

Session:

Creating Fertile Grounds for Investment

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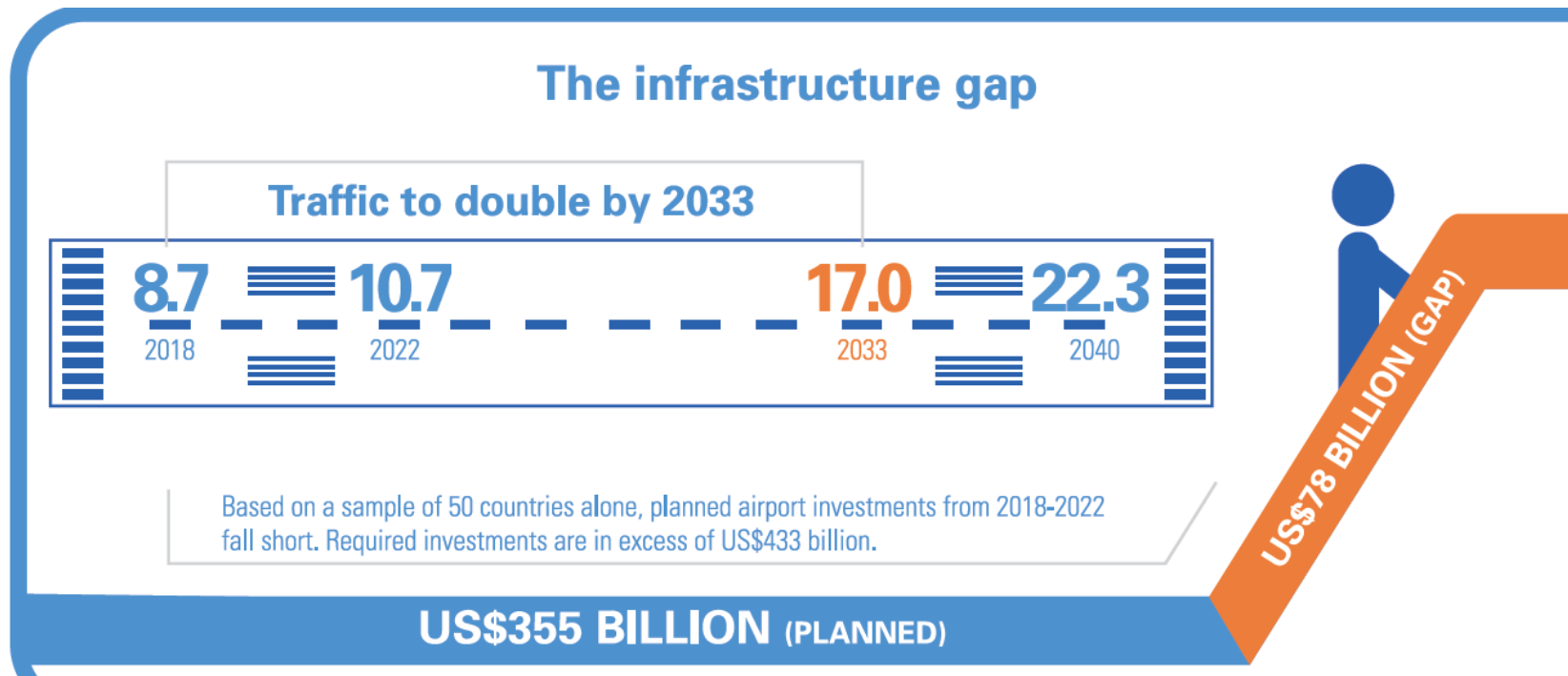


Official launch of ACT's Policy Brief:

*Creating fertile grounds for
private investment in
airports*

CAPEX to meet current & future demand

- Airport Investment need for 50 nations: US\$433b (2018-2022)
just under half trillion dollars



Privatization is one solution

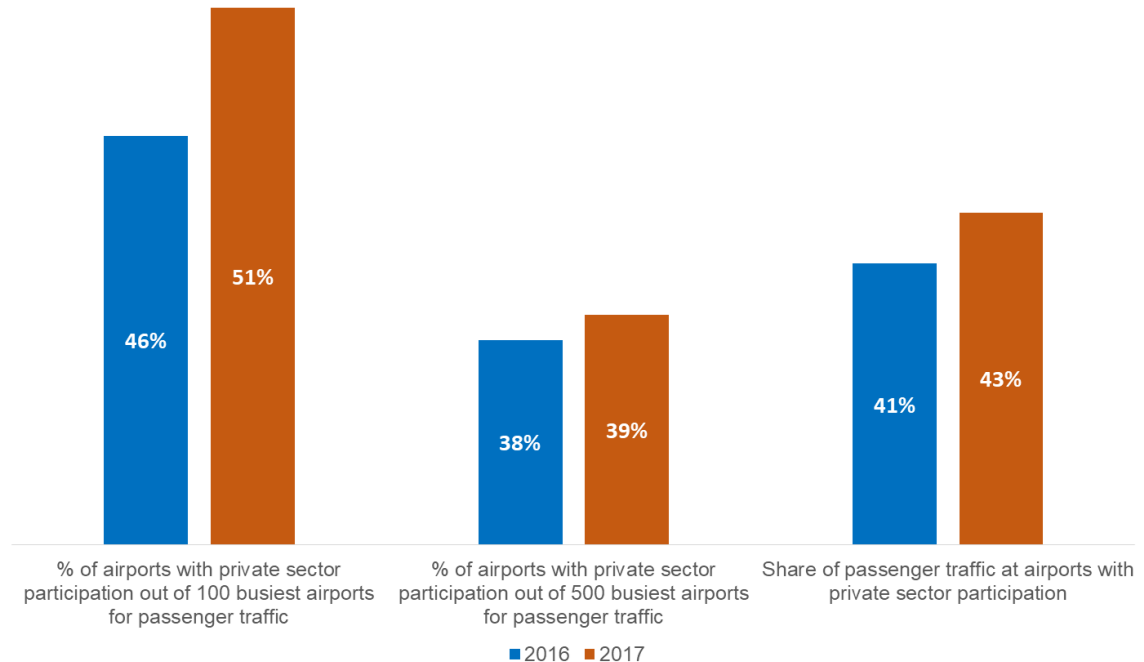
*ACI does not advocate for privatization as **the** solution,
but as **a possible** solution...*

...but notes it is increasingly selected by governments

Privatization continues to increase

- Over half (**51%**) of top 100 airports based on passenger traffic had private sector participation
- Traffic handled by airports with private sector involvement increased to **43%**

Privatization trend highlights (2016-2017)

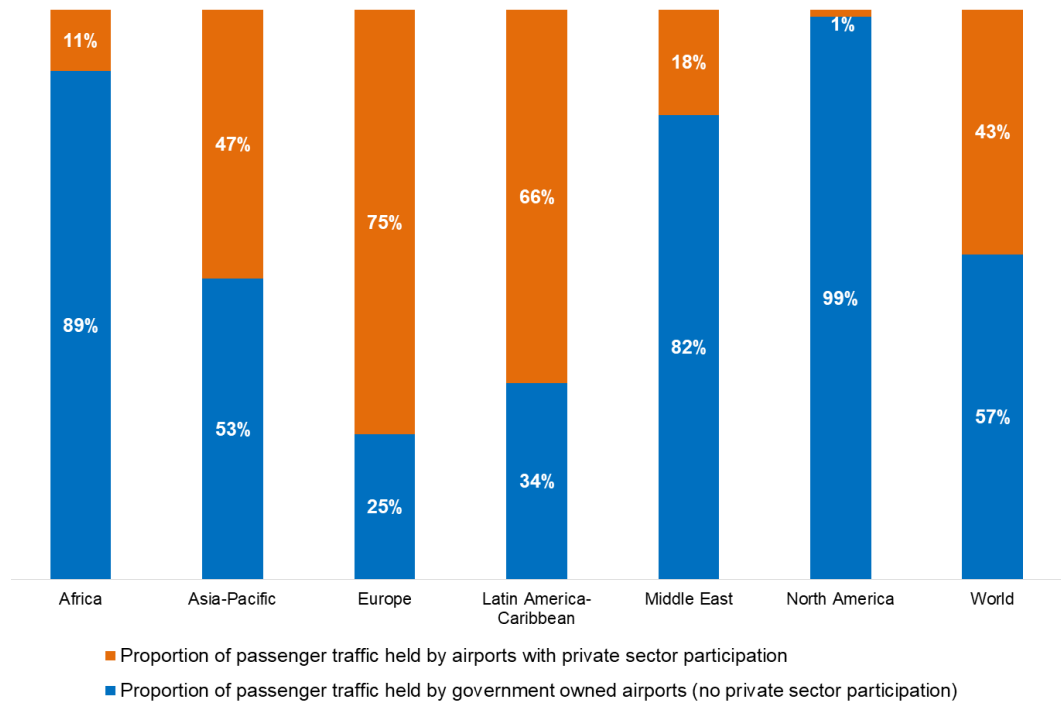


Source: ACI Inventory of Privatized Airports (2018)

Distribution of traffic by ownership

- Europe saw the highest proportion of passengers (**75%**) held by airports with private sector participation; North America saw the lowest (**1%**)

Distribution of passenger traffic by ownership structure and region (2017)

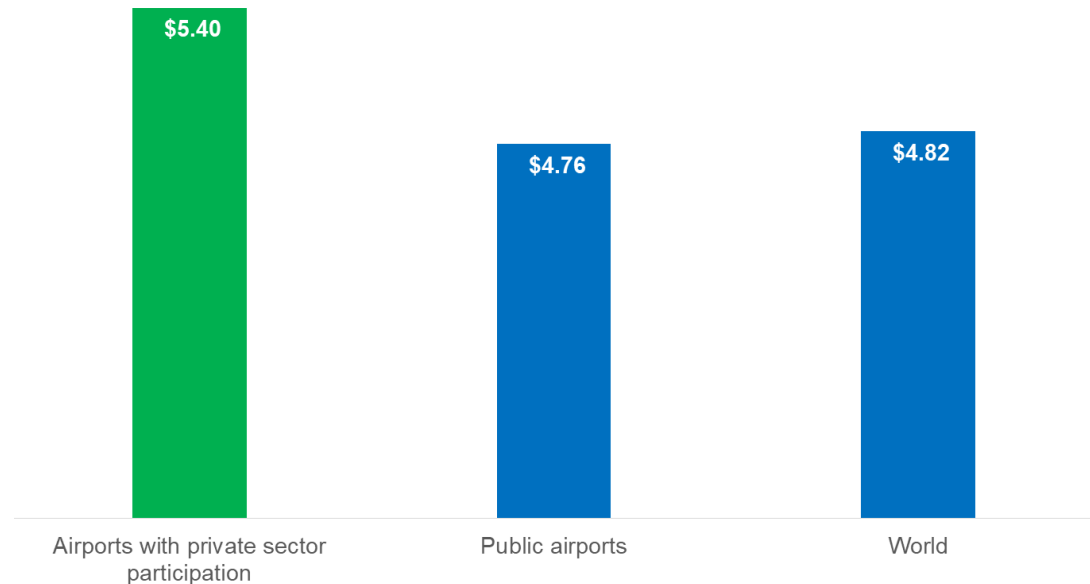


Source: ACI Inventory of Privatized Airports (2018)

Increased CAPEX often follows privatization

- An injection of **capital expenditures** is often seen after privatization
- Airports with private sector participation invested **14% more** in CAPEX compared to public airports and **12% more** than the global average

Average CAPEX per workload unit (WLU) at public vs. privatized airports (US\$ 2012-2016)



Source: ACI World Airport Economics Database (2018)

Key Findings

- **Need to massively invest in airport infrastructure**
- **Scope of privatization is increasing**
- **Privatization results in higher Capex**
- **Many privatization models exist**
- **Choice of privatization model depends on both:**
 - nature of government objectives
 - the requirements of the private operator/investor(s)
- **Investment decision needs consistent regulatory framework**
- **Airport traffic level risk exists.**
Privatization transfers risk from taxpayer to investor

ACI Policy Recommendations

Recommendation #1:

Governments need to clearly identify objectives for airports before choosing a privatization model

- Some objectives may conflict with each other

Recommendation #2:
**Governments should ensure a clear and consistent
legal framework
is in place prior to privatization**

- Must recognize critical link between capex and charges
- The framework may or may not include economic regulation
 - **If required, regulation should be proportionate to the potential for abuse of market power**

Recommendation #3:
**Governments should consider their long-term vision for
wider economic benefits
to communities**

- A balance between short term financial pressures and longer term wider economics benefits should be sought

Recommendation #4:

The choice of privatization model needs to consider incentives for potential investors

- Allow reasonable generation of returns on investments
- Inclusion of small airports as part of privatization packages may require them to be clustered into broader networks
- Recognize critical linkage between capex and charges

Recommendation #5:

Governments should match the length of term to the model selected

- Management concession:
 - short term
- BOT model:
 - concession life should be sufficient to recover costs of the investment and a reasonable return
- Private sector operation:
 - a much longer-term agreement will be necessary

Recommendation #6:
**Governments should consider a two or even three
stage bidding process**

Panel Discussion

- **What are the challenges related to Growth, Capacity and Long Term Vision of airports?**

Panel Discussion

- **IATA claims there is not a single positive example of airport privatization.**
 - **Is this true from your perspective?**
 - **Do you have any tangible and fact based evidence that suggests benefits of airport investments that extend beyond shareholders to other segments of the economy & society?**

Panel Discussion

- **How do you assess risks when investing in the airport sector?**
- **What are some of the key attributes that make airports a sound investment (e.g., by pension funds)?**

Panel Discussion

- **How are type of regulation, type of till and level of aeronautical charges factored in when bidding for investment?**

Panel Discussion

- **How do airports ensure that quality standards are met, while balancing aeronautical charges and return to private investors**

Panel Discussion

- **How are the Commission and Bank stimulating private investment via**
 - the European Fund for Strategic Investment
 - Connecting Europe Facility?