

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Montreal, 19 - 28 June 2000)

Agenda Item 2: Organizational issues

Agenda Item 4: Determinants of the economic regulation of airports and air navigation services

AIRPORT OWNERSHIP

(Presented by Airports Council International)

SUMMARY

There is a wide range of structures of airport ownership and operation. States should consider the form of ownership most appropriate for their airports. In doing so, they should bear in mind the need to allow airport operators freedom to operate efficiently in the interests of users, the travelling public and the community, and the scope for the use of private capital to expand and improve airport facilities. Where airports are outside Government control, the State should, only if necessary, provide a system of regulation to safeguard the interests of airport users, passengers, and the surrounding community.

1. Background

1.1 Until the mid-1980s, virtually all international airports were owned and operated by national or local governments or their agencies. This arrangement ensured public control of these vital elements of transport infrastructure. Since 1987, a marked trend has developed towards the establishment of autonomous airport authorities and private sector involvement in airports. This has ranged from the creation of autonomous authorities accountable to governments (local or national), to private companies operating airports under contract through private/public partnerships, to leasing of airports, and to outright sale of airports to investors through stock offerings.

1.2 The impetus for the introduction of private capital has come from a number of sources, but two common themes are found throughout:

- !** The shortage of public funds for airport development and the opportunity to obtain additional capital from private sources.

- ! The proposition that private sector management and ownership could lead to greater operating efficiency and innovation.

2. **Key issues and recommendations**

2.1 The trend towards privatization is now well established, with examples in all five continents and further significant projects under consideration. It should be noted, however, that a number of governments have considered and rejected privatization, and many airports remain unsuited for private sector participation.

2.2 In the light of these factors, and considering the diversity of its membership, ACI does not recommend or favor any particular ownership model. States should be encouraged to adopt the form of ownership most appropriate for their airports, under local conditions. In doing so they should give airport operators the flexibility to operate their businesses in the interest of their communities and their users, free of unnecessary political interference. States should also consider the airports' need for capital, and evaluate options for meeting those needs, which may include tapping private sector sources of funding and providing tax incentives.

3. **Action by the Conference**

3.1 The Conference is invited to recognize the need for airport operators to have the flexibility to adopt ownership and management structures which permit the highest levels of service to the traveling public, the airlines and the surrounding community. Such structures may include forms of privatization, particularly when such an approach brings greater efficiency of operations and enhances access to capital markets.

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