



Case Study

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

Thailand

Background

Until the mid-2000s, there were five international airports in Thailand with scheduled international flights: Bangkok-Don Mueang International Airport; Phuket International Airport and Hat Yai International Airport in the South; and Chiang Mai International Airport and Mae Fah Luang-Chiang Rai International Airport in the North. There is also a network of 29 domestic airports throughout the country.

Airport infrastructure operation and management was traditionally under the shared responsibility of the Airport Authority of Thailand, which operated international airports with schedule international traffic, and the Department of Civil Aviation (DCA), which operated the remaining 23 provincial airports. The Airport Authority of Thailand was established as a State enterprise under the Ministry of Transport and Communication on 3 March 1979. It was consequently subject to Cabinet authority and Ministerial regulations. Finally, U-Tapao Pattaya International Airport has been under the sole responsibility of the Royal Thai Navy.

Aeronautical Radio of Thailand (AEROTHAI) is mainly responsible for providing air navigation services. It was founded in 1948 by airlines with the consent of the Government to provide air traffic control and aeronautical communication services for airline operations. The Government acquired the majority of the AEROTHAI's share capital from the founding airlines in 1963, thereby transforming the air navigation services providers into an enterprise. It took the name of AEROTHAI at this date. It is licensed to operate by the Department of Civil Aviation.

Commercialization/privatization: Airports

The Government of Thailand created on 27 February 1996 the New Bangkok International Airport Co Ltd. (NBIA) to oversee the creation and the development of a sixth international airport: Bangkok-Suvarnabhumi International Airport. NBIA took the form of a privately-managed and State-owned company attached to the Ministry of Transport and Communication. NBIA's shareholders are the Airport Authority of Thailand (with 91.49 per cent of the shares) and the Ministry of Finance (with 8.51 per cent of the shares). The new airport was officially opened for limited domestic flight service on 15 September 2006, and opened for most domestic and all international commercial flights on 28 September 2006.

In the meantime, the Airports Authority of Thailand was corporatized from a State enterprise into a public limited company. The Airports of Thailand Public Company Limited (AOT) was established on 30 September 2002 in compliance with the State Enterprise Capitalization Act. AOT took over all businesses, rights, liabilities, responsibilities, assets and staff formerly belonging to the Airports Authority of Thailand. All AOT's shares were owned by the Ministry of Transport and Communication, which decided to raise AOT's capital through the issue and sale of new shares to the Ministry of Finance. New shares were also issued in 2004 for the general public and for foreign financial institutions. AOT has been publicly listed since, and the Ministry of Finance has been its largest shareholder with a 70 per cent stake, with the other 30 per cent held by institutional and retail investors.

After the construction of Suvarnabhumi International Airport and prior to its official opening, the New Bangkok International Airport Company was transferred to AOT (staff was

transferred in 2004, while the transfer of assets, rights, liabilities and obligations was completed in 2006).

There are also three other private airports with scheduled flights in Thailand. Bangkok Airways, a privately-owned domestic airline which began scheduled services in 1986, has built, owned and operated (BOO) three airports. First, Samui International Airport, located on Samui Island, began operations in 1989, and was upgraded into a customs airport in 1997. Second, Sukhothai Airport construction began in 1992 and the facility was officially opened to serve its first flight in 1996. Third, Trat Airport was built in 2002 and later commenced commercial operations in 2003.

Finally, the Department of Civil Aviation (DCA) has kept responsibility for operating other provincial airports.

Commercialization/privatization: ANSP

AEROTHAI is a State-owned enterprise under the Ministry of Transport and Communication, which holds 91 per cent of its shares. The remaining 9 per cent are held by member airlines that have scheduled flights to Thailand (there are currently over 90 member airlines). AEROTHAI's investments are approved by the Ministry of Transport and the Cabinet, while all budgets are approved by the Board of Directors, which mostly consists of representatives from the Ministry of Finance, the Ministry of Transport, and the Royal Thai Air Force. The government appoints nine of the eleven board members, while two members are representatives from airline shareholders.

Economic oversight: Airports and ANSPs

Airport charges are regulated by the Government of Thailand. The Civil Aviation Board, which was established in 1954, takes consultation and gives advice to the Minister of Transport on matters of civil aviation. The Board approves, with the consent of the Minister, the rates of fare and freight of transport aircraft and the rates of air navigation facilities service charges proposed by the Department of Civil Aviation. The Minister of Transport chairs the Civil Aviation Board, which includes not more than seven board members appointed by the Government. It should also be noted that Thailand airports operate under the dual-till regime. Finally, a Ministry of Transport directive from 2005 recommends engaging consultations with airlines before setting or modifying the level of airport and air navigation services charges.

Economic oversight: ANSP

Air navigation services charges are also regulated by the Government of Thailand through the Civil Aviation Board.

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