Agenda Item 2

Organizational Structures of Airports, including Commercialization
Overview

- ANSConf 2000
- ICAO’s Policies §§ 10-17
- Chapter 2 of the Airport Economics Manual
- Circular on Privatization
ANSConf Recommendations

1 – Autonomy in the operation
2 – State responsibilities
3 – Guidance on commercialization
6 – Performance parameters
9 – Obligations of autonomous operators
10 – First resort mechanism
11 – General/business aviation airport access
12 – Independent mechanism for economic regulation
13 – Best commercial practices
Network of airports and cross-subsidization of airports

States to decide

Full transparency

Guidance by ICAO (ANSCConf Recommendation 3)
ICAO’s Policies in Doc 9082/7

Organizational and managerial issues
- Autonomy and privatization
- Independent mechanism for economic regulation
- Performance parameters
- Best commercial practices
Chapter 2 of the Airport Economics Manual

- Airports within a government department
- Autonomous airport entities
- Autonomous civil aviation authority
- Private involvement in airport ownership and operations
- Systems, networks and alliances
Airports managed by a government department

- A separate entity or department
- Separate accounts
- Internal accounting system
- Report to DGCA
- Decision-making authority
Decision-making authority

Head of department

- Daily operations
- Purchases of supplies
- Negotiate concessions and rental agreements

Higher level (DGCA)

- Approve charges (in consultation)
- Major purchases or investments
- Major concession and rental agreements
Reasons for establishing an autonomous airport entity

- Improve efficiency and financial situation
- Investment financing
- States relieved from major investments
- Development of non-aeronautical activities
Charter of an autonomous airport entity

- Describes services and areas
- Assets – whose property, value, debt?
- Financial independence
- Financing plan, recovery of shortfalls
- Board of directors or CEO
- Whom to report to
Autonomous airport entity - Organization

- Corporation
- Board of directors
- General manager
Advantages of financial independence

- Closer control of revenues and expenses
- Negotiate loans
- Stronger negotiation position in concession contracts and industrial relations
- Take advantage of special offers and discounts
- Access to generated convertible currency
- Better financial terms for staff
Additional advantages of autonomous entities

- Breeding a business culture
- Lower expenses per traffic unit
- Reduced financing burden on governments
- Improved quality of service
- Distinction between regulator and provider
Autonomous Civil Aviation Authority

- One airport and limited air traffic activity
- Avoid duplication of costs (administration, overheads etc)
- Avoid rivalry
- Reduced need for public funds
- Financial independence
Private sector ownership and control

Transfer of full or majority ownership of facilities and services to the private sector.
Options for private participation

- Management contract
- Lease
- Transfer of minority ownership
- Private sector ownership and control
Management contract

- Management of airport transferred for a limited period of time and for a fee
- Professional management
- Does not include development projects
Leases/concessions

- Short-, medium-, long-term
- Airport transferred for management and development for a fixed period
- BOT, BOOT, BTO, etc
Transfer of minority ownership

- Partial transfer of ownership to the private sector
- Can be progressive
Private sector ownership and control

- Majority, or
- Full ownership transferred
Reasons for privatization and private participation

- Financing options
- Privatization as a source of revenue
- Major airports considered as commercial entities
- Emergence of a global airport management industry
Cautionary Factors

- Airports essentially a monopoly of critical importance for economy
- Safeguards required to prevent overcharging, and ensure national air transport objectives are met
- Ensure non-aeronautical profits contribute to aeronautical losses
- Government able to inspect accounts to prevent abuse
Responsibilities of States

- Provision of airports and air navigation services (Article 28)
- Respect other Articles (Art. 11, 15, 37, etc.)
- Safety and security (certification)
Circular on Privatization of Airports and Air Navigation Services

Contents

- Description of terms
- Developments in ownership and management
- ICAO policies and guidance
- Ownership and management options
- Preparing for change in ownership and management structure, including regulatory aspects
- Selection of private provider and contract documentation
Circular on Privatization -
some definitions

- Autonomous airport authority
- Privatization
- Private participation and private involvement
- Corporatization
- Commercialization
Privatization – a gradual process

- United Kingdom: government corporation > government-owned company > shares
- New Zealand, China, Malaysia and South Africa: government-owned company > shares
- Australia: government corporation > leases
- Latin America: private participation directly (leases)
Preparing for change in ownership and management

- Planning and consultation
- Study of financial and managerial situation
- State to decide on options
- Gradual change
- Management of residual facilities and services
- Revenues from privatization
- Change in legal framework
- Other regulatory aspects
- Human resources issues
Conclusion

There is no best option for global application
Discussion

questions?

Sharing of experience