



Case Study

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

Jordan

Background

There are eight important airports in Jordan. Three are civilian and the other five are military. The civilian airports are: Amman-Queen Alia International Airport; Amman-Marka International Airport; and Aqaba-King Hussein International Airport. The five military airports are: Dafyanah-Prince Hasan Airport, Zarqa Airport, Assab-H4 Airport, Mafraq-King Hussein Airport, and Azraq-Shaheed Mwaffaq Airport.

Marka Airport was the home hub of Royal Jordanian Airlines until 1983 and the launch of Queen Alia International Airport.

Commercialization/privatization: Airports

The commercialization of civilian airports began in 1994 with the recommendation from the Civil Aviation Authority (CAA) of running Queen Alia International Airport on purely commercial lines, and with the explicit objective from the Government of Jordan to prepare its privatization. In November 1995, the Government launched an \$85 million plan to modernize the three civilian airports.

Ten years later, the Jordanian Ministry of Transport invited six international consortia to bid for the construction of a new hall and the upgrading and the expansion of Amman-Queen Alia International Airport, under the form of a build-operate-transfer (BOT) contract. The International Airport Group (IAG), an Aéroports de Paris-led consortium, won the BOT contract on 5 October 2006. IAG ownership structure is as follows: Abu Dhabi Investment Company (38 per cent), Kuwait's Noor Financial Investment Company (25 per cent), and Aéroports de Paris Management, J&P Ltd, J&P Avax and Jordan's EDGO Group (with 9.5 per cent each). The Government and IAG signed a 25-year agreement on 19 May 2007 and a financial close was reached on 15 November 2007. Under the concession agreement, the government will receive 54.5 per cent of total revenues in the first six years, then 54.6 per cent thereafter.

Other civil airports were also commercialized in the wake of Queen Alia International Airport. On one hand, King Hussein International Airport in Aqaba was transferred in 2007 to Aqaba Airport Company, which is a subsidiary of the Aqaba Development Corporation (ADC). ADC also owns Aqaba's seaport and strategic parcels of land. It is a private shareholding company wholly owned by the Government of Jordan and the Aqaba Special Economic Zone Authority (ASEZA), each with a 50 per cent stake. On the other hand, the Government of Jordan created a new entity to take over the management and the operations of Amman-Marka International Airport. The Jordan Airports Company was incorporated in December 2008 as a new private shareholding company, wholly owned by the Government of Jordan, with the objective to develop the airport on a commercial basis. The Jordan Airports Company gave a contract for technical assistance provision in the strategic company development to Lufthansa consulting in November 2009. This contract was extended in April 2010. Finally, it is expected that the Jordan Airports Company will also assume the commercial operation of Mafraq-King Hussein Airport.

Commercialization/privatization: ANSP

The provision of air navigation services was assumed by the Civil Aviation Authority until August 2007. The Civil Aviation Law no.41 of 2007 replaced it by the Civil Aviation Regulatory Commission (CARC).

Air navigation services within CARC are under the responsibility of an Air Navigation Services Commissioner. It is currently undergoing a major transition in order to become fully financially and operationally autonomous and to encourage a business approach to service delivery.

Economic oversight: Airports

The Civil Aviation Law no.41 of 2007 enacts the separation of airport management and operation from regulation. While the former is in the hand of airport companies, the responsibility of the latter is assumed by the Civil Aviation Regulatory Commission. Airport economic regulations apply to partial or complete privatized airports, or airports generating assets from their aeronautical revenues, but only at those airports where annual passenger movements exceed 250 000, measured as the sum of arriving and departing passengers.

The Civil Aviation Law no.41 of 2007 also enacts the legal basis for setting user charges. The general principle is to compare the relative price competitiveness of Jordan airports against other airports in the region (yardstick regulation). Eight airports are being used for the price comparisons: Beirut; Bahrain; Cairo; Larnaca; Tel Aviv; Tripoli; Damascus; and Riyadh. The CARC will maintain a price monitoring if aeronautical charges measured at the airports are less than 120 per cent per cent of the numerical average of the comparison airports for at least two aircraft based on maximum take-off weight, and if the airports do not have the highest aeronautical charges for any single aircraft type evaluated under the same criteria. If price monitoring is deemed to be inadequate, the CARC may impose price control. Finally, the price monitoring is subject to an annual revision.

Economic oversight: ANSP

The Civil Aviation Regulatory Commission continues to regulate and set air navigation charges under the Civil Aviation Law no.41 of 2007.

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