



# The Public Perspective on Private Partnerships in a Crisis

## GAD World 2020



## Purpose of the Session

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To explore the interplay between public and private sector partners in supporting and sustaining airport operations and developments in a crisis -

- What flexibility has there been in existing partnership or concession arrangements?
- What have been the problems and tensions in partnership arrangements during the pandemic?
- Can the public sector do more to support their private sector partners?
- What are the obligations on the private sector to ensure that airports can continue to fulfil their core role in economic development?

## Why Should It Matter to Public Sector Partners?

The options for how to manage the relationship in PPPs in a crisis will need to be shaped by understanding what the benefits are of doing so and why a concession was let or partnership formed in the first place



## Option for Public Sector Response

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A crisis may expose whether a PPP actually the best form of asset disposal or driver for development?

- Privatised airports have a clear path of funding – and public sector can still intervene as a last resort as we have seen in some countries
- Intervention is more straightforward in public ownership and operation
- BUT Concessions or PPPs are let on the basis of a defined economic equilibrium and intervention has the potential to distort that balance and can limit solutions

### Potential issues:

- Minimum Guaranteed Revenues
- Concession Fee Waivers
- Capex Postponement
- Debt restructuring
- Concession term
- Reallocation of risk – is this possible within the contract?

**How might the public sector consider whether to intervene?**

**RISK**

**Identify Risk to Airport / Air Connectivity**  
 (Business failure, regulatory / infrastructure funding, airlines focussing elsewhere / route consolidation / scaling back)

**Economic Risk**  
 (Jobs & Direct Impacts / Connectivity & Wider Impacts)

**INTERVENTION & OPPORTUNITY**

Identify Intervention Options

**Operational Support Investment**  
 To get the airport going again with appropriate facilities and services  
 (Investment in specific facilities, Grant Funding, Loans, Training/re-training, Apprenticeships, New Social Distancing Measures)

**Air Route Support / Fiscal Support**  
 To support inbound and outbound business and tourism, getting people flying again  
 (PSO, RDF, Marketing Support, APD relief)

**Invest in Airports**  
 (Full or partial stake)  
 To prevent airport closures  
 To introduce new / additional capacity to move forward

May require adjustment to intervention and re-assessment

Public Funds

Private Funds

**Climate Crisis Considerations**  
 ? (How does this fit with the stakeholder's agenda, could intervention be in areas to improve the environmental position i.e., surface access)

**State Aid Considerations**  
 ? (May be 'ok' with right economic case)

NO

YES

NO

YES

**Business Case & Business Plan / Funding Case / Due Diligence**

**Governance**  
 (Structures, Shareholder Agreements, Business Planning)

**Exit Strategy / Repayment of Investment**  
 (If any is required)

**DELIVERY**

Clear Economic Case

## Future – How To Do Things Better

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- ➔ **Recognising the risks and incorporating them properly into concession agreements requires defining where the risk should lie**
  
- ➔ **Does a focus on risk allocation and immediate financial difficulties divert attention away from broader government priorities to secure ongoing air connectivity to support economic recovery?**
  
- ➔ **Are there consequences for users:**
  - **will airlines necessarily face increased airport charges to pay for the cost of the pandemic?**
  - **what implications does this have for air connectivity?**
  
- ➔ **What does this mean for investors:**
  - **will there be a lower appetite for concession and PPP arrangements in future?**
  - **how will the changing risk profile impact on who will invest?**
  - **what does a changing perception of risk mean for the length of concession or PPP arrangements?**