

Opposites Attract - Even In Airport Privatisations

Bridging the gap between public and private sector interests

AIRPORT CONSULTING VIENNA 



Successfully reconciling complex airport aspects and bridging the gap between public and private sector privatisation interests presents a huge challenge. Experience shows: what works best is a holistic approach that balances integrated airport systems. After almost two decades in the industry, a track record of more than 300 consulting projects and some 70 major airport privatisations, Airport Consulting Vienna (ACV) puts the spotlight on seemingly contradictory privatisation interests.

ACV offers the entire airport know-how in a 1-stop-shop. Having been a principal operator, shareholder, strategic investment partner, an airport manager or a consultant on numerous past occasions, ACV understands both sides of the coin like no-one else: that of the operator and that of the investor. At the heart of ACV's privatisation expertise is a holistic strategic development concept. It is accepted worldwide for best balancing marketing, commercial, technical and financial airport aspects. And, it gives airports the competitive edge.

From a private sector perspective, it provides the starting point for exactly those arguments that make a winning bid. Private partners are in the game to generate growth, increase profitability and secure attractive financing. Provided they do not just seek quick returns, private partners are committed to those subliminal factors that ensure the system long-term sustainability. They provide the know-how and skills for top quality services, for increasing and maintaining customer satisfaction, and for gaining decisive competitive advantages – in strategic and monetary terms. On paper, they structure their proposed strategic development for the airport accordingly. Post-award, and while implementing

know-how transfers as part of a corporate turnaround, they have to deliver what they promise: to airport owners, to authorities, to investors and shareholders, to customers, to employees, to concessionaires, to stakeholders.

This raises the question: why don't public airports do the same? Why can't they follow the private sector management examples set e.g. by the public top-achievers Munich or Changi? The answer is quite simple. Most publically operated airports (still have to) follow a political agenda. As an infrastructure facility the airport has to function. Only typical services are provided to airlines, travellers, and to other key customers. The airport has to address national policies and it has to fulfil regulatory requirements. It has to employ as many people as possible. Generous budgets are set aside to meet these objectives, and key positions are occupied by the right representatives. After all, votes have to be won at the next elections.

This model makes a meaningful customer-orientation or an adaptation to changing circumstances difficult. It is no secret that around the world even most sure-footed airport managers are faced daily with a list of challenges.

Shifting financial markets have created a climate where airports can no longer take economic stability for granted. Almost everywhere traffic volumes have plummeted. The road to recovery is marked by constant change.

Airlines seem to come and go. Some traffic segments perform better than others, and regional airports present increased levels of competition. New technological requirements cost a lot of money. Yet, shrinking cash flows cannot alone cover rising costs and payment obligations. Many airports grapple with a virtually random development of finances. Simultaneously, there is a growing demand for quality of service – a new cost factor or is there another solution?

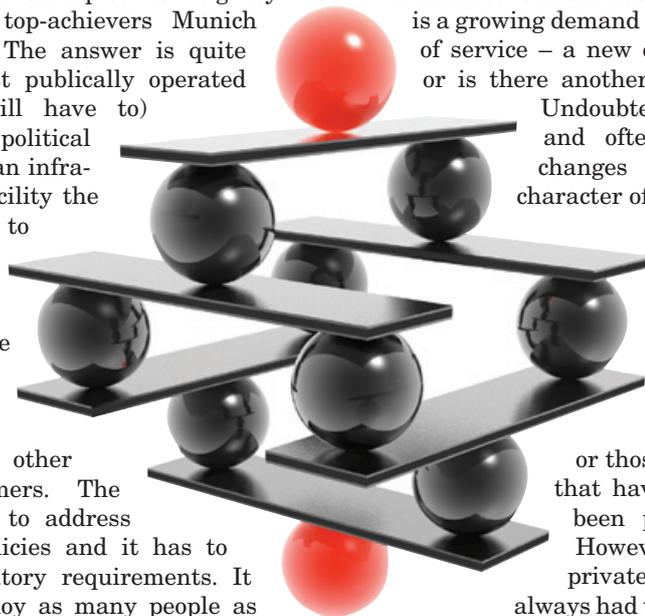
Undoubtedly, rapid and often painful changes mark the character of aviation.

That's quite a lot to deal with, even for private sector partners

or those airports that have already been privatised.

However, the private sector has always had to adapt to changes quickly to remain competitive. Fortunately, there are no, to few limiting, ingrained bureaucratic structures. But, there are investors and financiers who expect airport managers to justify their decisions and actions.

Hence, it makes good sense to take all marketing, commercial, technical and financial aspects into account as early as possible. That is: well before the pre-award stage! A realistic evaluation of the airport's role and future potential will do much to ensure long-term feasibility. From the outset, the airport system should be approached pragmatically, with a holistic perspective in



mind. It will help balance the system. It will also help secure everyone's commitment to realise corporate and strategic objectives. Post-award, it will help implement tailored know-how transfers, and smoothly integrate proven principles and new structures into daily operations. To facilitate these changes and boost development, ACV has put this theory into practice on many occasions.

Experience shows that managers of a privately operated airport can much easier master the balancing act of providing an attractive airport environment with top quality services, while simultaneously increasing profitability and maintaining funds than their public sector counterparts.

In a private management organisation the customer comes first. The airport

system though has many different customer groups, each with different needs and expectations. To balance this system, target group-oriented best practices have to go hand in hand with leading international standards.

ACV's privatisation know-how was sparked in the early Nineties when a number of international airports opted for a strategic development in form of commercialisation and privatisation projects. A holistic approach, based on an optimised quality-driven philosophy, has always been the guiding principle. It provided the impetus for those innovative solutions that add real value, from project planning to implementation. Over and above ensuring functional, swift, safe and secure airport operations, ACV's concept is unmatched in balancing systems. ■

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