# Airport Ownership and Regulation

# Fact Sheet

## Overview

The provision of effective and efficient airport infrastructure is essential to the industry. A government's central responsibility is to ensure that the best interest of passengers, cargo customers, and the continued development of economies and communities remain at the heart of decision-making pertaining to these matters.

Over time, some governments have progressively moved away from direct ownership, financing, and management of airports, favoring increased private sector involvement. In some parts of the world, this trend is reversing. However, in many countries the trend is likely to continue, driven by efforts to promote economic growth and competitiveness, meet fiscal objectives, and leverage private sector efficiencies.

Various ownership and operating models exist, and there is no universal solution for airport management. When privatizing an airport, the framework must benefit both the industry and customers. Airport privatization should not be seen merely as a short-term revenue generating tool for governments, but as part of a long-term strategy for economic development. Successful privatization must be measured by service levels, cost effectiveness, and long-term sustainability rather than short-term financial gains for governments or investors.

## IATA position

As outlined in IATA's position paper on airport privatization, the private sector can play a meaningful role in bringing expertise and cost efficiencies. However, past privatization cases have frequently produced unsatisfactory outcomes due to inadequate regulatory safeguards. Governments often overlook alternatives to full privatization and neglect best practices in governance structures. This is particularly true for airport concessions driven by international organizations who seek to maximize values on "asset sales," the price of which is paid by airlines and their customers.

## Potential risks to address in airport privatization

- **Conflict of interest** may occur in the absence of independent regulatory intervention, if governments have to act as an approval entity for charges decisions while benefiting from airport revenues / profits at the same time.
- **Pre-determination of airport charges evolution** in concession contracts may lead to a focus on profit maximization and unjustified charges and does not allow users to meaningfully engage in the process of setting airport charges or leave room for any regulatory intervention such as passing on efficiencies to consumers.
- **Excessive concession fees** may be passed onto airlines and passengers, effectively functioning as an additional tax on air travel.
- **Under-investment** risks emerge when shareholders prioritize profit extraction at the expense of service quality ("cutting corners").
- **Over-investment** ("gold-plating") may occur without user agreement, forcing airlines and passengers to bear unnecessary costs.
- **Shift in pricing models the till** from single to hybrid or dual till can be used to attract more private bidders or receive higher bids but this also allows investors to extract commercial revenues at the expense of aeronautical facilities and costs. This can lead to substantial increases in aeronautical charges and does not reflect the fairest pricing mechanism for consumers.
- **Increase in non-regulated aviation fees** – such as fuel fees, airline office space, lounges, check in desks – can occur to increase profits outside of any regulated charges area.
- **Pre-funding investments** may remove the incentive to deliver in a cost-effective and timely manner. It also defeats one of the main drivers for privatization, which is access to capital markets.

- **Non-transparent commercial agreements** can impose unjustified fees on airlines and passengers and lead to discriminatory outcomes.
- **Cross-subsidization between** privatized airports networks can lead to a deviation from the user-pays principle and perpetuate inefficiency.

There have been troubling global examples where regulatory frameworks have been altered to benefit bidders rather than ensuring a fair and competitive environment. This includes modifying regulations, privatizing airport groups, and guaranteeing fixed charges for extended periods, often to the detriment of airlines and consumers.

## The need for independent and robust economic regulation to safeguard consumer interests when pursuing privatization

For airport privatization to succeed, governments must strike a balance between the interests of consumers, airlines, investors, and the broader economy. This requires:

- Safeguards to protect consumer interests and ensure cost efficiency, service quality, and appropriate investment
- Performance expectations established through consultation with airport users and consumers
- Continuous monitoring and oversight, with corrective actions where necessary to deliver tangible benefits to airlines, passengers, and cargo consumers
- States stopping the absurd practice of "negotiating" the level of regulation to attract more bidders

# Guidance material

## Airport ownership and regulation

IATA's guidance manual on airport ownership and regulation provides insights into best practices for governments considering private sector involvement in airport management.

## Balanced concessions for the airport industry

IATA's Balanced Concessions booklet presents key challenges in airport concession contracts, and outlines approaches for mutually beneficial agreements among all stakeholders.

## Airport Governance

IATA's Toolkit on Airport Governance offers global best practices across community engagement, environmental sustainability, safety, security, operations, and capital project planning. This resource helps governments and industry leaders implement effective governance strategies to maximize positive outcomes.