

## **NEW CONCESSIONS MIGHT FOLLOW A NEW “PACKAGE DEAL” MODEL**

Brazil is considering the possibility that the privatization of airports could proceed under a “package deal” model, whereby profitable airports such as Congonhas (SP) and Santos Dumont (RJ) would be auctioned to the private sector linked to other airports which are non-profitable.

The government is analyzing whether this formula would be more advantageous than the plan made in 2015 to sanitize the finances of state-owned Infraero – by auctioning profitable units, and then using the income generated to manage unprofitable airports.

According to the Brazilian Minister of Casa Civil, Eliseu Padilha – former minister of Civil Aviation, when the original project for Infraero was adopted – the alternative “package deal” plan will be analyzed under the new economic scenario of the country, where it is necessary to raise funds more quickly to reduce the budget deficit.

"The fiscal situation has changed," Padilha said about the possibility of a model change.

In an interview with Folha earlier this month, the interim president, Michel Temer, said the government plans to privatize Congonhas and Santos Dumont airports (which share the busiest route in the country, the Rio-São Paulo route) to reduce the shortfall in the public accounts, which should reach 170.5 billion Brazilian Reais this year.

## **LOSS**

The plan to save Infraero was prepared after the company lost controlling share in five of its most profitable airports in 2012 and 2013: Guarulhos, Campinas, Brasília, Confins (MG) and Galeão (RJ). Infraero still manages 60 airports, of which only ten are profitable.

Worse, 80% of the employees previously working in the privatized airports, were required to be absorbed by other departments and/or airports under Infraero which subsequently caused a 3 billion Brazilian Reais loss.

When President Dilma Rousseff, now suspended, decided in 2015 to privatize four other profitable airports (Fortaleza, Salvador, Florianópolis, and Porto Alegre), the government drew up a plan to reorganize the company, with the dismissal of 5,000 employees, among other cuts. Besides reducing the workforce and adopting other financial measures, it is also necessary to negotiate two assets: 49% of the company's shares in the five concessions, and the three most profitable airports still managed by Infraero: Manaus, Congonhas and Santos Dumont.

With the cost reduction derived from reducing the workforce and implementing new financial measures, combined with resources from the liquidation of Infraero's shares in the privatized airports and profits from the auction of Manaus, Congonhas and Santos Dumont, Infraero would be able to take care of the non-profitable airports. Without it, the company risks bankruptcy, and no one will be interested in taking care of non-profitable units, says one of the plan developers.

Airports in smaller cities or capitals with little movement lose money because the revenues in this business depend on the profits received from rented retail shops. In these units, the aircraft and cargo movement and trade revenues do not support the high costs to receive aircrafts.

## **INCLUSION**

Padilha says he has not ruled out the adoption of the new concession model for the four airports already planned to be privatized in 2016 (Porto Alegre, Florianopolis, Salvador and Fortaleza).

According to him, there is no previous definition and that decision will be taken by Temer and the economic ministers.

The “package deal” model was used by the government of Fernando Henrique Cardoso in the privatization of the country's telephone system in the 1990s. The country was divided into lots that combined more and less profitable areas.

*Original, in Portuguese:* <http://www1.folha.uol.com.br/mercado/2016/07/1795733-privatizacao-de-aeroportos-pode-adotar-modelo-file-com-osso.shtml>