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RISK AND DUE DILIGENCE IN AIRPORT PRIVATISATION

Public sector participation in the ownership, operation and management of airports and airport facilities has become a popular means for nations to divest themselves of the financial responsibility for airport development. However, the concept of privatisation, although common in other areas of infrastructure since the 1970's, has only been applied to airports since the mid-to-late 1980's. Most of the airport privatisation projects that exist today, including private sector involvement in airport build-operate-transfer projects, have only occurred in the mid-to-late 1990's and, so far, there is too little experience gained from them to be able to conclude whether they have been successful or not. Essentially, the "jury is still out" on airport privatisation in the developing world, and it is still too early to conclude that the approach has been successful in developing national airport infrastructure. However, from the experience gained so far, it is clear that privatisation involves risks to all parties involved and that in many of the privatisation projects, risk has generally been underestimated, or overlooked entirely.

This paper addresses the issue of risk in moving towards a concept of airport or facility privatisation, identifies the nature of the risks that might be encountered and their magnitude. The process of due diligence is proposed as a means of identifying where risk exists, and to what extent, and this process is recommended as being applicable at all stages of the privatisation process. The point is also made that privatisation is not necessarily appropriate for all nations, or for all airports. Indeed, it is clear that there are nations whose airports will never qualify as being financially viable for privatisation, and an approach involving commercialisation, rather than privatisation, may be more suitable.

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