

# Abertis: Bridging public and private markets

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**The Abertis Group is trying to harness its experience in the toll-road business to branch into other sectors. But will its background as the leading infrastructure company in Spain be enough to triumph in international public/private consortia?**

In late 2004, Abertis and Aena acquired the British airport operator TBI, and in 2007 Abertis Airports bought DCA, which had stakes in 15 airports across Latin America. Thanks to these acquisitions, airports accounted for 8 percent of the group's total revenue, up from 1 percent.

Abertis' assertive foray into airport management is part of its strategy to diversify and establish itself as a global competitor in infrastructure. Although it has a great deal of experience in the toll-road business as well as a flexible organization, doubts were initially raised as to whether the company had what it took to move into other sectors and other countries.

In 2008, the company considered new investment opportunities such as medium-sized international airports with commercial development prospects. But would it make sense to boost its business volume in airports while it continued to expand its highway network? Could it take advantage of synergies between the two sectors? And would the new investments be in line with Abertis' main business?

## Road to nowhere

With the arrival of the 21st century, executives at Abertis realized the highway business in Spain offered limited growth prospects. So the company set about enlarging its portfolio to make it more diverse and more international, branching into sectors as diverse as

telecommunications, airports, parking facilities and logistics parks.

All of these lines of business require costly, long-term investments. On top of that, governments and regulators impose tough conditions on companies that win concessions. Abertis is keenly aware of these difficulties and thus very careful when it comes to selecting which projects to invest in.

In geographical terms, the group chooses countries that offer stability and legal guarantees, especially in North America and Europe. The company has been quick to pounce on opportunities arising from the wholesale privatization of traditionally public industries in these two regions.

Meanwhile, Abertis continues to work extensively in public sector industries, which requires both financing capability and long-term commitment. Given its proven track record of executing large-scale infrastructure projects — many of which do not begin to yield a return in the first 30 years or more — Abertis enjoys significant competitive advantage over many of its rivals.

What's more, the company often leverages this advantage to position itself as the majority shareholder, thereby securing itself greater control over strategic decisions.

## **Centralized services, administrative decentralization**

To manage such large-scale initiatives, the group keeps the services outside its core business centralized, but opts for administrative decentralization of each of its companies.

In this way, each business can concentrate on its own local management, while the company's services unit, Serviabertis, takes care of core administrative, customer service and IT tasks and legal issues. The human resources, sales and marketing departments also follow a centralized model.

This system allows for establishing synergies among the different companies within the group. One example is the use of the Tac Spanish system in the highways that Sanef runs in the north of France, thanks to which vehicles do not have to stop at toll booths, resulting in reduced road congestion.

The centralization of services also makes it easier for each unit to concentrate its efforts on local management. Dealing with local and regional authorities is essential in a concession system, as any change in the conditions of the setting (political, economic and financial, or

social) will affect how management of the infrastructure project evolves.

"Concessions have a life all their own," Abertis says. This translates into periodic negotiations with government authorities and other stakeholders, and leaves the company with little choice but to be flexible with regard to the terms of each concession.

The situation gets even more complicated when the company operates overseas. This is particularly true in the case of airport management, for which there are no common regulations and the public/private partnership (PPP) models vary from one country to the next.

The company had to take these challenges into account when it considered new investments in the airport sector. And it had to do so while keeping a close eye on its day-to-day management and expansion of its toll-road activities. Needless to say, this is a highly delicate balance that requires a good deal of public and private savoir faire.

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