



CAR/SAM Regional Planning and Implementation Group (GREPECAS)
Eighteenth Meeting of the CAR/SAM Regional Planning and Implementation Group (GREPECAS/18)

Punta Cana, Dominican Republic, 9 to 14 April 2018

Agenda Item 7: Other business

PROMOTION OF SUSTAINABLE AIRPORT GOVERNANCE

(Presented by IATA)

SUMMARY	
<p>ICAO, in its Doc. 9082 on policies on charges for airport and air navigation services, highlights, under “Best Practices” (Section I), that States shall ensure the use of best practices of good corporate governance for airports and ANSPs. This Working Paper addresses shortcomings observed in privatized airports in CAR/SAM. Furthermore, it provides recommendations on how to avoid these shortcomings, regardless of the governance structure of an airport, and proposes it be a priority of adoption for the period 2018-2020.</p> <p>Suggested Action for the GREPECAS/18 in paragraph 5.</p>	
<p>References:</p> <p>Doc9082 - ICAO’s policies on charges for airport and air navigation services</p>	
<p>ICAO Strategic Objectives:</p>	<p><i>A: Operational Safety</i> <i>B: Capacity and Efficiency</i> <i>C: Aviation Safety and Facilitation</i> <i>D: Economic Growth</i> <i>E: Environment Protection</i></p>

1. INTRODUCTION

1.1 Appropriate airport governance is crucial for the long-term success of an airport and the alignment of its goals to those of the State. In Latin America, most major airports have been privatized and the trend is now shifting into medium and smaller airports.

1.2 Privatization or corporatization in various industry sectors, if structured appropriately and carefully monitored through regulatory oversight, can deliver benefits including improved customer service, as well as increased operational efficiency, investment and innovation.

1.3 However, many privatizations or corporatizations in CAR/SAM have not delivered on the above attributes.

1.4 Significant shortcomings can arise when key factors are not considered and addressed properly. The most commonly observed shortfalls are: A) lack of clarity on the drivers to privatize; B) insufficient regulatory oversight to avoid abuse of airport market power; C) misalignment of objectives, from the outset, between the State, concessionaire, airlines, and the socio-economic benefits for the society;

1.5 Given that airports are, by enlarge, monopolies and essential assets to drive the economic development of the area it serves, it is especially important to carefully define the best governance structure. It is imperative that airports function in line with customer driven service levels and cost effectiveness, so to attract new air services and deliver the expected benefits to society.

2. **CONSIDERATIONS WHILE ANALIZING AIRPORT PRIVATIZATIONS**

2.1 Vision - The provision of aviation infrastructure should be considered as a public service, an essential economic generator for any country and the region served by the airport. It must be seen as part of a long-term vision serving consumer demand for air transport and for economic development.

2.2 Drivers – Drivers for privatization of airports often include an improved level of service to the travelling public, as well as access to financing, in order to execute necessary airport improvements and expansions. However, too often, governments opt to privatize an airport in order to generate immediate and future cash flow to help fund activities unrelated to aviation.

2.3 Objectives - State objectives should always aim for improved operation and cost-efficiency, and customer service, as well as long-term stability and success of the airport.

2.4 Airport Market Power - Airports in the CAR/SAM area do not naturally have competition. When they are privatized or corporatized, the pressure to maximize shareholder returns can too often outweigh the core objective of delivering user/consumer benefits. Regulation, among other things, should prevent an airport to abuse its market power. In order to prevent abuses of dominant position by airports and ensure a fair, transparent and equitable recovery of the costs of providing efficient airports and air navigation services facilities and services, IATA fully supports ICAO's policies on charges in Doc 9082.

2.5 Oversight - In line with ICAO's policies on charges, States and regulators have a vital role to play in maintaining vigorous oversight of charges through a robust, independent and effective economic regulation to protect users against providers' potential abuse of dominant position and ensure that charges are cost-effective. Hence, it is important to establish a robust economic regulation and to create an independent entity that assures that this regulation is complied with.

2.6 Measurements - The success of privatization must be measured by increased connectivity, service levels and cost effectiveness, and not by financial gains for governments and/or investors. Proper levels of service agreements must be designed and complied with by all stakeholders.

2.7 So far, airport privatizations have been mostly disappointing in meeting the above criteria, especially due to the misalignment of drivers, as well as the lack of appropriate regulatory controls and balances in place.

3. **SUGGESTED ACTIONS**

3.1 The CAR/SAM Regional Planning and Implementation Group is invited to:

- a) Encourage States to define a long-term vision for airports, including connectivity, social impact, economic impact, etc. and ensure airlines, as key stakeholders, are involved from the outset on any anticipated development in airport ownership or governance.;
- b) Encourage States to develop strong, robust, independent and effective economic regulation, regardless of an airport's governance structure or any intent to modify it; and
- c) Encourage States to adhere to ICAO's policies on charges in Doc 9082 and to incorporate the four key charging principles of non-discrimination, cost-relatedness, transparency and consultation with users into national legislation, regulation or policies in order to ensure compliance by airport operators and air navigation services providers.

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