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# Financing the Future Transportation System

Latin American Airport Financing

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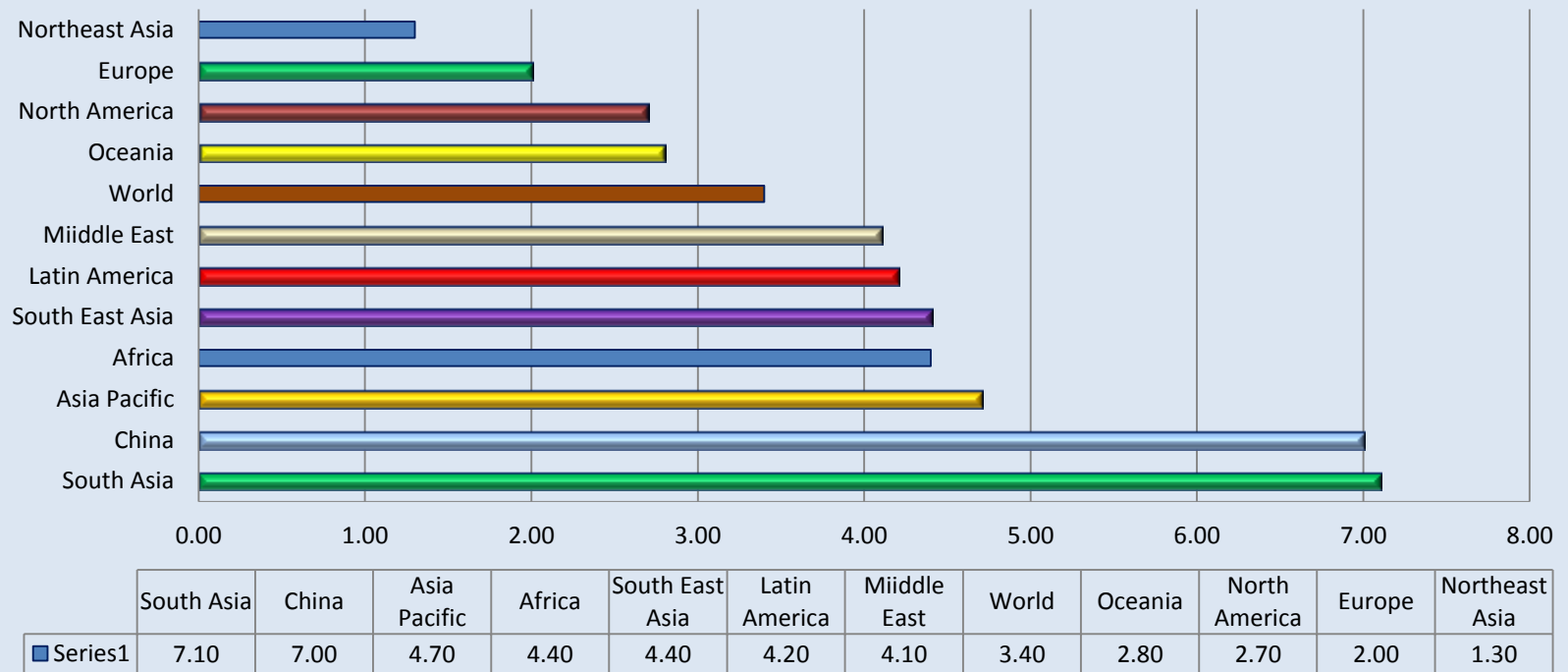
# Agenda

- Latin America Air Travel Growth
- Financing Alternatives
- Airport Financial Potential Risks

# Latin America Air Travel Growth

- Despite a steady increase in fuel prices, the aviation industry had a good year.
- Worldwide passenger traffic jumped by 5.1% in 2011.
- The number of airline passengers reached to 2.7 billion in 2011.

- The Latin America-Caribbean (LAC) region grew by 6.9 percent in 2011-30.



# Regional Economic Figures

2011 to 2030

In LAC, low-cost carriers are stimulating traffic demand to Brazil, Chile and Argentina.

Market growth rates	Latin America	World
GDP growth rate	4.2	3.3
Traffic growth rate	6.9	5.1
Cargo growth rate	6.1	5.6
Fleet growth rate	5.6	3.6

Fleet in 2030	Latin America	World
Large	10	1,140
Twin aisle	410	8,570
Single aisle	2,820	27,750
Regional jets	150	2,070
Fleet size	3,390	39,530

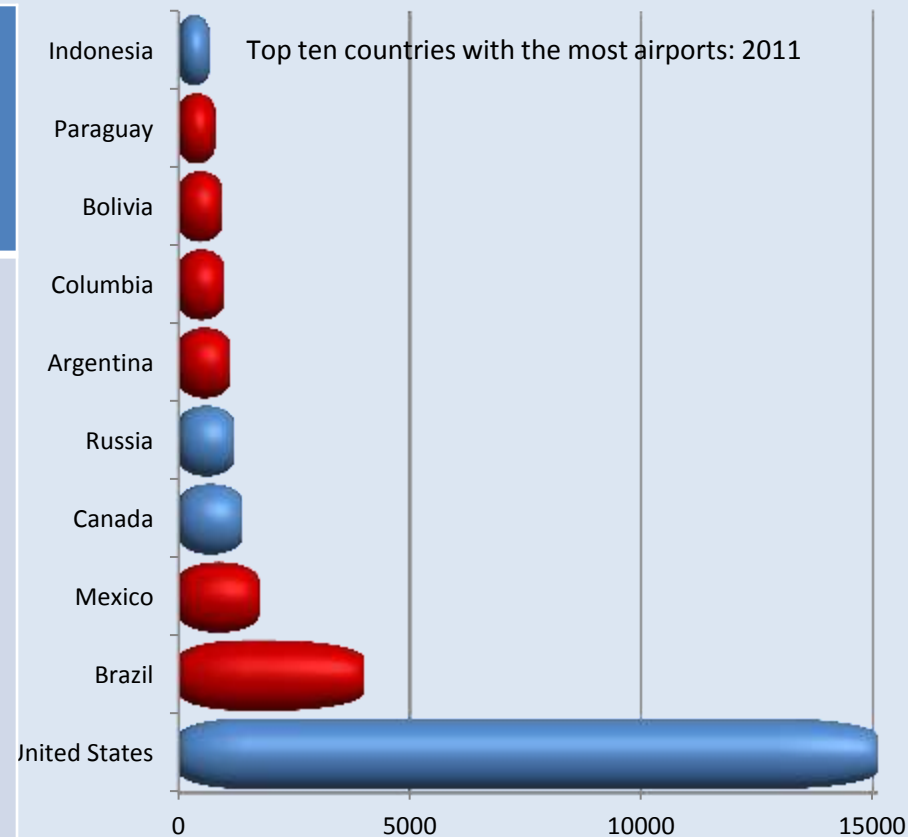
Market Size	Latin America	World
New deliveries (units)	2,570	33,500
Market value (\$B)	250	4,060
Average airplane value (\$M)	100	120

Airplane value	Latin America	World
Large	3	270
Twin aisle	90	1,770
Single aisle	160	1,950
Regional jets	2	70
Total market value (\$B)	250	4,060

Source: Boeing

# Global Airport System

	Airport	Capitalizati on USD million
1	ADP (Partially privatized in 2006)	8,720
2	Fraport (Partially privatized in 2006)	6,510
3	MAp Group (Formerly Macquarie Airports)	5,780
4	Shanghai International Airport	4,410
5	Flughafen Zürich AG (Partially privatized in 2000)	2,510
6	Copenhagen Airport	2,480
7	GAP (Grupo Aeroportuario del Pacífico)	2,320
8	Beijing Capital (Controlling 30 Chinese airports)	2,260
9	Auckland	2,210
10	Malaysia Airports	2,190
11	ASUR	1,680



# Financing Alternatives

- Traditional
  - As a result of fiscal pressure, states have been forced to explore alternative funding mechanisms for transportation investments
- Public-Private Partnerships (PPP)
- Debt Financing
- Privatization
  - BNDES may finance up to 70% of the investments at three airports to be privatized
    - Guarulhos and Viracopos airports in Sao Paulo
    - Brasilia international airport



- Airport companies from the region as:
  - AA2000 in Argentina ( awarded the Ezeiza concession in 1998).
  - AGUNSA, El Loa Airport in northern Chile
  - ANGELES Group in Mexico,
  - CAISA in Uruguay have been joined by international groups such as Bechtel, Ferrovial, Fraport, Changi Airports Limited and SCAE in Singapore, the Houston Airport System, and Raytheon Infrastructure.
  - Asur, Grupo Aeroportuario del Sureste, the first privatized airport group in Mexico

- In Brazil, privatization has been considered without success.
  - Azul comes out against airport privatization.
  - In February 2011, ASUR announced it would be interested in investing in Brazilian airports.
    - ASUR operates nine airports in southeast Mexico.
    - ASUR was privatized in 1998. It is 100% stock exchange listed
  - OMA - Grupo Aeroportuario Centro Norte pursuing opportunities in Brazil.

- Colombia to launch a \$100 million concession for six airports
- Brazil to invest:
  - \$268 million on a new modernization program at Rio de Janeiro, Galeão
  - \$205 million to expand Brasília International Airport
- The Colombian CAA has turned over the operation of Medellín Airport to a private group
- Operating concessions were granted at Cali and Cartagena airports
- Peru is granting concessions for several of airports

# Potential Risks and Pitfalls

- Risk of financing
  - Massive capital needs
  - Regulation (BAA)
  - Nationalization
- Currency risk

Thank you



- The International Finance Corporation (IFC) has been integral to the growth and spread of private finance initiatives (PFIs) and public-private partnerships (PPPs) for infrastructure projects throughout LatAm.

# Finance Techniques and Strategies

- As a result of fiscal pressure, states have been forced to explore alternative funding mechanisms for transportation investments.
- Public-Private Partnerships
- Debt Financing
  - AA2000 offering \$300 million secured bond
- BNDES may finance up to 70% of the investments at three airports to be privatized
  - Guarulhos and Viracopos airports in Sao Paulo
  - Brasilia international airport



# Financing Alternatives

- The rapid growth in exports from Latin America has revealed the limitations of transportation infrastructure in the region.
- Exports from Latin America have climbed from 15% of GDP in the 1990s to 25% of GDP, and by 2012.
- Considerable amount of privatization in Argentina and Mexico.



- Argentine airport concessionaire Aeropuertos Argentina 2000 (AA2000) plans to complete its \$400mn expansion of capital Buenos Aires' Ezeiza international airport by end-2012.
- As operator of 33 of the airports in the Argentine airport system, the company is responsible for managing some of the largest airports by volume in Latin America.

# Financing Alternatives

There are many national and cross-border investment and operating models in the offing in LAC.

- Airports worldwide committed over \$42 billion to airport expansion and renovation projects (in 2-007).
- The Latin America & Caribbean region committed over \$2 billion (In 2008).
- In total by 2013 airports worldwide will have committed in excess of \$350 billion over ten years to modernize and expand existing infrastructure.
- By 2027 airports worldwide will handle 11 billion passengers, due to an average global annual growth rate of 4%.