International Civil Aviation Organization

WORKING PAPER

CEANS-WP/59
10/9/08
English only

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

Montréal, 15 to 20 September 2008

Agenda Item 2: Specific issues related to airport economics and management
2.1: Governance, ownership and control

DEVELOPING POLICY GUIDELINES FOR MANAGEMENT OF ECONOMICALLY NON-VIABLE AIRPORTS

(Presented by fifty-three African States[1])

SUMMARY

This paper discusses the apparent inability to operate some airports in a cost-effective manner in Africa. Some of these airports are currently economically non-viable, though they are vital for safety and security reasons. It concludes by suggesting that States should develop objective and transparent criteria for selecting from the currently economically non-viable airports that need to be supported financially, and encourage better utilization of existing capacity through incentives and improvement on viability/profitability. Furthermore, ICAO guidance is necessary for the maintenance and running of such airports, some of which are alternate airports and mandatory for Extended-range Twin-engine Operational Performance Standards (ETOPS).

Action by the Conference is in paragraph 4.

1. INTRODUCTION

1.1 Traditionally, like other infrastructure sectors, airports have been owned and operated by central or regional governments for various reasons, such as the recognition of the critical role they play in promoting trade, tourism and economic development, and the need for governments to weigh in where markets appeared not to be interested. This has led to the emergence of airport services and infrastructures

[1] Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cap Verde, Central African Republic, Chad, Comoros, Congo, Cote d'Ivoire, Democratic Republic of the Congo, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libyan Arab Jamahiriya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Togo, Tunisia, Uganda, United Republic of Tanzania, Zambia, Zimbabwe

which are capital intensive with investments that require long gestation period. These characteristics have made the entry of new players difficult, and thereby add to their difficult operations nature.

1.2 The increasing requirements for capital and operational efficiency and the apparent inability of government operators to provide the necessary funds and framework to operate many of the airports are one of the major factors that have brought about the involvement of the private sector in the operation and management of airports.

1.3 It is pertinent to note however, that some of the economically non-viable airports could be useful for some other purposes such as serving as alternate airports for emergencies in the interest of safety, security, and other national strategic interests. Some States are actually in dire need of alternate airports, not only for their own need but as part of the overall air transport system network, Extended-range Twin-engine Operational Performance Standards (ETOPS).

2. DISCUSSION

2.1 From the examples of corporatization, private sector participation (PSP), private-public partnership (PPP), privatization (in limited cases) and commercialization in the provision of airport services/facilities in Africa, it is obvious that the private sector is attracted only to the economically viable airports. Private investors are not showing interest in airports that are not immediately economically viable, without or with very limited commercial activities going on there, and therefore, limited potentials for profitability.

2.2 Privatization of unviable airports has been known to be exceedingly difficult due to their salient features, some of which are, *inter alia:*

a) They have outdated infrastructure with inadequate ground handling systems and night landing facilities.

b) They record low passenger/cargo traffic.

c) They do not generate enough revenue to meet their operational costs, and consequently, airports authorities may, at the moment, not be in a position to upgrade these airports.

2.3 Financial support is therefore, necessary for the development and maintenance of these airports, some of which are essential in that they sometimes serve social obligations of providing nation-wide connectivity as part of the integrated air transport network in particular for ETOPS or as alternate airports, rather than providing profitable investment opportunities.

3. CONCLUSIONS

3.1 Some airports in Africa are not immediately economically viable, though they are necessary for safety and security of air transport at national and continental level. Private investors are, not showing interest in such airports. Some States however, have a compelling need to have alternate airports.

3.2 From the foregoing discussion, the following conclusions may be drawn:

a) ICAO guidance is necessary for the maintenance and operation of alternate airports; and

b) States should develop objective and transparent criteria for selecting from the currently non-viable airports that need to be supported financially and encourage better utilization of existing capacity through incentives and improvement on viability and profitability.

4. ACTION BY THE CONFERENCE

4.1 The Conference is invited to:

a) consider developing policy guidelines for the management and operation of airports which are not immediately economically but are necessary as part of an integrated air transport network, in the interests of safety and security of the international air transport;

b) determine ways and means of funding such airports; and

c) consider developing guidelines for maintaining and operating alternate airports.

— END —