



## Case Study

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

# Chile

## Background

There are 43 airports and airfields located in Chile, but only a few handle the majority of Chile's passenger and cargo traffic. More than half of Chile's air transport activities are handled at Santiago-Arturo Merino Benitez International Airport.

Air navigation services are provided by the Dirección General de Aeronáutica Civil de Chile (DGAC, General Directorate of Civil Aviation), part of the Ministry of Defence.

## Commercialization/privatization: Airports

The Ministry of Public Works of Chile launched a program to build and upgrade transport infrastructure by using concessions. An Infrastructure Concession Law and its accompanying Regulations were adopted in 1991, allowing the Government of Chile to concede the construction and operation of public infrastructure through competitive biddings. The build-operate-transfer (BOT) concession program was effectively implemented in the mid-1990s, and more than 30 road and airport projects have been awarded since. Regarding airports, the following concessions were granted:

- Iquique-Diego Aracena International Airport: the concession started in 1996 for a 12-year period and was granted to Concesionaria Chucumata. A new concession was awarded to Aerotas consortium in 2008 for a 15-year period (expansion was scheduled to take two years and exploitation rights then run for seven years). Nevertheless, the airport was re-concessed in 2012 to Flughafen Zürich AG (in a joint venture with Brazil's Camargo Corrêa and Chile's Gestión e Ingeniería) for a 4-year period.
- Puerto Montt-El Tepual International Airport: the concession started in 1996 for a 12-year period and was granted to Concesion Aeropuerto El Tepual. A new concession was awarded to Sociedad Concesionaria Aeropuerto Puerto Montt in 2008 for a 15-year period.
- Calama-El Loa International Airport: the concession started in 1998 for a 12-year period and was granted to Concesion Aeropuerto El Loa. A new concession was awarded to Angusa in 2011 (the concession will revert to the state once the concessionaire's revenues reach \$24.6 million).
- La Serena-La Florida Airport: the concession started in 1998 for a 10-year period and was granted to Concesión Aeropuerto La Florida. The Ministry of Public Works then granted a new 10-year concession to Angusa in 2012.
- Santiago-Arturo Merino Benitez International Airport: the concession started in 1998 for a 15-year period and was granted to SCL Terminal Aéreo Santiago S.A (an international consortium comprising Chilean, Spanish, and Canadian firms). A second concession tendering process is expected to take place in 2013.
- Concepción-Cariel Sur International Airport: the concession started in 1999 for a 16.5-year period and was granted to Sociedad Concesionaria Aerosur.
- Punta Arenas-Presidente Carlos Ibañez International Airport: the concession started in 2000 for an 8.5-year period and was granted to Aeropuerto Carlos Ibañez del Campo

de Punta Arenas (Austral Sociedad Concesionaria). A new concession was awarded to Aeroportuario de Magallanes in 2010.

- Copiapó-Atacama Airport: the concession started in 2002 for a 20-year period and was granted to Aeropuerto Regional Atacama.
- Temuco-Maquehue Airport: the concession started in 2010 for a 20-year period and was granted to Belfi, but a decision from the appeals court of Santiago of May 2010 has ordered the Ministry of Public Works to suspend work, meaning that for now development of the Temuco airport concession is on hold.

### **Commercialization/privatization: ANSP**

The provision of air navigation services was neither corporatized, privatized, nor commercialized. The General Directorate of Civil Aviation continues to hold under its responsibility the control functions on security, air navigation services, aeronautical regulation and services of communications, meteorology, search and rescue and, in general, the technical aspects of ANS. The DGAC operates 102 radar antennas, 24 radar control systems, among other equipment.

### **Economic oversight: Airports**

The Ministry of Public Works is in charge of designing, awarding, and monitoring airport concessions. Other Ministries are nevertheless included in this process: the approval of the Minister of Finance is required for all concession contracts, while its Ministry is involved in the design, award, and potential renegotiation of concession contracts.

The economic oversight parameters are contained in each concession contract, and constitute a fundamental variable of the bidding process. They must be consistent with the Infrastructure Concession Law and its accompanying Regulations, which identify several criteria that can be applied in the bidding process, such as minimum rates, higher payments for existing infrastructure, lower subsidies or a combination of technical and economic considerations. In other words, the economic oversight framework for each concession are specified during the tendering process.

The Government of Chile nevertheless implemented the possibility of a minimum income guarantee in airport contracts. This revenue is optional: if a concessionary bidder decides to request it, it will have to share extra revenues with the Government if the collected revenues are higher than the threshold established in the concession contract; if it decides not to request it, it will have to assume the whole traffic risk. Most bidders have chosen to receive this revenue guarantee, which increases their competitiveness in the bidding process by reducing the financial cost of the project. In the first concessions awarded by the Government of Chile, a rate-of-return threshold was implemented to trigger the revenue-sharing, which was later on replaced by a mirror line system. The overall objectives of the minimum income guarantee are to make traffic risk distribution more fair and to encourage the participation of financial institutions in lending to concessionaires.

Finally the Government of Chile enacted specific regulations stipulating that airport concessionaires cannot have decisive influence over the management of air carriers using their facilities (a maximum capital participation of 20 per cent is allowed).

### **Economic oversight: ANSP**

The General Directorate of Civil Aviation continues to regulate and set air navigation services charges.

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