




Agenda Item 3
Ownership, Governance
and Control of Airports



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Terms and Definitions

- Autonomous entities
- Commercialization
- Privatization
- Formats
 - Government/public ownership
 - Private involvement/participation
 - Private ownership



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Government/Public Ownership

- Owner
 - Government entity or department
 - Civil Aviation Authority
 - Regional/municipal entity
- Either autonomous or non-autonomous entities



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Private Involvement & Ownership

Pre-requisite: Autonomous entities

- Private involvement/participation
 - Management contract
 - Lease/concession
 - Transfer of minority ownership
- Private ownership
 - Transfer of majority/full ownership



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Current Situation

- 30% are non-autonomous governmental entities
- 40% are autonomous entities
 - 80% of autonomous entities are State-owned (20% privately-owned)
- 25% are operated under concession/lease



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Autonomous Entities

- Improve financial situation and managerial efficiency
- Relieve States from major investment burden and facilitate access to capital market
- Facilitate development of non-aeronautical activities



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Advantages of Autonomy

- Clear distinction between regulator and operator
- Closer control of revenues and expenses
- Stronger negotiating position
- Breeding business culture



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Airport Networks

- States to decide
- Full transparency
- Avoid cross-subsidization



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Best Practices of Good Corporate Governance

- Objectives and responsibilities
- Shareholders' rights and treatment
- Responsibilities of the board
- Power and accountability of the management
- Relationship with interested parties
- Disclosure of information



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Separation of Two Functions

- Economic oversight responsibilities clearly separated from operational function
- Economic oversight means function by which a State supervises commercial and operational practices of airports



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Economic Oversight - Objectives

- Minimize the risk of abuse of dominant position
- Ensure non-discrimination and transparency in charges
- Ascertain that capacity meets current and future demand
- Protect interests of passengers and other end users
- Ensure adherence to ICAO's policies



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Economic Oversight (cont.)

To promote these objectives, States should ensure that:

- Consultations between interested parties take place
- Appropriate performance management systems are established



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Economic Oversight - Forms

- Competitive forces
- Fallback regulation
- Institutional arrangements
- Contract regulation
- RoR/Price cap regulation



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Economic Oversight - Selection

- According to States' specific circumstances
- Keep regulatory interventions at a minimum, as required
- Take into account the degree of competition, costs and benefits of the forms of oversight, and the legal, institutional and governance frameworks



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Exercises

- Autonomous entities
- Corporate governance
- Economic oversight

EXERCISES ON AGENDA ITEM 3

INDIVIDUAL

- Q1.** The Council recommends that States consider establishing autonomous entities to operate airports and ANSPs when this best meets the interests of providers and users. Which of the following statements are **not correct**:
- (a) Even when delegating control and/or ownership to a private company, States remain responsible for providing services in accordance with ICAO Standards and Recommended Practices (SARPs).
 - (b) The Council supports full privatization of airports and ANSPs rather than commercialization.
 - (c) Regarding private involvement, the Council emphasizes that States, when considering the commercialization or privatization of airports or ANSPs, bear in mind that the State is ultimately responsible for safety, security and economic oversight of their operations.
 - (d) The Council stresses that States should ensure that all relevant obligations specified in the Chicago Convention and its Annexes, as well as in air services agreements and ICAO's policies on charges, should be observed by service providers.
 - (e) The Council does not encourage cooperation through a regional approach in the provision and operation of air navigation services, as States are sovereign and sole owners of their airspaces.
 - (f) The application by providers of best practices of good corporate governance is not fundamental for an efficient and cost-effective delivery of services.
 - (g) States should exercise their economic oversight responsibilities clearly separated from the operation and provision of airports and air navigation services, with roles and powers clearly defined for each function.

OPEN/GROUP

- Q2.** Is there a rule for the establishment of corporate governance in your State?
- Q3.** How is economic oversight performed in your State? Discuss the different forms of economic oversight and suggest one form suitable for the States represented in the group giving the reasons.
- Q4.** The need for a robust form of economic oversight may be reduced where appropriate mechanisms for consultation with users have been implemented and where cooperative arrangements between providers and users are in place. Do you agree?