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The liberalisation of transport infrastructure and Spanish investment in the international market: Latin American airports and the case of AENA•

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Abstract.

The liberalisation of the international air transport markets has also affected transport infrastructure. This paper studies how the airport management affiliates of the Spanish construction companies took advantage of the privatisation of the airport systems in Latin American countries at the end of the 1990s in order to enter these markets. This overall framework included the Spanish public company AENA which has internationalised in this new market segment. It adopted a strong capital investment policy which, in turn, became a public economic policy instrument to support private Spanish construction companies seeking to exploit new markets in emerging businesses.

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In the 1990s Latin American airports began opening up to private external management and administration. The process began in the 1970s on an international scale, first in the United States, then in Europe before reaching Latin America at the beginning of the 1990s. The airlines were the first companies to be affected. They were able to establish their flight destinations, frequencies and itineraries with fewer restrictions. Not all the countries in the region accepted these principles or implemented and developed them at the same pace or in the same way[1].

• This text forms part of a wider project in progress with the title: *Los efectos de la liberalización de los mercados del transporte aéreo en América Latina: los casos de Argentina y México (1970-2012) [The effects of the liberalisation of the air transport markets in Latin America: the cases of Argentina and Mexico (1970-2012)*

[1] The inter-regional agreements such as those of Mercosur or the Andean Pact made some headway with relaxing regulations in the field of bilateral agreements

In the case of infrastructure, the process of applying the deregulation principles was slower. The airports favoured a less open liberalisation given that the public authorities were reticent to forego the revenue obtained from their monopolistic position. Consequently, the opening of the airports to new forms of management through privatisation, concession agreements, associated mode of exploitation, consortiums or other types of exploitation mechanisms varied from one country to another and there were also chronological variations between nations[2].

This study analyses how, in this final phase of the liberalisation of airport infrastructures, domestic and foreign capital was attracted due to governments making it easier to access their exploitation. Specifically, we will focus on the investments from abroad by studying the behaviour of several Spanish construction companies, particularly AENA (Aeropuertos Españoles y Navegación Aérea) *[Spanish Airports and Air Navigation]* the Spanish public airport group. The approach was the same as that adopted with the Spanish investments in Latin America at the end of the 1980s when there was a high incidence of internationalisation among Spanish companies. AENA began its international expansion in the mid 2000s in order to improve its financial and strategic situation with the objective of preparing a possible privatisation of its capital. The losses incurred by airport management and the changes of government in Spain accelerated the planned privatisation process, generating uncertainty in the operations and sales mechanism of the Spanish public airport agency.

The first part of the study focuses on the fundamental aspects of the liberalisation process of the air transport market and its implications for airport infrastructure. It goes on to explain how the privatisation process of Latin American airports has evolved. Finally, within the wider context of Spanish overseas investments, several cases of construction companies, particularly AENA, are analysed. The study concludes by highlighting that public companies also implement

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but considerable restrictions still remained throughout the region. A. Bosch and J. A. García Calvo (2003), pp. 17-18

[2] R. Doganis (1992) A. Graham, (2008) A. Bosch and J. A. García Calvo (2003), p. 25 and ss.

internationalisation processes directly related to increases in opportunities generated by more open markets. The air transport sector is one of these markets and infrastructure has also been affected, not only the airlines, as previously maintained. Furthermore, it reveals that AENA constituted an instrument for coordinating the cooperation policies of the Spanish State with the construction companies interested in exploiting airport facilities.

The liberalisation of the air transport market: a process on a global scale

After the end of the Second World War, the organisation of national and international air transport and was highly regulated. National governments had full jurisdiction over air traffic in their territories and the airlines were state-owned and operated the air transport sector under a monopoly regime. On an international level, operations were conducted in a similar way to national markets. A multilateral organisation judicially regulated air transport under the auspices of the United Nations and another commercial organisation operated as a cartel of the air transport companies. Both the OACI and IATA formed part of this dominant system: highly regulatory, closed and with a very low level of competition[3].

Until 1977 this mode of operating remained practically unchanged, affecting all the international markets but particularly the two largest in terms of traffic and capacity to generate change, especially in the aeronautical technology field: the United States and Europe. During the second half of the 1970s, an influential liberalising ideology began to emerge, above all in the United States. Essentially, the movement called for an internal market in the United States that was not restricted to a few airlines and for a more open and flexible authorisation process of the regulating body (the *Civil Aviation Board*) which would give rise to a greater transport capacity, more operators, a greater frequency of flights, a larger supply of seats and lower prices. The liberalisation process in the United States was also driven by the introduction of aeroplanes with a greater capacity in the market

[3] For more on these aspects see R. Doganis (1991) and P. Hanlon (1999)

which enabled large increases in supply in intense routes. The new Boeing jumbos and the MD 11s were planes with double aisles which also improved consumption and reduced costs, improving profit margins for aircraft operators[4].

In October 1978 the law deregulating the internal market in North America was passed. This gave rise to a process of rapid change in air traffic and the organisation of the internal market. However, the international market was not far behind in implementing these changes when Europe began to feel the pressure of the North American companies to transfer the new rules overseas. This, in turn, put pressure on bodies such as IATA which sought to maintain the oligopoly of the international market and the distribution of its profits among the airlines included in the market-sharing agreements[5]. Contrary to the USA, in Europe, the liberalisation process implied international traffic as the size of the continent and its organisation into small countries meant that the liberalisation process had to be organised and developed in phases and stages. The European Commission was responsible for coordinating this process in two periods, the first between 1981 and 1987 and the second between 1987 and 1994.

The liberalisation of European operations involved the consideration of all internal flights of the countries in the European Union as cabotage; the agreements regarding frequency and capacity between airlines would disappear, landing and takeoff permits were to be liberalised; flights would only be subject to technical permits; tariffs and prices would be liberalised gradually. The whole process was implemented through successive European directives, which required intense rounds of negotiation between countries which culminated in the free flow of flights in 1994. In parallel to this process of dismantling the previous regulations, another, more complex and dramatic programme was implemented to dismantle the former state-owned airlines and monopolistic rights. All of these airlines were privatised through a process which generated significant problems for the countries that owned them. The contribution of public capital to strengthen the airlines and bear the cost of the loss of a vast number of workers generated

[4] W. M. Leary (1995)
[5] P.J. Lyth (1996)

economic and political upset to a greater or lesser degree in practically all European countries, including Germany, France, Italy and Spain[6].

The most immediate effect of the progressive lifting of restrictions in the European air transport market was the emergence of new airlines. Many of them were charter airlines that had operated under the control of the tour operators and became scheduled flight airlines. In other cases, new airlines appeared with completely new characteristics and, after 1994 dominated the European commercial aviation market. The so-called low-cost or no-frills airlines rapidly became the prominent players in terms of sustained growth in the supply and demand of air tickets. Airlines such as Ryanair or Easyjet took on a central role in the air transport market, introducing the low-cost company model in Eastern Europe and other international markets[7].

The liberalisation process of the transport sector was somewhat slower with respect to infrastructure but with very clear objectives. The most important objective was the privatisation of airports and the introduction of mechanisms to enable the exploitation of new airports and the extension of existing ones as a result of the strong growth in air traffic. Since their development for civil aviation after the Second World War, airports were seen as a public utility to be financed by the local, regional or national governments, in the same way as the construction and maintenance of roads or public transport. However, in the 1980s they began to be regarded as facilities that could be managed with commercial criteria and therefore subject to being partially or wholly privatised.

The move towards privatisation began in the United Kingdom in 1978 when the government reduced airport subsidies in the London airports and subsequently in all airports throughout the country. Gradually, the movement extended through the continent in the light of the application of the different phases of the EEC's liberalisation of air traffic. With the exception of Belgium, Spain and Austria where a close link remained between the State and the exploitation and direct control of

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[6] P.J Lyth and H. L Dienel (1998), for the case of Spain J. Vidal (2008)
[7] R. Doganis (2001)

airports, the other countries of the future European Union were adopting different mechanisms to relax the management and exploitation of the airports under their control. In almost all countries, specialised autonomous departments were created to control and regulate the airport system and were granted greater capacity to operate as independent commercial enterprises but under the ownership and ultimate control of the State[8].

The privatisation of the airports progressed during the 1980s and the beginning of the 1990s. In England, part of Luton airport was sold which until then had been owned by the local government. In Austria, 50% of the shares of Vienna airport were sold. The movement advanced at different rates and with variations, depending on when the different Governments and States considered their airports were able to finance themselves and in line with the surge in air traffic in Europe and international markets. It is important to highlight that the privatisation of the airports generated two new problems related to the freedom in operating airlines. The first was who controlled the prices of air transportation activity and also who fixed the tariffs relating to airport services, both with respect to commercial aviation and the users of the airlines. A new problem also became apparent: to what extent could the objectives of the shareholders who sought to increase their profits through operating airports be reconciled with those of the state or government agencies which regulated the sector who sought an optimum management.

In Europe the range of different modes of exploiting airports was coupled with the opening of new airports for civil flights. Many of the new airports were the hubs for the new so-called "low-cost" companies. They were, on the whole, airfields and unused military bases built during the Second World War. They were close to important cities which motivated the local governments, in many cases the owners of these airports, to favour these new airlines establishing their bases in them. The low prices and tariffs of these airports enabled the rapid growth of the traffic of

[8] R. Doganis (1992) pp. 25-33

these new companies which were competing with the airports in the cities from which the large monopolistic airlines operated[9].

The opening of new airports and the privatisation and extension of existing ones entailed a considerable capital provision which private companies were willing to assume by investing in the exploitation and management of these large infrastructures. The process advanced rapidly and was encouraged by the European Commission and the different governments of the member countries of the European Union. Many construction companies entered the business of the integral exploitation and management of the new airport infrastructures and identified a new business sector which they could add to their capital investments in order to vertically and horizontally integrate these activities with their core construction business.

The airport market in Latin America, 1970-2013

The incorporation of the Latin American airport market into the liberalisation process of the air transport sector was slower and more uneven than in Europe or the United States. Privatisations and attempts to reduce the State's participation in aviation companies were carried out first in the airlines, before the infrastructures and *skies* of each country[10]. The airlines initially received more attention, partly due to the effects of the economic crisis of the 1970s, but mostly because of the strong backing given to the sale of public assets in the region as a result of ISI policy being dropped and the progress made in reducing the state-owned corporate sector.

The two most relevant cases where the weight of the State was reduced in the airlines are Mexico and Argentina. At the beginning of the 1980s the impact of the

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[9] R.Doganis (2001) was the first to explain this model of low-cost companies establishing their bases in secondary airports subsidised by the local governments who owned many airfields, mostly former military bases which had been abandoned in Europe during the 1960s and 1970s.
[10] See the overall view of T. Serebrisky (2011)

measures adopted to liberalise the air transportation market initiated in the United States could be felt in Latin America. The flag carriers were already experiencing serious financial problems which gave rise to an almost permanent imbalance in the operating accounts of the leading airlines. In Mexico, Aerovías de México, which became Aeromexico in 1972 was under State control for 18 years. However, in 1988 it filed for bankruptcy, initiating a process of privatisation which generated a nucleus of relatively stable shareholders who negotiated with different majority owners until 1993 when it gained control over the other State company, Mexicana. Finally, in 2006 Aeromexico was taken over by the financial group which was part of BANAMEX. It was later sold to the hotel company, Posadas, and was finally declared bankrupt in 2014 after discontinuing flights in 2010. In the case of Argentina, the flag carrier, Aerolíneas Argentinas was privatised by Raúl Alfonsín's government in 1990 and changed hands between different foreign owners – including Spanish companies such as Iberia and Grupo Marsans. Later, during the government of Cristina Fernández, the State regained control of the company through an urgent nationalisation process which was completed at the beginning of 2009.

In parallel with the privatisation of the flag carriers, the mechanism to privatise airport management was also set into motion. Between 1991 and 2008, Latin America and the Caribbean received 30% of total world investments in the airport sector. Mexico, Argentina and Colombia alone attracted 7,000 million dollars, 70% of the total investment in the region[11]. In the light of the movement to reduce state participation in public companies, the different governments of the region chose a variety of ways to carry out the process. Depending on the situation of the public purse and the objectives of the economic policy of each country, different methods were used to undertake the privatisations. In the international market, the principal forms of privatisation were share issue, commercial sale, concession agreements and project finance[12]. In Latin America the most common form of privatisation was commercial sale although in Mexico concession agreements were

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[11] T. Serebrisky (2011), p. 5 on the database of the *Private Participation in Infrastructure* (PPI) of the World Bank

[12] A. Graham (2008), pp. 25 and ss. On the regulations and their impact on airport management. R.Hardaway (1991) and S. Sulzmaier (2001)

predominant while in Argentina project finance was preferred and in Colombia a mixture of new projects, management and leasing contracts and also concessions was adopted[13].

In general terms, concession agreements met the short and long term objectives of the governments, given that contracts to operate a privatised airport have a duration of between 20 and 30 years and there were minimum requirements involved in the public offer: an initial payment and guaranteed level of annual investments and/or the payment of an annual fee for exploiting the airport infrastructure. According to the experts, the concession system involves high transaction costs given that the bidding companies are aware of the financial problems of the governments which must ensure that the private contracts meet the objectives that they have defined in their future economic policy outlook[14].

In spite of these problems, in general, the Latin American governments preferred this type of contract in their privatisation processes probably due to the long duration and the review clauses of the annual fee which in many cases were incorporated into the agreements. This enabled them to modify the conditions and adapt them to the traffic flow, the finance needs of the state and to overcome the two main problems in airport management: the difficulties inherent in improving the necessary renovation of infrastructure through substantial investment and increasing the traffic capacity of airports in many countries in the region.

The claim that concession agreements were the system that was most used in the privatisation of airport management in Latin America can be supported as Bolivia, Peru, Mexico and Argentina all used public tendering to exploit the airports through this mechanism. In 1997 Bolivia put its three airports out to tender (La Paz, Santa Cruz and Cochabamba) by way of a 30-year contract which was won by Albertis and implied the technological updating and the improvement of the physical infrastructure of the airports in exchange for 21% of their gross incomes. Aeropuertos Argentinos 2000 won the tender for exploiting the country's 33

[13] T. Serebrisky (2011), p. 52.
[14] A. Graham (2008), p.27

airports in 1998. For a concession period of 30 years, the winning company was required to invest 2,000 million dollars. In 2001, the economic crisis forced a review of the concession company's contributions lowering the annual fee to 15% of income. Also in 2001, Lima airport (Peru) was tendered for concession and the local company Alterra together with Frankfurt Airport Services won the contract and were obliged to pay 47% of revenue to the Peruvian Government and made an investment commitment for the first three years[15].

The case of Mexico is more interesting due to the features of the concession contracts and the geographical distribution chosen by the federal government to privatise the management of the country's airports. In 1997 a bidding process was launched for the concession of Mexico's 58 airports which were organised into four groups. The North-Central Group (GACN); the Pacific Group (GAP); the South Eastern Group (ASUR) and the Mexico City Group (AICM). Each group included a major airport in terms of passenger traffic and the contracts were established for a minimum of 15 years and extendable to up to 50 years. The concessions included minimum requisites which affected all the airports in the group. First, the bidding companies had to be operators of a large airport in another country to demonstrate their international experience. Only up to 49% of the consortium could be owned by foreign companies and a fee had to be pre-paid to the government together with a percentage of the revenue of the airports being exploited. ASUR was the first group to be privatised in 1998. Then, in 1999, fifteen per cent of GAP was sold to a consortium in which the Spanish company AENA participated.

The concession agreement system has also been predominant in other countries in the region, such as the Dominican Republic, Chile, Uruguay and Costa Rica. This system also prevailed in Colombia, where the Spanish company AENA was also present in different consortia, first in Barranquilla in 1997 and in Cartagena in

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[15] The company that operated the German airport was one of the most active companies on an international scale. See *International Transport Forum (2010), Airport Regulation Investment & Development of Aviation*, Frankfurt, OECD. www.internationaltransportforum.org/2009/forum2009.html

1998, in both cases with concession agreements of 15 years. In the year 2000, with a 20-year concession contract, AENA also began to operate the airport of Cali.

Opportunities for Spanish investment: construction companies as airport operators

The companies most interested in investing abroad in airport management and exploitation were the large Spanish construction companies. During the 1980s most of them expanded in domestic markets and also began to internationalise. This process was preceded by mergers and acquisitions between the former construction firms which had grown in the final phases of the Franco regime[16]. Access to the European Community in 1986 forced the construction sector to seek new growth mechanisms in order to improve its future competitive position. One of these mechanisms was airport management, a growing market subject to privatisations and deregulation both in Europe and also on a global scale.

The most noteworthy case of the Spanish construction companies interested in airport management is *Ferrovial,* a construction firm that formed part of the Del Pino family group. In 2006, it acquired 83% of BAA (British Airport Authority), which accounted for the majority of the capital of London Airport Authorities and operated Heathrow and six other airports, for 14.6 billion euros. Previously, Ferrovial had acquired Europe's leading independent handling company - Swissport – the first step in the company's decisive strategy to become a leading player in all important business segments of the airport management sector.

Before taking control of the majority of BAA's capital, Ferrovial had previously gained experience in the sector. It began with investments in Latin America in 1998 with the acquisition as part of a consortium of 24.5% of the south eastern group of Mexican airports, Aeropuertos del Sureste de México (ASUR) which included Cancún, Mérida, Veracruz, Villahermosa, Oaxaca, Minatitlán, Cozumel, Huatulco and Tapachula. The traffic of these airports was growing with 10 million

[16] E. Torres (2011)

passengers per year. In 2004 it sold its stake in ITA, which owned 15% of Aeropuertos del Sureste de México (ASUR). Although Ferrovial's participation in ITA had been initially decisive, it was not sufficient to enable Ferrovial to directly manage ITA's strategic decisions and development which is why the Spanish construction company divested these assets.

The predominance of Ferrovial in the acquisition of BAA should not overshadow the other Spanish construction companies that diversified into the airport management business in the light of the privatisation processes of the management of these infrastructures in Europe and Latin America. *Fomento de Construcciones y Contratas* (FCC), another large Spanish construction company took its first steps in the sector with the concession of the aviation handling company of the two airports in Rome in 2006 in partnership with its affiliate *Fligthcare* which already operated in airports in Spain and Belgium (Brussels and Ostend). In a profit-seeking operation it sold this company to Swissport in 2012. FCC's operations in Latin America began in 1998 with the privatisation of the airport management of Santiago de Chile. It participated in a joint operation with Chilean (AGUNSA) and Canadian partners, through its affiliates Dragados-FCC with a 14.7 % stake in the joint venture.

ACS is a Spanish construction company that has grown to a considerable size. This company also began to diversify into the airport business early on. It preferred to operate in the Latin American region, particularly Jamaica, Santiago de Chile and the west coast of Mexico. Through its subsidiary Abertis, it acquired the British airport operator BTI, incorporating 13 airports into its management. In turn, in 2007 Abertis acquired ACS's stake in DCA, a company of which it had an equal share together with Spain's state-owned airport operator AENA and the Mexican company CMA. Here, the important factor is the 17% stake that Aeropuertos Mexicanos del Pacífico holds in the Pacific group of airports, Grupo Aeroportuario del Pacífico (GAP) which operates 12 Mexican concessions.

The companies OHL and SACYR are also worth mentioning. The former acquired 49% of the Mexican Administrator of the International Airport of Toluca in 2006 and also forms part of the consortium that manages the international airport of Mexico City. In 2007, SACYR attempted to enter the airport business with the acquisition of London City Airport.

Overall, the common denominator of these investments in airports in the 2000s was that the companies tapped into the new opportunities that emerged as a result of the privatisation of the airport system both in Europe and Latin America. The construction companies used their knowledge of the real estate sector and open tendering procedures to diversify into a business from which the State and Public Administrations were withdrawing and in which the different forms of exploiting the airports (basically concessions and management contracts) enabled them to enter the sector with the pertinent international certificates with solvent financial and technological partners to exploit the new infrastructures.

A public operator with the strategy of a private company: the case of AENA

Aeropuertos Españoles y Navegación Aérea (AENA) is the Spanish public body that operates the Spanish airports and through the pertinent regulations manages Spanish air space. It was founded in 1990 through the integration of the former General Directorate of Airports and civil aviation. To a large extent, this body was created in order to respond to the new requirements inherent in applying the directives of the European Commission to organise the continental air space as a consequence of the liberalisation process. The new entity was responsible for managing the strong growth of airport traffic in Spain which was rapidly becoming the second most intense in Europe after the United Kingdom[17]. The permanent stimulus of tourism, the boom in low-cost traffic, the effects of cabotage within the continent and the signing of the open sky agreements between Europe and the United States in 2007/2008, in the long term enabled AENA to become, in 2012, the world's leading airport body in terms of passenger traffic, with 194 million, which is double that of the *Port Authority* of the United States.

[17] J. Vidal (2009)

The most relevant characteristic in the history of this public company was the early opportunity that it had to position itself in the international market in order to benefit from the competitive advantages and to place itself among the world's leading airport concession companies. At the end of the 1990s, AENA created an International Development Division in order to study and participate in the exploitation tender procedures that were being launched in different markets. In 1998 it began to make investments in the region where the Spanish private companies had been operating since the end of the 1980s: Latin America[18]. AENA continued this trend and at the beginning of the 2000s it had already gained an important position, particularly in Mexico and Colombia where, together with other partners, it operated a large group of airports under a concession system (Table 1).

Table1

AENA Internacional SA (2000-2013)

Company	**Percentage stake**	**Airports/Activity**
Aeropuertos Mexicanos Pacifico	25. 5 %	12
Aeropuertos del Caribe	40%	Barranquilla
Sociedad Aeroportuaria de la Costa	38%	Cartagena
Aerocali	33.4%	Cali
Cayo Coco	Management contract	Cuba
European Satellite Services	15%	Satellites
Compañía Extinción Incendios	15%	Forest fire extinction

Source: AENA Annual Reports

[18] J.J Durán (1996) J. Vidal (2011) In general, the whole of Latin America received Spanish investments but particularly Argentina. T. Gómez, J. Schvarzer, J. Ruiz and F. Ortega (2012)

In the mid 2000s, AENA increased its investment possibilities in airport management, opting for a strategic agreement with the Spanish services and construction multinational, *Abertis,* in order to acquire a 10% share of *Airport Concessions Development* which owns 100% of the company TBI. What is important about this operation is that AENA became a partner in a company which operated London Luton, Belfast International and Cardiff airports, all in the United Kingdom. It also exploited the airports of Orlando Sanford in the US, La Paz, Cochabamba, Santa Cruz in Bolivia and Stockholm in Sweden. TBI also had management contracts in several airports in the United States (Atlanta Harstfield-Jackson, Macon Downtown, Raleigh-Durham, Burbank and Middle Georgia Regional). In 2013, AENA, together with a new partner, AXA, acquired the rights from Abertis to operate London Luton airport.

As well as Latin America, Europe and the United States, AENA also has a presence in Africa with management contracts in the airport of Luanda, Angola. Its intention is to continue expanding in Africa where the growth opportunities are considerable due to the interest of the different governments in improving their airports both on a technological and commercial level.

Foreign investments by a public company, such is the case of AENA, may be considered unorthodox from a theoretical point of view particularly with respect to political considerations which may hinder the company's operations abroad. However, the restrictions on foreign capital in tenders for airport exploitation on an international level represent barriers to entry especially for public companies because percentage limits on participations are established for those entering into the contracts. The fact that the world's leading airport operator in terms of the number of passengers is the Spanish state may constitute an obstacle or an important asset for expanding the scope of its business. However, the considerable support or political thrust given to AENA's foreign activities has constituted a growth factor for this company as it has enabled it to secure public support and guarantees for its overseas operations[19].

[19] Particularly in the field of credit and financial markets.

On the other hand, it is important to emphasise the importance of the collaboration and assistance provided by AENA in the policies to support the internationalisation of the activities of the leading construction companies in the 2000s. More or less explicitly, the different Spanish governments adopted a policy of collaboration and understanding with these service management companies operating in the transport sector in which AENA has been a fundamental instrument on different levels. A knowledge of the business of airports and their operation, the development of airspace management technology through advanced radar and navigation systems and the training of specialists in comprehensive management are tangible and intangible assets that AENA has offered its partners in the bidding processes for international airport concession contracts.

AENA experienced problems in financing the growth of the internal market due mainly to the costs generated by the construction of the new terminals in the airports of Madrid, Barcelona, Malaga and Alicante and the effects of the economic recession from 2007 which reduced revenue from airport charges. These problems have hampered the external expansion policy and the growth of foreign investments although they have not affected the continuity of international operations. At the beginning of 2014, the company entered a bid for exploiting the airport of Santiago de Chile, a business in which the Spanish company FCC (Fomento de Obras y Construcciones) has previously been involved in alliance with other partners[20].

The difficulties caused by the costs of financing the new Spanish airports and the effects of the economic crisis after 2008 gave rise to the preparation of a partial privatisation in 2010. The objective was to reduce the weight of AENA's credit commitments, but now, with the conservative government in power, the process is considered as a necessity in order to raise public revenues and reduce the weight of the State's total deficit. Although the way in which up to 49% of the capital will be privatised has not been defined, those sectors related to airport service

[20] The tender for the exploitation of Santiago airport also implies the adaptation of the terminal to the high volume of passengers therefore AENA will need the collaboration of a partner with experience in the construction of airport infrastructures. The project requires an investment of 700 million US dollars.

companies will be most interested. It should be remembered that the majority of these companies were originally construction firms which have diversified into the airport management business. This is a fundamental step which will alleviate AENA's economic burden and provide future activities for construction companies that have been seriously affected by the deep decline in activities focused on the Spanish market such as real estate, those related to large public works and the fiasco of the toll motorways built in Spain during the construction boom in the first half of the 2000s.

Conclusions

The liberalisation process of the international air transport market which began in the 1980s did not only affect the airlines and traffic flows between countries but also included the fixed and mobile infrastructure relating to the services necessary for carrying out commercial aviation activities. At different paces and with different characteristics, the liberalisation of these infrastructures generated a movement of privatisations on a global scale whereby the majority of countries implemented mechanisms to place the management of airport activities in private hands.

The companies which carried out the most international investment to participate in the privatisation process were the large construction firms in alliance with operating companies of airports with large volumes of passengers and cargo. Together, or in temporary alliances with more partners, they became major airport groups which implemented a fast and intense internationalisation strategy. The two groups of companies cooperated to share knowledge, experience and financial capacity. This was the case of the airports of Frankfurt, Schipol, and world leaders in the construction business, such as ACS.

One of the geographical areas where the privatisation movement gained considerable momentum at the end of the 1990s was Latin America. The strong increase in civil air traffic in this region placed pressure on the different governments to improve their infrastructure. The best system for carrying out the necessary investments to enable the construction of new terminals and the remodelling of existing ones was sought. Concession agreements were chosen as the instrument to achieve the objectives of government policy. This system raised funds for the public authorities, attracted investments without compromising public spending and incorporated experience into the management and commercial exploitation of the new and remodelled airport facilities.

The flow of investments into the airport concessions in Latin America were dominated by the Spanish construction companies and their affiliates specialised in operating airports. These investments formed part of the Spanish foreign capital flow that, since the 1980s, had been directed towards Latin America, with particular emphasis on implementing the internationalisation processes of the new Spanish multinationals. However, there is a new noteworthy element. This is the participation of a public company specialised in the commercial and technical management of airports, which is the case of AENA.

AENA is not a company that simply fulfilled the basic features of the airport groups that embarked on an internationalisation movement. AENA is also a state-owned company with medium and long term objectives established in the Spanish state programme, with its own autonomous economic policy elements. The most important of these is the collaboration – in some cases implicit and in others explicit – with the large airport operators, particularly the construction companies. The reasons for this cooperation reside in the need of construction firms to diversify their business, due in part to the economic recession in their markets and also in the need for an experienced technological partner with qualified specialists trained in AENA and the public bodies that preceded it. But it is particularly necessary to underline the capacity of AENA's main partner, the Spanish State, to clear the political climate ahead of negotiations and tenders which the governments of the Latin American region have launched in order to exploit their airports at a profit. The flow of foreign investments made by Spanish companies in the first decade of the twenty-first century has been aimed in this direction. The public company AENA has played and continues to play an instrumental role and, according to *Public Works Financing,* is the world's leading airport operator in terms of the number of passengers carried.

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