



Standing Committee Report Summary

Privatisation of Services at Airports

- The Standing Committee on Transport, Tourism and Culture (Chairman: Mr. Sitaram Yechury) presented its 203rd report on the privatization of services at airports on November 20, 2013.
- An Inter-Ministerial Task Force on airports had argued in its report that the Airport Authority of India (AAI) is unable to operate and manage Chennai and Kolkata airports due to inherent constraints of public sector. It recommended awarding these airports along with development of other airports under the Public Private Partnership (PPP) route. The government subsequently identified 11 airports, including Chennai and Kolkata, for awarding under the PPP model.
- The Committee pointed out that in 2005 the government had agreed not to privatise Chennai and Kolkata airports. It was unconvinced by the Ministry of Civil Aviation's (MoCA) explanation regarding award of these airports under the PPP route and allowing private sector to provide other services.
- The Committee did not concur with the assertion that AAI is unable to exploit the non-aeronautical revenue potential, due to its inherent constraints.
- The Committee felt that the Model Concession Agreement for privatisation of Delhi and Mumbai airports allowed the concessionaires to generate huge revenue with minimum investment.
- The Committee recommended that AAI be allowed to operate the Chennai, Kolkata and other non-metro airports for a few years. It noted that unlike MoCA and the Task force, AAI does not consider itself incapable of managing the newly modernised airports.
- The Committee opined that AAI's operational efficiency can be assessed precisely only after it is allowed to manage and operate these airports.
- The Committee censured the government for awarding the airport concessions to private parties, instead of strengthening AAI by giving it financial and administrative autonomy. It was especially dissatisfied with the decision to privatise airports, after using public funds for their modernisation.
- The Committee noted the argument that a large number of sub-optimal service contracts being awarded by AAI can be eliminated if the operation and maintenance of the entire airport is granted to a single PPP concessionaire. It asked why AAI itself cannot be allowed to adopt such a model.
- The Committee noted that AAI is given the task of building and managing loss-making smaller and non-metro airports. It was concerned that with privatisation of profit-making airports, AAI will be saddled with only economically unviable airports.
- The Committee has sought a clear opinion from the Ministry of Law and Justice on whether the Airports Authority Act, 1994 clearly provides for allowing private sector participation in all airport services.
- The Committee recommended that issues related to future of Chennai and Kolkata airports employees be settled before taking any decision on privatisation.
- The Committee felt that downsizing of AAI through privatisation will impede the task of providing air connectivity across the country, especially to the remote areas and tourist destinations.
- The Committee recommended awarding management contracts for airports to entities with requisite expertise to achieve efficiencies in operations.
- The Committee opined that good facilities at airports should come at an affordable cost; this can only be done by the public sector and not by private entities.
- The Committee recommended that AAI be allowed to manage and operate all its airports, including the loss-making ones. This permission should be contingent on time-bound delivery of world class passenger services in an efficient and transparent manner.

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