

The privatization of Argentine airports

Gustavo Andrés Lipovich

Instituto de Geografía, Facultad de Filosofía y Letras, Universidad de Buenos Aires, Puán 480 piso 4. (1406), Buenos Aires, Argentina

Abstract

The significant increase in air traffic in Argentina during 1990s highlighted a need to upgrade the country's airport infrastructure. In the ideological and political–economical context of the period, the heavy investment required could not be carried through without private capital and thus a National Airport System was developed with an accompanying regulatory agency. This article looks at the origin, characteristics, and operations of this system.

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1. Introduction

Argentina's airport privatizations began at the end of the 1990s as part of broader, strategic Federal Government reforms. These reforms can be traced back to 1989 and are part of a pan-Latin American process that changed the functions and reach of national governments. While there had been a *de facto* shift reducing government involvement in the economy following the demonstration effects of “Reagonomics” in the US and “Thatcherism” in the UK, the important legal change in Argentina was the passing of Law 23,696; the “Government Reform Law”, in 1989. This was passed shortly after President Carlos Menem took office with his clear neo-liberal leanings.

The ethos of the law embraced decentralization, deregulation, and outsourcing ideas. In term of decentralization, it named previously state-run entities, institutions, and businesses that would be decentralized, and others that would be privatized. The law also contained a list of institutions and businesses that were going to be privatized or managed by provincial and municipal government bodies. Businesses to be privatized included Aerolíneas Argentinas (airline industry), Empresa Nacional de Telecomunicaciones (telecommunications industry), Empresas Líneas Marítimas Argentinas (shipping industry), Yacimientos Carboníferos Fiscales (mining industry), Ferrocarriles Argentinos (railroad industry), Yacimientos

Petrolíferos Fiscales (YPF, oil industry), TV and radio stations, Subterráneos de Buenos Aires (subway system), Administración General de Puertos (the port administration system), water, energy, and gas. Airports, however, were not included and Congress had to pass separate legislation for their privatization.

The first privatization was of Aerolíneas Argentinas, the country's national airline, in 1990. The majority of the new managers of the privatized companies came from Spain, the US, France, the UK and Germany, and were often associated with Argentine businessmen. It is difficult to assess the overall results of this privatization process because of the lack of a sensible counterfactual. Nevertheless, it is notable that shortly after many privatizations renegotiations with the government became necessary. The basic problem being that of the regulatory structures that were put in place to deal with the monopolistic nature of many of these private entities. As Williamson (1989) points out, it can be very difficult to move to optimization in a decentralization process involving a natural monopoly and there are almost inevitable renegotiations after the biddings. The private companies compete during and until the bidding process but after it they tend to renegotiate the situation with state.

The privatization and regulatory developments of this period were not all driven by ideas of microeconomic efficiency. From the beginning of the 1990s, two significant macroeconomic policies were carried through in Argentina. Monetary convertibility was initiated making one Argentine

E-mail address: glipovich@yahoo.com.ar

Peso (AR\$) equal to one US dollar and to support this domestic policies were put in place designed to ensure the exchange rate and economic stability. The impact was to stimulate investment in Argentina and especially in the recently privatized companies; foreign direct investment during the 1990s was \$67,625 million compared to \$5,859 million in the 1980s (Chudnovsky and López, 2001). In particular, many multinational service sector businesses set up offices in Argentina. The macroeconomic policies also led to strong increases in imports and a sharp decline in exports because of the high dollar price of Argentina's product and the high relative purchasing power of the peso. The main consequence was that the upper middle and upper class enjoyed increased buying power, while the lower middle class and poor were hit by the gradual contraction of the public sector and cutbacks in state jobs. Increased social inequality was one of the main characteristics of the decade (Ciccolella, 2003).

This situation reached an abrupt end in 2001 together with a severe political and economic crisis. This finalized the era of monetary convertibility and exchange rate stability. At the same time, this crisis marked the beginning of a new macroeconomic cycle which has led to a decrease in consumption by the upper class and a reduction in poverty and unemployment, thus reducing the gap between the rich and the poor.

2. The airport privatization process

2.1. Objectives of privatization

The significant increase in foreign direct investment, the installation of numerous multinational companies, and the growth of international trade—almost exclusively importation—led to an increase in demand for business trips. At the same time, air transport demand increased exponentially following the implementation of convertibility. The monetary parity in place from 1991 to 2001 reduced relative costs and thus increased demand for pleasure trips. In this way, domestic and international air passengers doubled between 1991 and 1998 (Table 1).

The increase in air traffic demand could be met in the airports outside of Buenos Aires, but in Ezeiza, Buenos

Aires' international airport, the passenger terminal was saturated, and in Aeroparque, its domestic airport, the terminal and runway far exceeded the designated operating capacity. The airport installations were essentially the same as when they were originally built; there had been few efforts to modernize since construction in the 1940s. In 1977 and 1978, a moderate modernization project was implemented to cope with the World Cup of soccer held in Argentina but this was limited to cities that hosted games during the world cup: Buenos Aires (Ezeiza and Aeroparque), Cordoba, Rosario, Mendoza and Mar del Plata.

Airport privatization in Argentina was doubly justified due to the deplorable conditions of airport infrastructure and the exponential growth in demand for commercial air transport. The main objective of the airport privatization process was to facilitate significant investments in airport modernization in order to address long-term needs. Due to the lack of financial resources to carry out such a complex airport modernization process and due to the ideological and political–economical context, the Federal Government decided to offer the airports in concession and created the National Airport System, and the Regulatory Body of the National Airport System. The process of airport concession in Argentina was based on similar experiences in other Latin American countries such as Colombia (1993), Mexico (1995), Chile (1997), Bolivia, Costa Rica, Peru, the Dominican Republic and Venezuela.

2.2. Airport concessions

The airport concession process was formally launched when decree no. 375/97 came into effect on April 24, 1997. This provided for the establishment of the National Airport System (Sistema Nacional de Aeropuertos, SNA), designated airports that would be offered in concession through a bidding process, put forward a schedule of action for the auctions, and created the National Airport System Regulating Agency (Organismo Regulador del Sistema Nacional de Aeropuertos, ORS-NA). The decree designated 36 airports to be granted under concession for 30 years with possible 10-year extensions. It also highlighted some characteristics for private sector airport operations and emphasized that air traffic services, air traffic control, and flight protection were exclusively in the hands of the Argentine Air Force. The concessionaries, however were to operate independently of the air force, acting only as airport investors, constructors and administrators.

The main obligations of concessionaries include: complying with government-defined investments for 30 years, paying a fixed annual royalty determined in the bidding process, fulfilling obligations established under national and international provisions to properly protect the environment and communities, and guaranteeing equal, non-discriminatory access to airport facilities and services. The concessionaries had the rights to manage and operate, either per se or through third parties, at their sole

Table 1
International and domestic passengers in Argentina (1991–1998)

Year	International passengers	Domestic passengers
1991	3,200,000	2,989,000
1992	3,900,000	3,695,000
1993	4,352,000	3,706,000
1994	4,979,000	4,538,000
1995	5,134,675	4,991,928
1996	5,556,006	5,904,278
1997	6,087,484	6,581,524
1998	6,342,046	6,995,940

Source: Instituto Nacional de Estadística y Censos (www.indec.gov.ar).

responsibilities, all commercial, industrial, and service activities related to the airport business.

Regarding this framework, Cosentino (1998) argues that “within the wide variety of alternatives offered by positive law, the concession agreement allows for the application of the body of rules best suited to the decentralization of the government’s duties”, but he also expresses the view that “the privatization phenomenon that has spread to all areas of commercial aviation has not changed the nature of the airport business as a public service”.

There were several requests to nullify decree 375/97 in various court levels based upon arguments of it being unconstitutional. An opposition political party, the Unión Cívica Radical, filed such a request arguing that airport privatization was not included in the Government Reform Law (Law 23,696), but had to be signed into law to be enforceable. Consequently, the courts nullified of the decree. The Government appealed but was dismissed. The Government then validated airport privatization through emergency decree 842/97 (Microsemanario, 1997: 289). The legal issues initially overshadowed the bidding process and led to public speculating about possible collusion between the government and future airport operator. Despite this, the bidding process commenced on January 9, 1998.

2.3. National Airport System regulating agency

The bringing in of private capital to airport services provision also required governmental regulation to meet concerns over monopoly powers, and the ORSNA was given the duty of controlling and supervising airport activities (ORSNA, 1999). The agency is headed and managed by a Board of Directors made up of a chairman, a vice-chairman and two non-executive members. The second, non-executive member is appointed by provincial governors and the remaining board members, by the National Executive Branch. Its operations are funded with part of the royalties paid by the concessionaries and regulation applies to the entire National Airport System, including public airports. ORSNA is seen as an autarkical entity representing the interests of airport services and facilities users, including airlines, fiscal warehouses, airport stores, and handling and catering companies, as well as passengers.

3. The National Airport System

Fifty-three airports originally made up the SNA, of which 28 airports would be under concession to the private sector. Some 40 days after the decree came into force, National Executive decree no. 500/97 was signed that expanded SNA airports to 57 of which 36 airports were operated under concession (Fig. 1). The airports were chosen based on geographic location and overall economic-financial feasibility. The latter reflects the core SNA’s objective of providing a systemic, all-embracing operation

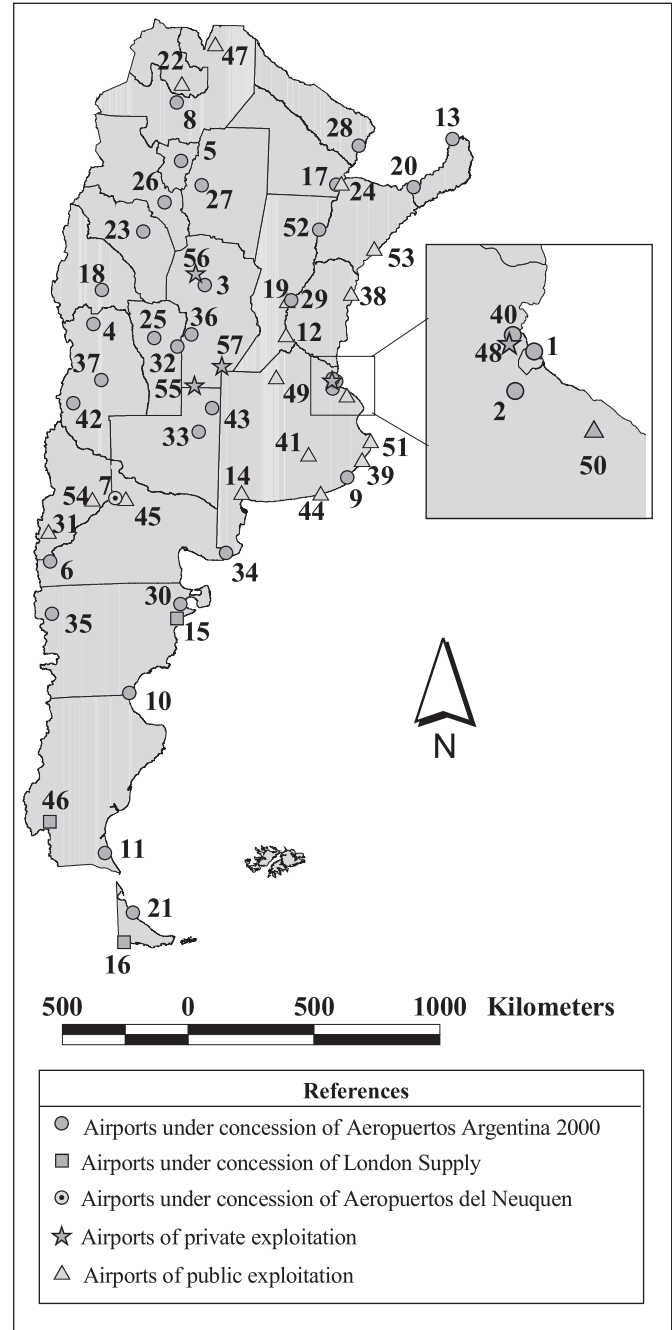


Fig. 1. National Argentina Airport System.

that supports a double cross-subsidy system among the airports having high rates of return and those making losses or low profits (Fig. 2).

The first cross-subsidy system was established within the bidding conditions themselves for the operation of 32 SNA airports. The winning consortium committed to complying with the government-dictated investments included in the package and to pay a fixed annual royalty fee. The concessionary would commercially operate the airports and redistribute its income among all the airports operated, through these investments. The second cross-subsidy involves companies granted concessions, and the remaining

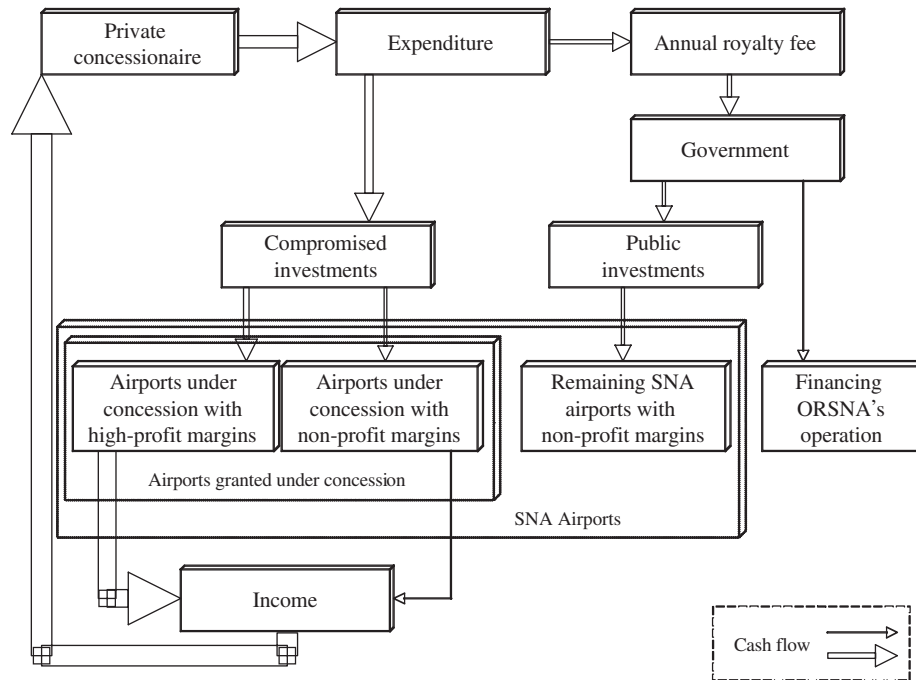


Fig. 2. The double cross-subsidy system (1997).

SNA airports operated by public entities. The decree provides that the income derived from concession royalties shall be specifically allocated to improve the SNA airports that are not under concession, and to finance the ORSNA's operation. This need to resort to subsidies within the system is based on the marked differences among SNA airports, both in terms of commercial aviation demand and traffic. These differences are shown in Table 2.

Such cross-subsidy systems are applied not only in Argentina but in other countries such as Mexico, and are usually aimed at providing equity in a large and diverse country. In Argentina, there are 10 airports accounting for 85% of traffic, and it is estimated that some 35 airports cannot support traffic at current levels from airside revenues and 10 more are not commercial viable at any fees.

4. The bidding process

The bidding process began on January 9, 1998 with these main characteristics:

- Thirty-three airports were offered up for concession.
- The concession period was 30 years with the possibility of a 10-year extension.
- \$2.2 billion of airport investment would need to be carried out over the term of concession, following a strict schedule prepared by the Union Bank of Switzerland (UBS) that had been hired by the government to estimate the necessary investments to be made.
- The consortium offering to pay the highest royalty would win the bid; the minimum royalty was set at AR\$ 40 million per annum (\$40 million at the time).

Four consortia submitted tenders. The highest bid of AR\$ 118.23 million was made by the Argentine–Italian–American group Aeropuertos Argentina 2000.¹ The second was AR\$ 117.11 million submitted by the Argentine–German consortium Aeropuertos de la Argentina.² The third, AR\$ 116.91 million was by the Argentine–French–German group Grupo Impregilo³ and the lowest tender came from the Argentine–Spanish consortium Empresa Concesionaria de Aeropuertos Argentinos⁴ for AR\$ 54.70 million. Final bidding took place 10 days later and tenders increased. The winning consortium was Aeropuertos Argentina 2000, which offered a fixed annual royalty of AR\$ 171.12. The royalty amount was accepted even though some specialists in the field were skeptical about the viability of the bid.⁵

Aeropuertos Argentina 2000 SA involves both domestic and foreign capital with the Argentine capital amounting to 34% (Grupo Eurnekián 33% and Riva Construcciones

¹Aeropuertos Argentina 2000; Corporación América Sudamericana (Grupo Eurnekián), Società per Azioni Esercizi Aeroportuali (Milan Airport), Ogden, Banco de Inversión Estatal Simset and Riva Construcciones.

²Sideco Americana (Grupo Macri), Flughafen Frankfurt Main AG (Frankfurt Airport), Frankfurt Company, Iecsa (Grupo Exxel), and ATEC.

³Grupo Impregilo: Impregilo, Iglys, Ferrostal, Alytia Airport Services (Paris Airport), José Cartellone, TTI (Tecnología Telecomunicaciones e Informática) and London Supply (Punta del Este Airport).

⁴Empresa Concesionaria de Aeropuertos Argentinos: Techint and AENA (Spain Airports), among others.

⁵The International Air Transport Association (IATA) found that, for 1997, the 33 airports showed annual profits of only AR\$ 140.00 million (Serebrisky and Presso, 2002) leading to a believe that it would be impossible for Aeropuertos Argentina 2000 SA to pay adequate royalties and to make committed investments for over 30 years.

Table 2
Number of passengers per airport (2000)

Map reference	Airport	Passengers	Percentage
1	Aeroparque	7,038,137	31.60
2	Ezeiza	6,199,975	27.84
3	Cordoba	1,819,681	8.17
4	Mendoza	823,786	3.70
5	Tucuman	498,454	2.24
6	Bariloche	472,154	2.12
7	Neuquen	470,000	2.11
8	Salta	462,279	2.08
9	Mar del Plata	427,918	1.92
10	Comodoro Rivadavia	353,780	1.59
11	Rio Gallegos	348,173	1.56
12	Rosario	336,000	1.51
13	Iguazu	309,270	1.39
14	Bahia Blanca	284,173	1.28
15	Trelew	240,893	1.08
16	Ushuaia	224,237	1.01
17	Resistencia	185,110	0.83
18	San Juan	178,515	0.80
19	Santa Fe	144,000	0.65
20	Posadas	141,220	0.63
21	Rio Grande	126,000	0.57
22	Jujuy	122,525	0.55
23	La Rioja	108,003	0.48
24	Corrientes	103,481	0.46
25	San Luis	97,803	0.44
26	Catamarca	87,760	0.39
27	Santiago del Estero	75,658	0.34
28	Formosa	74,533	0.33
29	Parana	74,261	0.33
30	Puerto Madryn	58,950	0.26
31	San Martin de los Andes	46,286	0.21
32	Villa Mercedes	37,957	0.17
33	Santa Rosa	35,066	0.16
34	Viedma	32,740	0.15
35	Esquel	27,430	0.12
36	Rio Cuarto	25,492	0.11
37	San Rafael	24,246	0.11
38	Concordia	23,961	0.11
39	Villa Gesell	19,761	0.09
40	San Fernando	17,427	0.08
41	Tandil	12,341	0.06
42	Malargue	10,530	0.05
43	General Pico	8,586	0.04
44	Necochea	8,052	0.04
45	General Roca	7,132	0.03
46	El Calafate	6,671	0.03
47	Tartagal	6,504	0.03
48	Don Torcuato	6,000	0.03
49	Junin	5,451	0.02
50	La Plata	5,400	0.02
51	Santa Teresita	5,062	0.02
52	Reconquista	4,951	0.02
53	Paso de los Libres	4,862	0.02
54	Cutral Co	1,376	0.01
55	Huinca Renaco	No data	No data
56	La Cumbre	No data	No data
57	Laboulaye	No data	No data
	Total	22,270,013	100.00

Source: Organismo Regulador del Sistema Nacional de Aeropuertos (www.orsna.gov.ar).

1%) with the rest in the hands of Italian (33%) and American (33%) interests. The consortium gradually took possession of the airports starting with (Ezeiza) on May 27, 1998 and the last one (Santiago del Estero) on April 13, 1999. The Jujuy provincial government refused to hand over San Salvador de Jujuy airport because of distrust of the consortium but in 2007 turned it over.

The major shareholder in the consortium, Grupo Eurnekián, was previously engaged in the entertainment and television business. After winning the airport concession, it aggressively engaged in the commercial aviation business. It purchased Líneas Aéreas Privadas Argentinas (LAPA) and also attempted to take over Aerolíneas Argentinas. It created Airport Media that is in charge of advertising activities within the airports. It also acquired part of EDCADASSA—now Terminal de Cargas Aéreas SA—and took over the management. It also made an unsuccessful attempt to buy the only free shop company operating in the country.

In a short period of time, the Aeropuertos Argentina 2000 consortium has to expand outside of Argentina and has become involved in the management of the airports of Yerevan (Armenia), Montevideo (Uruguay) and Guayaquil (Ecuador), and made an attempt to take over the Moscow Airport (Russia).

Following the initial round of concession other SNA airports came under similar arrangements (as provided for in decree 375/97). London Supply SA has operated the Punta del Este Airport (Uruguay) since 1996 and took over the remodeling of the Ushuaia Airport and its operation. It has also fully refurbished the Lago Argentino Airport (El Calafate) facilities and manages this airport terminal. The third SNA airport it company operates is Trelew and is jointly managed with the local municipality. In 2001, London Supply SA built the Valle del Conlara International Airport (Merlo, San Luis) on 440 ha and is among the most modern airport in the country. It has a concrete, 2550-m long and 45-m wide runway (category 4 D, the same as Buenos Aires Aeroparque, Rosario and Bariloche airports), a 15,792 m² platform and a modern passenger terminal with 3876 m² of covered space; it has a telescopic walkway. This airport was built on an AR\$ 15.00 million budget and is not a part of the SNA. Aeropuertos del Neuquén SA is a consortium that has commercially operated Neuquén International Airport since October 24, 2001 and will do so for a period of 20 years. It comprises five companies: Unitec SA, Riva SA (Aeropuertos Argentina 2000 SA), Servicios Aéreos Sudamericanos, American Lodging SA and Compañía de Servicios Aeroportuarios SA.

5. Results of the airport privatization process

Since the beginning of the process until 2007, mixed outcomes have emerged with respect to original goals. This was also a period when Argentina underwent a severe

political and economic crisis that impacted on the stability of the commercial aviation market.

The exponential increase in commercial aviation demand since the early 1990s (see Table 1 again) that largely justified the airport privatization process peaked in 1998 and the market stagnated due to Argentina's economic stagnation. A crisis was reached in 2001 when the economy moved from the macroeconomic policies initiated in 1991. An economic crisis brought about the repeal of the convertibility law and in a matter of days the value of the US dollar increased almost threefold against the Argentine Pesos. This marked the beginning of a political-institutional crisis that produced five presidents in a single week. This situation was also fueled by a widening social crisis involving levels of poverty, unemployment and social exclusion.

The result was a dramatic decrease in commercial aviation demand (Table 3) and a drying-up of foreign investment. Concurrently, the abandonment of US dollar convertibility reduced the domestic demand for leisure travel as air rates, in international prices, tripled. The situation was aggravated by the global crisis in the aftermath of the terrorist attacks of September 11, 2001 on the US. Since 2001 commercial aviation demand has grown steadily. This growth is most pronounced in terms of international flights because of the large increase in foreign tourist flows after the abandonment of the exchange rate parity policy, Argentina went from being one of the most expensive destinations in the world, to one of the most affordable.

The fluctuations in commercial aviation, together with the economic and political instability have affected the airport concessions. Some SNA airports have experienced significant changes, and SNA's operations have met with obstacles.

The modernization of passenger terminals was carried out at a rapid pace, with considerable renovated capacity available shortly after the private companies too over. The new departure hall for Terminal A of the Ezeiza Airport is 25,000 m² of which 11,000 m² is for public use and there is a new garage area providing 558-parking spaces. Investments are of the order of \$138 million. The two-storey

Aeroparque Terminal A cost \$100 million and has doubled its floor area for domestic flights to 42,000 m², and a new 15,000 m² international flight terminal has been built. The new garage for 1200 cars was under construction in 2007. Some of airports outside of Buenos Aires were also modernized, including Cordoba, Bariloche, Mendoza, Comodoro Rivadavia, Ushuaia, Iguazu, and El Calafate. The majority of the airports that are publicly administered have, however, yet to modernize. Exception are Sauce Viejo Airport (Santa Fe) and the International Airport of Rosario, which has enjoyed investments of AR\$ 10 million.

Some irregularities have been claimed in the airport concession process. Although ORSNA never penalized Aeropuertos Argentina 2000 for not fulfilling its contractual obligations, problems have emerged. Nudler (2002), for example, carried out an analysis of a September 2001 National General Audit (AGN) report where Aeropuertos Argentina 2000 SA irregularities were listed. These mainly referred to investments made in the airports and royalties included in the tender. The AGN asserted that the investments made by the concessionaire had problems. The investments included in the bid were only partially fulfilled and even these overvalued. They also targeted modernization of the passenger terminals and neglected investment in important sectors related to aviation operations and safety. Further, investigations by the Chief Cabinet between 2000 and 2001 indicated that there had been an overvaluation of investments of approximately 30%.

The AGN report also pointed to a failure to pay the annual royalty fee and the subsequent debt incurred by Aeropuertos Argentina 2000. The initial royalty installment (first quarter 1999) was only partly paid and subsequent installments were not paid or only as a minimal sums. There was thus an accumulated debt of about AR\$ 800 million. Faced with this, investment have been less than stipulated. Moreover, the failure to pay the royalty impeded further investments in the rest of the SNA. The main problem seems to have been the large sums of royalties that were offered by Aeropuertos Argentina 2000 to obtain the concession; they were simply unrealistic. A careful analysis of the potential growth in traffic, in landing fees, and in fees from airport land-side concessions, together with the commitment to build additional capacity, would have indicated that the concessionaire simply could not have raised the revenue to cover its committed costs and royalty payments. Basically, the bid should have been seen as political, rather than economic, in its nature with Aeropuertos Argentina 2000 anticipating subsequent renegotiations.

From a wider public finance perspective there are other, linked concerns. Rosario International Airport improved its infrastructure using funds from an Inter-American Development Bank (IADB) credit loan and thus incurring a public debt. This debt would rise if the state took over Aeropuertos Argentina 2000 because of the \$300 million it took out to finance investments.

Table 3
International and domestic passengers in Argentina (1998–2006)

Year	International passengers	Domestic passengers
1998	6,342,046	6,995,940
1999	6,336,347	7,014,131
2000	6,840,117	6,790,420
2001	5,990,958	4,994,404
2002	4,706,445	4,432,105
2003	5,497,434	4,433,625
2004	6,232,175	5,060,951
2005	6,891,708	5,792,156
2006	7,370,722	5,264,416

Source: Instituto Nacional de Estadística y Censos (www.indec.gov.ar).

On the last day of Eduardo Duhalde presidency, the National Executive Power signed a decree to renegotiate Aeropuertos Argentina 2000s concession and confirming the permanence of the consortium by cutting the value of the annual royalty fee by 50%. The advisors of the newly elected President Kirchner annulled this and revamped ORSNA's authority and there was speculation that the new government may annul Aeropuertos Argentina 2000 concession. Instead, IADB committed a credit line of AR\$ 400 million to the consortia to undertake construction work with Federal Government backing.

To renegotiate the concession contract for Aeropuertos Argentina 2000 there was public consultation with agreement reached on February 2007 and a proposal sent to the National Congress for its ratification, which was approved by both chambers.

The new contract provides for an end to the fixed annually royalty to be replaced by an annual variable fee amounting to 15% of earnings from both aeronautic and non-aeronautic sources. While this new system would avoid some of the problems of fluctuations in revenue flow, it still raise moral and practical concerns that regarding the other consortia that presented bids in the 1997 and were excluded from the subsequent renegotiation. A new investment plan was also drafted involving a revised timeline. Aeropuertos Argentina's outstanding debt with the State was reduced by almost \$250 million in exchange for a 20% participation in Aeropuertos Argentina 2000 making the latter a de facto private and public joint venture (Fig. 3). This arrangement, according to the Argentine government, values Aeropuertos Argentina 2000 SA at \$1.3 million.

Those favoring the renegotiation of the concessionary arrangement included the Argentine Government and Aeropuertos Argentina 2000 while the opposition parties in the House and Senate opposed it along with International Air Transport Association (IATA) and individual airlines.

The changes were controversial and media coverage on the issue was intense. IATA, the trade association for international airlines, as one may expect from a body representing the views of airport users seeking to keep landing fees low and, where possible, subsidized from public taxes, voiced its doubts regarding Aeropuertos Argentina 2000 on repeated occasions to President Kirchner and to the National Congress (*Clarín*, 12/26/2006). Moreover, the Administrative Investigations Attorney General, denounced the “renegotiation offer's exorbitant benefits in favor of Aeropuertos Argentina 2000, which has not complied, on a clear and consistent basis, with its obligations” (*La Nación*, 03/14/2007). He added that “the company blatantly violated its main duties: with a debt of over \$600 million in unpaid royalties incurred due to a total disregard for the investment plan to which it had committed”. Regarding the new agreement, he argued that “upon renegotiation of the contract, an accumulated debt sum was stipulated that is much less than the real amount, the investments will be reduced, and part of these investments will be carried out by the new partner, the Argentine State”.

Opposition legislators, as one may expect, criticized the plan. Senator Rubén Giustiniani asserted that, “we are witnessing the worst possible renegotiation. This clearly justifies rescinding the contract” (*La Nación*, 03/06/07).

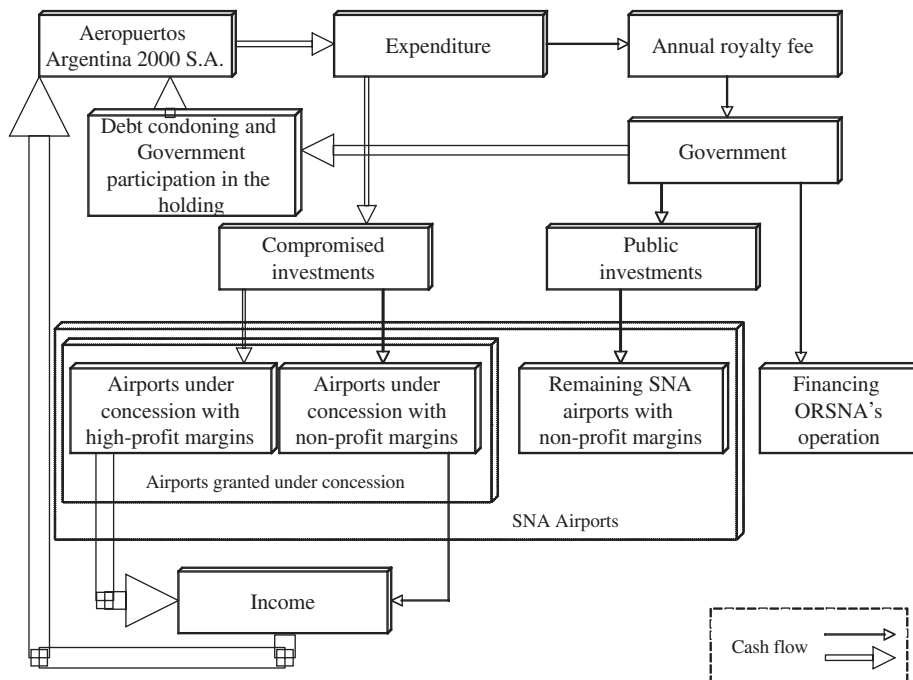


Fig. 3. The double cross-subsidy system after the last renegotiation (2007).

Likewise, María América González stated, “this was clearly a question of one of the most ridiculous approvals of a contract ever, a contract where”, pointing to the owner of Aeropuertos Argentina 2000 SA, stating that “if there has been any one party that has not complied at all with the agreement, and is a grand mastermind and expert in confusion inciting court cases, appeals, court injunctions, damages suits, and dodging payments, it’s Eurnekian” (*La Nación*, 03/05/07). Additionally, Senator Juan Carlos Godoy stated that “Aeropuertos Argentina 2000 offered inappropriate gifts just days before contract renegotiations in Congress” (*La Nación*, 03/06/07).

Despite these criticisms, there was also support from the new contract. The Contract Renegotiation Unit (of the government) stated: “the renegotiation proceedings were transparent and the State should favor service continuity and avoid conflicts of an uncertain end” (*La Nación*, 03/06/07). Likewise, Legislator Capitanich (of the official bloc) added that “the most important issue is to put an end to the crossfire of lawsuits between the company and the State. Rescinding the contract would have more costs than benefits” (*La Nación*, 03/05/07).

6. Conclusions

The hegemony of the global economy and the exchange rate parity between the Argentine Peso and the US dollar led to an increase in commercial aviation demand in the 1990s. The airport infrastructure in Argentina at the time was outdated and inadequate and so the government decided to implement a plan for airport modernization. A concessionary system put airport modernization in the hands of the private sector. The initial concessionary system, however, proved defective with one interest

capturing the concessions by offering an unrealistic bid that the government accepted without adequate analysis. This resulted in the need for a major restructuring of the system that perpetuated the role of the incumbent concessionaire and afforded it a more favorable contract.

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