



Case Study

on Commercialization, Privatization and Economic Oversight of Airports and Air Navigation Services Providers

Argentina

Background (until the mid-1990s)

In Argentina, there are over 20 international airports and close to 200 smaller regional airports or airfields. Traffic volumes have varied widely among airports with Buenos Aires' two airports, Ezeiza (international) and Aeroparque (mainly domestic), capturing two-thirds of total passenger numbers. Until 1997, most of the principal airports had been under direct ownership, regulation and control of the Comando de Regiones Aéreas (CRA, Air Regions Command) of the Fuerza Aérea Argentina (FAA, Argentine Air Force). Some provincial and municipal Governments have also owned smaller regional airports, many heavily loss-making, in their respective areas.

The CRA was created in 1968 to take care of both civil and military aviation services. In addition to directly owned and operated airports, it also owned air traffic control facilities, and had been responsible for air navigation services, weather forecasting, aircraft and pilot registration (civilian), accident investigation (both civilian and military) and air communications. The CRA had regulated both airport and air navigation services charges under Law No. 13.041 of September 1941 as amended.

Commercialization/privatization: Airports

The Government began the deregulation of the nation's economic activities and the privatization of public enterprises in the early 1990s. In this sector-wide policy context, private participation in the National Airport System (Sistema Nacional de Aeropuertos, SNA), which was comprised of 57 airports at that time, became a subject under study, particularly after years of very little investment in the airport sector due to cutbacks in the FAA budget.

In April 1997, the President signed Decree 375/97 (amended by Decree 500/97 in June), which announced the transfer of the operation and administration of a large part of SNA to a single private entity through a concession. A sole-party concession was deemed necessary because estimates that only a maximum of eight airports were profitable indicated the need for cross-subsidies to improve facilities at many airports. Also, due to opposition from some shareholding provincial Governments, the number of airports in the tender package was reduced to 33 but major airports such as Aeroparque, Bariloche, Comodoro Rivadavia, Córdoba, Ezeiza, Iguazu, Mendoza and Salta were all included.

In February 1998, the Aeropuertos Argentina 2000 (AA2000) won a 30-year contract to manage the 33 SNA airports, with an option for 10 additional years. AA2000 is a private multinational consortium formed originally by Corporacion America Sudamericana (CAS, led by Eduardo Eurnekian, 35 per cent), Ogden Corporation (a US ground-handling company, 28 per cent), Societa Per Azioni Esercizi Aeroportuali (SEA, Milan airport operator, 28 per cent), Simest Spa Italy (8 per cent), and RIVA (1 per cent). The concession was based on a build-operate-transfer (BOT) system with an investment commitment of \$2.2 billion over the concession period and a \$171.2 million annual license fee. Investments have been concentrated in the new terminal of Ezeiza Airport, the enlargement of Bariloche Airport and the construction of a new passenger terminal at Cordoba Airport.

In May 1998, AA2000 commenced management of Ezeiza Airport, followed by Aeroparque and Cordoba airports. Within a few years, another 29 airports were subsequently transferred to the consortium (among 33 concession airports except Jujuy airport, which was transferred in 2008).

In March 2004, there was a reshuffle of shareholdings in AA2000, which was triggered by CSA's acquisition of Ogden's (changed name to Covanta) 28 per cent shareholding in 2004. Currently, AA2000 shareholders are Società per Azioni Esercizi Aeroportuali S.E.A (8.5 per cent), Grupo Corporación América S.A, of the Argentinian businessman Eduardo Eurnekian (75.65 per cent), the Argentine National Government (15 per cent) and Riva SAICFyA (0.85 per cent). Most of the other airports (the SNA airports that were excluded from the concession process and ones that do not belong to SNA) remained under the direct control of FAA or the control of the provincial Governments or municipalities. In December 2000, the Government decided to hand over to the respective provincial Governments and/or municipalities responsibility for incorporating private capital into 18 regional airports. Under this new policy, in September 2001, a private consortium Aeropuertos del Neuquén S.A. won a 20-year concession to manage Neuquén Airport. Even before this policy was announced, there were a few cases of private participation taking place in airports owned by provincial Governments and/or municipalities. For example, the terminals of Ushuaia and El Calafate airports were built by London Supply S.A., which has been managing them under BOT contracts since 1995 and December 2000, respectively. London Supply S.A. has also been managing Trelew and Valle del Conlara airports since January and December 2001, respectively.

Commercialization/privatization: ANSP

The provision of air navigation services was neither corporatized, privatized nor commercialized. CRA continues to hold under its responsibility the control functions on security issues, air traffic and navigation services, aeronautical regulation and services of communications, meteorology, search and rescue and, in general, the technical aspects of SNA. In the airports operating under concessions, the consortium employs and supervises airport personnel and subcontractors, but it is not responsible for the maintenance and operation of air traffic operations or landing systems, which are handled by CRA.

In 2009, the CRA was dissolved and its ATC functions were taken over by a new civil organization, namely the Administración Nacional de Aviación Civil (ANAC).

Economic oversight: Airports

Under Decree 375/97, the Government created the Organismo Regulador del Sistema Nacional de Aeropuertos (ORSNA), part of the Department of Economy and Infrastructure. The aim of ORSNA is to regulate the concessionaires by setting airside fees and charges (airport charges related to landing and parking of aircraft), approving development plans and overseeing the quality of the services provided by the airports. In the case of conflicts between the concessionaire and the airline, the airline could ask for the ORSNA mediation. If conflicts involve the regulatory body itself, the national judicial system would intervene in the case.

With respect to airport charges, the concession contract contains a price-cap mechanism to restrict the maximum permitted rate of their increase. The formula of the cap is "consumer price index (CPI) minus an efficiency factor X" on a revenue yield basis and is consistent with the single-till approach. The cap may be set for a minimum of three and a maximum of five years. Under the prescribed cap, the concessionaire is required to maintain the agreed investment programme but this may be renegotiated if in any year the traffic falls more than 10 per cent below the forecasts. ORSNA also specifies service standards and

commissions annual surveys. It can modify the formula or impose fines if the standards are not met by the concessionaire.

Economic oversight: ANSP

The Administración Nacional de Aviación Civil (ANAC) continues to regulate and set air navigation services charges.

Last update: 07 January 2013