

# **WORLD AIRPORT PRIVATISATION 2008 AND BEYOND**

A detailed analysis of historic and contemporary deals and of future investment opportunities in the airport sector

Researched, written and published by David J Bentley, author of:

**The World Airport Privatisation Study (2000/02) \*1**

**Global Airport Privatisation (2004/06) \*2**

Low Cost Airports and Terminals (2008/9)

Financing Emerging Airlines (2004)

Airport Security report (2003)

Airline Globalisation (2001)

(\*1 published by Euromoney plc, \*2 published by Centre for Asia Pacific Aviation)

A 70,000-word report (Sep-2008) with additional appendices 2008-11, covering:

- An historic overview of privatisation in the sector
- The different methods of privatisation by example
- Analysis of privatisation by world regions
- Analysis of contemporary investment levels
- Who are the key players?
- An update on present day and projected opportunities
- The implications of macroeconomic policies and developments
- The implications of political and geopolitical issues

Appropriate to:

Airport Directors and management, banks, investors, airport service and product suppliers, airlines, government officials and politicians, lawyers, academic staff.

Written in an easy to read, no-nonsense format

*"David Bentley continues to raise the bar higher each time he writes about airport privatisation. His work is like a textbook in its comprehensive coverage, but is much more readable and practical. This new publication features examples of privatisation models, an update on current opportunities for investment and an analysis of political and economic factors that impact the market value of airports. David's new work, as always, will be compulsory background material for my own research and teaching on the subject of airport economics."*

Paul Behnke, airport industry expert and author, previously Director of Economics, Airports Council International

## **Contents**

### **Chapter 1 - An historical review of privatisation and acquisition in the airport sector, including some case studies of major transactions and models used**

#### **Privatisation of BAA (UK) by IPO**

##### **Other IPOs –**

Vienna Airport, Austria

Copenhagen Airports A/S, Denmark

Aeroporti di Roma, Italy (AdR)

Auckland Airport, New Zealand

Malaysia Airports Berhad (MAHB)

Zurich Airport, Switzerland

Beijing Capital International Airport Co Ltd., (BCIA) PR of China

Fraport (Germany)

Airports of Thailand

Mexican airports

Aeroporto di Venezia [Venice] (SAVE) (AdV), Italy

Aeroports de Paris (AdP), France

##### **Summary – IPO transactions**

##### **Other methods of privatising airports**

##### **1 Concession**

Australia

Latin America

##### **2 BOT transaction**

Athens, Greece

Lisbon, Portugal

##### **3 Trade Sale**

##### **4. Corporatisation/commercialisation only**

##### **Two periods of restricted activity**

##### **Table of earnings (Ebitda) multiples for recent airport transactions**

##### **Summary - What can be learned so far?**

##### **Is airport privatisation coming under greater scrutiny?**

### **Chapter 2 - Analysis on a region-by-region basis covering Europe, North America, Latin America, the Middle East, Africa, Asia and Australasia, covering both existing privatisation and opportunities, highlighting key features of each**

#### **Europe**

##### **UK**

Manchester Airports Group

BAA plc  
Other London airports  
**Ireland**  
**France**  
**Germany**  
**Benelux countries (Belgium, Netherlands, Luxembourg)**  
**Spain and Portugal**  
**Italy**  
**Scandinavia/Nordic Countries**  
**Eastern Europe, the Baltic States and the CIS**  
**European islands - Malta, Cyprus**  
**North America – United States**  
**North America – Canada**  
**Latin America & the Caribbean**  
Mexico  
Brazil  
Other Latin American countries  
**Africa**  
**The Middle East**  
**Dubai – not for privatisation?**  
**Asia Pacific**  
China  
Hong Kong IPO  
Japan  
Korea  
Taiwan  
Thailand  
India  
Pakistan  
Bangladesh  
Indonesia  
The Philippines  
Malaysia  
Vietnam  
Singapore  
Australia  
New Zealand

**Chapter 3 - Overview of the key players in the airport sector and their key strengths and objectives where these can be assessed, including an overview of their existing airport portfolios (80 companies)**

**A brief explanation of financial terminology used in this report**  
ALTERNATIVE INVESTMENT FUND MANAGEMENT  
PRIVATE FINANCE INITIATIVE (PFI)  
SOVEREIGN WEALTH FUNDS

**Chapter 4-A summary of current and likely global privatisation or acquisition opportunities in the airport sector (22 sample opportunities)**

**Chapter 5 – An analysis of the investment levels involved in acquisition and development of airports of different sizes and levels of development (18 examples)**

## **Chapter 6 - Global trends in the aviation industry that will have an impact on airport operations**

### **1. Fuel price and its effects on airlines and airports**

### **2. The Global Economy**

United Nations DESA Report

The International Monetary Fund comment

The Bank for International Settlements report

UK & Europe

### **3. The costs of Airport Security**

## **Chapter 7 - Geopolitical issues that are likely to affect regulatory developments and investment patterns**

### **1. Open skies, multilateralism and plurilateralism**

### **2. Environmentalism**

### **3. Air traffic control**

## **Appendix 1 – Australian airport concessions**

# **WORLD AIRPORT PRIVATISATION 2008 & BEYOND**

## **SAMPLE TEXT**

### **Chapter 1 - An historical review of privatisation and acquisition in the airport sector, including some case studies of major transactions and models used**

#### **Privatisation of BAA (UK) by IPO**

The earliest examples of airport privatisation were of small airports and often outright trade sales, with one notable exception, the 1987 privatisation of the British Airports Authority, the world's second largest airport operator into BAA plc, a transaction that stands as a watershed to this day and which has consequently led (2006) to its purchase by a predatory foreign company, subsequent de-listing from the London Stock Exchange and now (2008) a potential break-up of the empire...

...It must be understood that this privatisation was an intensely political act. A (right wing) Conservative government had come to power in 1979, after many years of (left wing) Labour government rule, during which the UK had been forced to its knees by excessive trade union power. Apart from embarking on destroying the trade unions, the government, led by Margaret Thatcher also introduced a wide-ranging policy of selling public bodies to the general public (who, in practice, 'owned' them already) via Initial Purchase Offerings (IPOs) of equity on the London Stock Exchange.

...Nevertheless the privatisation of BAA was an initial success. Shares were rapidly traded by a general public that had become obsessed with the concept of making a 'quick kill'. BAA was reorganised into a series of subsidiary companies and went well beyond its earlier brief merely to manage its seven airports, becoming selectively involved in office

management, property, hotel investment, road transport/logistics, the Heathrow Express rail link and even management of restaurants in hospitals...

...It probably never occurred to the British government that privatised the BAA that one day it might be subject to a successful hostile takeover by a private foreign company and de-listed from the Stock Exchange. But that is exactly what happened in 2006 when a consortium, Airport Development & Investment Ltd, a subsidiary of FGP Topco Ltd., and led by the Spanish property and construction conglomerate Group Ferrovial (56%), mounted a successful challenge and bought BAA for a debt-laden GBP10.3 billion...

... Meanwhile Ferrovial has been trying to reschedule its debts but found it to be very difficult because of the credit crunch, which some analysts believe will affect Britain worse than the US. In August 2008 it appeared that Ferrovial has at last been successful in rescheduling GBP13 billion of debt...

... In August 2008 the CC made an initial recommendation that BA ought to divest two of its London airports and one in Scotland. The current favourites are Gatwick, Stansted and Glasgow. Heathrow will remain in BAA control unless there are impractical reasons for selling Gatwick and/or Stansted...

## **Chapter 2 - Analysis on a region-by-region basis covering Europe, North America, Latin America, the Middle East, Africa, Asia and Australasia, covering both existing privatisation and opportunities, highlighting key features of each**

### **France**

The partial privatisation of Aeroports de Paris (AdP) in 2006 has opened the door to further privatisation in France. Prior to AdP there were only two 'pilot' examples – Grenoble and Chambéry airports, where a consortium of French companies Vinci and Keolis has concession-based management contracts, and which have been received favourably by the airlines operating to them.

Most French airports are still run by the local Chambre de Commerce, under license from the central government and charges are kept high, ensuring that LCCs tended to look elsewhere (e.g. Ryanair, which shifted many of its aircraft on to Spanish routes) while there are no French LCCs, Air France and its subsidiaries carrying most of the traffic (and Britain's easyJet is the second largest carrier).

The AdP IPO meant that up to ten regional airports might be privatised, once the government could perceive confidently that there were no serious issues at Paris. Those airports include: Bordeaux; Nice; Marseille; Lyons and Nantes. The first example is at Nantes, where indicative bids have been sought to operate the existing airport for 3 – 4 years while constructing a new nine million passenger per annum facility in two phases on a green or brown field site. This will be an interesting mix of a wrapped concession and BOT.

Vinci, which had scaled down its foreign airport interests, took a small stake in AdP in 2007, declared an interest in upcoming airport privatisations within France, and could be open to future co-operation.

Having invested heavily in Paris, AdP now intends to take stakes in six to 12 airports outside France by 2015, within consortia. It aims to have at least 51% ownership in one or two of the airports and around 10% in the other five to ten. In its 1H08 report, AdP declared its interest in the privatisation of French regional airports, also Greek regional airports, the delayed Prague Airport privatisation in 2009 (in equal partnership with Ontario Teachers Pension Plan), ANA and the new Lisbon airport in 2010, as well as in

continuing opportunities in India and China, potentially forthcoming ones in Brazil and Abu Dhabi, and, unusually perhaps, Romania. It has been pre-selected for the lease of Chicago Midway Airport with HMS Host and Morgan Stanley Infrastructure Fund.

### **Chapter 3 - Overview of the key players in the airport sector and their key strengths and objectives where these can be assessed, including an overview of their existing airport portfolios**

#### **Airports Company South Africa (ACSA)**

Largest airport operator in RSA and on the continent. Corporatised. AdR was an investor until 2005. Some small investors (e.g. black empowerment funds) hold collectively 4.2% of the equity. Has responsibility for the three main RSA airports (Johannesburg, Cape Town, Durban) and other provincial ones – 98% of all passenger air traffic. Heavily committed to environmental and corporate social investment.

Struggling to cope with the construction demands of the forthcoming Soccer World Cup (2010) but profitable.

Committed to aiding African airport development (usually through consulting or management projects) and selective foreign investor as part of the GVK-led consortium that won the contract to modernise Mumbai Airport in India in 2005. ACSA continues to seek opportunities in the developing world, with a keen eye on opportunities in Africa. These opportunities are assessed as and when they arise.

Web. [www.airports.co.za](http://www.airports.co.za)

#### **Caisse de dépôt et placement du Québec (a.k.a. Caisse) (Quebec Deposit & Investment Fund)**

One of the original (1965) state-owned Canadian pension funds that invested, or tries to invest, in airports and airport operators with a track record that includes Hochtief Airport Capital, BAA (as part of the Ferrovial consortium with GIC Special Investments of Singapore), and several smaller ones. Caisse injected roughly CAD200 million into the German airport manager Hochtief AirPort Capital GmbH (q.v.) in 2005, along with Australian and German investment partners. The investment gave Caisse a 40% stake in the company.

### **SOVEREIGN WEALTH FUNDS**

Although mentioned infrequently in this report, Sovereign Wealth Funds (SWF) cannot be ignored as a potential source of funding for airport projects. GIC Special Investments of Singapore is an example.

Although there is no universally agreed definition of a SWF, it is broadly defined as 'a government investment vehicle which is funded by foreign exchange assets, and which manages these assets separately from official reserves.'

# Order Form

## Your details

Mr/Mrs/Ms Surname\_\_\_\_\_ First name(s)\_\_\_\_\_

Position in company (optional)\_\_\_\_\_

Company\_\_\_\_\_

Address\_\_\_\_\_

Telephone\_\_\_\_\_ Facsimile\_\_\_\_\_

E-mail\_\_\_\_\_

Additional E-mail (multiple purchase)\_\_\_\_\_

Additional address(es) (multiple purchase)\_\_\_\_\_

## Order details

World Airport Privatisation 2008 and Beyond is published electronically and delivered as a .pdf file. Price for hard copy is available on request.

Quantity	Publication name	Type	Price (US\$)	Total
	Airport Privatisation 2008 & Beyond +appendices	Electronic (.pdf file)	1,250	

(Overall price reduction if second and subsequent copy(ies) purchased is 10%)

Payment option (please tick v)

**NEW!!** Paypal (includes payment by credit card). Please refer to the website [www.bigpondaviation.com/publications.html](http://www.bigpondaviation.com/publications.html)

Telegraphic transfer (TT)

Royal Bank of Scotland, 232 Stamford Street, Ashton-u-Lyne, Greater Manchester OL6 7NQ, UK. Account 16-12-17 10179591, Big Pond Aviation (UK). IBAN: GB73RBOS16121710179591. BIC (also known as Swiftcode): RBOSGB2L.

Cheque

Payable to Big Pond Aviation (UK). Post directly (with this order form) to: First Flight House, 29 George Street, Shaw, Oldham, Greater Manchester OL2 8DL, UK.

The report will be forwarded immediately on receipt of cleared funds.

Please email your order to [db@bigpondaviation.com](mailto:db@bigpondaviation.com), or post it to the address below, quoting reference WAP

Publisher: David J Bentley, Big Pond Aviation, First Flight House, 29 George Street, Shaw, Oldham OL2 8DL, Greater Manchester, UK. T/F: +44 (0)1706 8815560, E: [db@bigpondaviation.com](mailto:db@bigpondaviation.com), Skype: davidb2695, W: [www.bigpondaviation.com](http://www.bigpondaviation.com)

*The spreadsheet report Global Airport Investors Database is also available. Please send an email to [db@bigpondaviation.com](mailto:db@bigpondaviation.com) to receive further details.*

