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INTERNATIONAL CIVIL AVIATION ORGANIZATION

## **CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES**

(Montreal, 19 - 28 June 2000)

### **INFORMATION PAPER ON AIRPORT MANAGEMENT IN ARAB COUNTRIES**

(Presented by the Arab Civil Aviation Commission)

Since the inception of civil aviation, government authorities have assumed responsibilities for the management of airport and air navigation facilities, in order to maintain sovereignty and to ensure civil aviation safety. These State responsibilities emanate from obligations under Article 28 of the Chicago Convention which calls on contracting States to provide air navigation facilities as far as possible in accordance with the standards and recommended practices; as well as the provisions of Article 15 which establishes state duties in respect of the use of airports and air navigation facilities.

However, the concerns of civil aviation authorities and the complexity of financial obligations have made it difficult to meet to the requirements for the development of services as required, thus adversely affecting civil aviation. In this respect it should be noted that systems of operation and management in the world differ according to the economic systems of States and variations of air traffic handled by their facilities.

In the last few decades qualitative changes were introduced in world economy through the establishment of independent institutions for the management of these facilities. This trend further evolved with the entry of the private sector in this activity and private investments in air facilities. This does not mean, however, that aviation authorities renounced their international responsibilities in this regard. Indeed, they remain, and should remain, both the principal legislator and the technical surveyor of the operating institution in order to ensure the safety of aviation and the implementation of relevant international procedures and standards.

These international and regional developments and changes affecting in particular ownership and management of airports have given rise to various formats or types with different appellations but which point to a substantive evolution of the economic and administrative systems of airports towards dispensing as far as possible with State ownership and management of these facilities. It should be noted that these changes have taken place in various degrees and on various levels. What emerged was either full or partial privatization of an airport or an air navigation service, and consequently in administration. Partial privatization means that the government maintains an important portion of its ownership while giving private entities a certain percentage in ownership and management.

Finally, there was a third format which essentially involved management and the provision of services; in other words, the system of ownership remains unchanged while the management of facilities becomes independent in respect of transactions, contracts and the collection and exploitation of financial revenues without any government intervention.

It may be recalled that the idea of financial and administrative independence started in the sixties when a company for the management of airports was established in the United Kingdom as a step towards the development of a market-oriented system but without change in the system of ownership. This idea was later applied progressively as practical benefits, both financial and administrative, were noted, especially in the improvement of services and the enhancement of their quality, and was followed by another step towards the liberalization of both ownership and management especially in the area of airports. It was actually in the area of airports that liberalization was widely applied and encouraged in the context of globalization and liberalization of trade and world economy. As noted above this trend has taken various formats which differed from one state to another and from one territory to another, according to social and economic circumstances.

A study by ICAO shows that this process has taken place in stages and did not involve a sudden move from government ownership to private participation or privatization. The principal airports in the United Kingdom were first turned into State corporations and, a few years later, transformed into companies owned by the government and finally were transferred to the private sector. In other European countries, airports were first changed into separate companies owned by the government with divestiture taken place in stages. In New Zealand, airports were first changed into individual companies and a few years later their equity was sold to private entities. In South Africa, China and Malaysia this European approach of gradual privatization was adopted. The same thing took place in Australia where the principal airports were first changed into government-owned companies which were offered for lease after a few years. In South and Central America, the private sector directly replaced government ownership through lease contracts.

As to the Arab countries, this trend started only in the seventies with hesitant and limited steps, as administrative and financial independence was institutionalized without prejudice to government ownership. The idea was to achieve financial and administrative autonomy without traditional government intervention and procedures. The trend started into Tunisia followed by Morocco in the late eighties and finally Egypt, after which there were no further developments.

Later, however, globalization, market economy and economic liberalization led to a renewed interest in the privatisation of airports and an examination of its technical and economic advisability. This orientation further took serious and practical manifestations in the forums and authorities of Arab civil aviation, and some Arab countries have actually started feasibility studies in this respect. Following is a summary of Arab experiences in this area as reported to us by the relevant civil aviation authorities.

## **TUNISIA**

In 1970, the Tunisian Airport Authority was established to perform the tasks of exploitation, provision and development of airports and to undertake all necessary services for passengers, aircraft, air cargo and airmail within the airports.

The Authority is a public institution with industrial and commercial character, is a legal entity and enjoys financial independence; it is run by a board chaired by a general manager who is appointed by a

Presidential decree. The Authority reinvests its profits to support, develop and expand airports and air navigation services. Under applicable procedures the Authority may exploit any of the property under its control and some services within its mandate with the exception of air navigation control.

In the context of restructuring the Tunisian Ministry of Transport, the Authority was assigned some technical functions of an exploitative nature. It was renamed as Civil Aviation and Airport Authority. In addition to the exploitation of airports and air navigation services, the Authority was assigned the following tasks which were covered by the Ministry of Transport's General Administration for Civil Aviation:

- To deliver all documentation due to civil aviation and air navigation operatives in accordance with applicable legislations.
- to exercise control required by the Law and applicable procedures for the operatives of civil aviation, aircraft and air navigation; and
- to license, commercial and non-commercial flights, including transit.

## MOROCCO

In 1982, an office of Casablanca Airports was set up in the form of an industrial and commercial enterprise as a legal entity and enjoying financial independence. Under the technical supervision of the Ministry of Transport and the financial control of the Ministry of Finance, this office was assigned to operate the three airports in the Casablanca area.

In the late eighties, the administration of this sector underwent organizational and structural changes under which the mandate of the office was expanded to cover all airports in the Kingdom. In 1989, the office was renamed the National Office for Airports and assigned to manage air navigation facilities. Its mandate covers the following:

- Operation, maintenance and development of all airports in the Kingdom.
- Local air navigation control at airports and provision of all means for the approach, landing and take-off of aircraft.
- Levying and collection of fees in connection with the use of airports and air navigation.
- The office was further assigned the task of regional air navigation control in the airspace of the Kingdom of Morocco.

The office has thus become qualified to function on the national and international levels as an entity for the management and development of airports and air navigation services. The Civil Aviation Authority was restructured in order to cope with this development by focusing their mandate on the functions of organization, legislation and control of activities in this sector.

## **EGYPT**

The Egyptian Authority for Civil Aviation adopted a policy that calls for encouraging investment in general and ensuring a return for both State and investor. The Authority therefore offers investors sites in order to build airport. In addition to other sites for investment around the airport area under the B.O.T system which is applied in many parts of the world.

Contracts for the construction for several airports under B.O.T. system have been signed, including airports at Marsa Alam, Alamein, Albahraia Oases and Alfarafrah. The B.O.T system would help in catching up with the latest technology. One of the most important clauses provide that the investing entity should introduce the latest scientific and technological development in air navigation as well as latest equipment and machinery for airports. The implementation will be under the supervision of the Egyptian Authority of Civil Aviation in its capacity as owner of the land and of the project, and the investing company is obliged to observe all conditions and technical and engineering specifications established by ICAO.

The role of state organs in management of private-sector airports is assured in order to maintain State control over these airports. It has also been provided that the Egyptian Authority for Civil Aviation should operate air control systems at these airport through contracts with the providing companies so that the ICAO conditions for air safety could be met.

Private sector airports are also subject to periodic inspection by the Authority to ensure that the international standards established in Document 14 of ICAO continue to be applied. Moreover, only the Authority is habilitated to certify an airport as suitable for operation and to renew this certificate from time to time.

The Egyptian Authority is currently taking measures to implement other airports under the same system B.O.T. system, including airports at Ras Sad, Ein Elsokhnah, East Ouaynat and Sohaj.

In addition, other projects are offered under B.O.T such as the waiting tent at Hurgadah airport, the passenger terminal at Hurgadah, Sharm Elsheikh and Luxor airports, as the B.O.T system is not confined to the construction of new airports but covers also projects within existing airports.

The above paragraphs review actual experience in the management of Arab airports. As for plans or trends currently considered we may say that the tendency towards privatization exists in a number of Arab countries including, as far as we have been informed, Saudi Arabia, Jordan, Oman and Palestine. Following is a review the information that we received in their connection.

## **OMAN**

The Government has a plan to remove the functions of airport management and operation from the General Directorate for Civil Aviation and Meteorology and to allow the Directorate a bigger chance to participate with other Arab and International Civil Aviation Authorities. In addition to the plan the Government has taken the following steps:

- 1- Retaining a consultant to prepare an economic feasibility study of the development of Alsaib airport facilities after studies have established the feasibility of privatizing Alsaib International Airport.

2- Retaining an international financial consultant who specializes in the privatization of airports to help the Omani Government to establish the terms of reference under which international companies specialized in the development and management of airports will be invited to submit their tenders on the way and the optimal strategy to exploit Alsaib International Airport and Salalah Civilian Airport and to submit proposals for the timetable for the construction of the new airport, and to help in the process of selecting the most appropriate tender.

3- Retaining a legal consultant to help in planning and organization privatization in all its stages, starting with tender documents until decision. The legal consultant will also help draft and develop new legislation in relation to privatization.

Measures 2 and 3 above also include two-phase studies. The first phase involves a report to the government on available options for privatization and recommendations of the best options that would bring the best technical and financial return. This phase would last four months. The second phase covers the preparation of the information sheet that shall be given to the applicants, included the preparation of documentation for the tender and the negotiation and analysis of offers. This phase will last eight months after the first phase.

#### **JORDAN**

The tendency of the Jordanian Government at present is to restructure the Civil Aviation Authority and to operate airports on a commercial basis. Recently the Jordanian Civil Aviation Authority has concluded a study that is expected to go into implementation immediately after the privatization of the national carrier.

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