and functions



STAFFING CONSIDERATIONS

(Continued)

- Age profile
- Transition plan
- Lines of authority and responsibility
- Potential for cross-utilization



CONCLUSIONS

- Logical 1st step for enterprise with unknown value
- Commercialization is interim step
- Allows true value of infrastructure to be determined
- Acceptable model for wide audience
- Timeframe dependant on existing organization and legislative framework



CONCLUSIONS

(Continued)

- Allows “in-house” expertise to be developed
- Allows macro level sector policy to be developed
- Allows value of enterprise to be maximized
- Cost of implementation is minimal compared to potential improvements in ultimate return

