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Public Private Partnership (PPP) in Airport Infrastructure

**By
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Government of India**

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PPP in Airport Infrastructure

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Background

- Indian airports were managed by Civil Aviation Department, Government of India, till the creation of International Airports Authority of India (IAAI) in 1972 and National Airports Authority (NAA) in 1986.
- In 1995 Airports Authority of India (AAI) was established by merging both IAAI and NAA by an Act of Parliament – The Airports Authority of India Act in 1994 – for better and efficient management of all airports in India by a single Authority.



At Present -

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AAI manages 128 airports which includes:

- **15 International airports**
- **8 Custom airports**
- **25 Civil Enclaves**
- **80 Domestic airports**



Passenger and Cargo Traffic Growth in Civil Aviation Sector

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Pax.

YEAR	International		Domestic		Total	
	No.in million	%age change	No.in million	%age change	No.in million	%age change
2003-04	16.64	12.2	32.14	11.2	48.78	11.6
2004-05	19.42	16.7	39.86	24.0	59.28	21.5
2005-06 (estimated)	22.90	17.9	50.88	27.64	73.78	24.45

Cargo

YEAR	International		Domestic		Total	
	Quantity	%age change	Quantity	%age change	Quantity	%age change
2003-04	693.2	7.3	375.4	12.7	1068.6	9.1
2004-05	823.6	18.8	456.7	21.6	1280.3	19.8
2005-06 (estimated)	902.7	9.6	479.1	4.9	1381.8	7.93



Thus,

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- Increased traffic and cargo growth has led to congestion/ saturation at different airports in India , e.g. Mumbai, Delhi, Bangalore, Hyderabad, Kolkata, Chennai etc.
- Hence, country requires
 - New Airports
 - Expansion of capacity at existing airports
 - Induction of Technology for efficient handling of Passenger and cargo.
 - Better Management Practices
- For all this additional funds to the tune of Rs. 40,000 crores + Rs. 454 crores for airports in North East are required (details shown in next slide).
 - The revenue surplus generated by AAI in 2005-06 was Rs. 812 crores.
 - The annual requirement of funds in the future is expected to be much more than the AAI can generate.



Airport Development Fund Requirements – Rs. 40,454 crores

Particulars	Airport	Indicative Cost Rs. In crores
Restructuring/ Modernization for world class airports	Delh & Mumbai	15,000
	Chennai & Kolkatta	5,000
Green Field Airports	Bangalore, Hyderabad, Goa, Pune, Navi Mumbai, Nagpur (Hub) and Greater Noida	10,000
Upgradation	25 selected airports	7,000
Modernization/ Improvement	55 airports	3,000
Total investment by 2010		40,000

Dev. Of airports in North East Region (excluding Green Field Airports)	Terminal Building/Car PRK/Cargo etc.	Air Side	ATS Facility	Total Rs. In crores
Total	225	167	62	454



PPP in Indian Airports

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Need for Private Participation in Airport Infrastructure

To bridge the resource gap for achieving the following objectives -

- To build world-class airports with modern technology and efficient management practices.
- To make the airport user friendly and achieve higher level of customer satisfaction.
- To lay special emphasis on the development of infrastructure for remote and inaccessible areas.
- To provide airport capacity ahead of demand.
- To encourage greater efficiency in Airport Operations.
- To provide multi-modal linkages.



Legal and Regulatory framework Facilitating Private Sector Participation

- Airports Authority of India Act, 1994 was amended in 2003, which, inter-alia, provides exclusion of 'Private Airports' from the ambit of AAI Act .
- The Aircraft Rules, 1937, were also amended, which, inter-alia, provide conditions for grant of licence, validity of licence, tariff fixation including levy of Passenger Service Fee and User Development Fee, Ground handling provisions etc.

Setting up of an independent Airport Economic Regulatory Authority is under consideration

- Scope of Regulation
 - Setting aeronautical price cap
 - Monitoring and assessing service quality performance standards set by the Government
 - Review and assess aeronautical, operating and capital expenditure
- Bill to be introduced in Parliament



Airport Development Process has taken off in the country -

- The process of development of airports through PPP in the country began with CIAL.
- Two new Green field airports were thereafter approved for Bangalore and Hyderabad.
- On 3rd May 2006 the Airports At Mumbai and Delhi were handed over to Joint Venture Companies.
- Of 35 non metro airports being taken up for modernization PPP has been approved for the city side development of 10 airports.
- Proposals for a number of green field airports have been received from various State Govts.

Greenfield airport - CIAL (Cochin International Airport Ltd.)



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- The process for development of CIAL as a private airport began in 1993, airport was made operational on 10th June 1999.
- Investment Pattern Rs. In Crores
 - Govt. of Kerala 52.04 (35%)
 - Central PSU (AI, BPCL) 10.25 (7%)
 - Commercial Banks 8.75 (6%)
 - Investor Directors and Relatives 55.37 (37%)
 - Facility Providers (AI,BPCL,SBT) 1.50 (1%)
 - Public and NRIs 21.00 (14%)

CIAL Board Constitution :

Chairman Chief Minister of Kerala

MD Nominee of Gov. of Kerala

Three Directors including Chief Sec. nominated by Gov. of Kerala

Five Investor Directors

Concessions given by GOI = Civil Enclave (Navy) at Cochin withdrawn



Greenfield airport – Bangalore

- AOD April 2008

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- Greenfield airport at Devanahalli is on a Build Own Operate and Transfer (BOOT) basis for 30 years at a revised cost of Rs. 1930 crores (earlier Rs. 1280 crores). Equity Karnataka State Industrial Investment Development Corporation (KSIIDC) 26% and AAI cap at Rs. 50 crores, Siemens, Germany, Unique Zurich, Switzerland and - L&T India Limited 74%.
- ♦ Equity – Rs. 315 crores , State Support – Rs. 350 crores, Debt – Rs.1265 crores
- **Concessions extended by the Govt. of Karnataka to BIAL**
 - SSA – Rs. 350 crs. Interest free support repayable after 10 years in 20 half yearly installments
 - Land lease Agreement – Lease of land of 4000 acres at concessional rent of Rs. 1 till commencement of operations. Thereafter @3% p.a. for a period of 6 years and 6% p.a. subsequently with an annual increase of 3%.
 - Property Tax exempted for a period of 5 years.
 - Stamp Duty payable on land lease exempted.
 - Local Fee payable to Bangalore Int. Airport Planning Authority (BIAPA) as betterment fee and road cess exempted.
 - Entry Tax for goods for construction purposes exempted
 - Infrastructure like water, power etc. to be provided at site.

The commercial flights from the existing Bangalore airport will close.



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Greenfield Airport – Hyderabad

– AOD Aug. 2008

- Greenfield airport at Shamshabad near Hyderabad is being implemented on a Build Own Operate and Transfer (BOOT) basis with Public-Private Participation.
- Govt. of Andhra Pradesh and AAI together hold 26% equity and the strategic joint venture partners, GMR Infrastructure Ltd. with Malaysian Airport Holding Berhard (MAHB), hold the balance 74%. AAI's investment in the equity is capped at Rs.50 crores. Estimated cost of the Project is Rs.1761 cores .

Equity – Rs. 379 crores, State Support – Grant/Subsidy Rs. 107 crores
Int. free loan Rs. 315 crores Debt – Rs. 960 crores

- **Concessions extended by the Govt. of Andhra Pradesh to HIAL**
 - SSA – Rs. 315 crs. Interest free loan refundable in 5 equal installments commencing from 16th year.
 - Land Lease – Approx 5490 acres of land co-terminus with State Support Agreement.
 - State Grant Rs. 107 crores.
 - Stamp Duty / Registration Fee waived off on transfer of land as well as all project agreements.
 - Sales Tax waived off on all construction material.

The commercial flights from the existing Hyderabad airport will close.



Mumbai and Delhi Airports

- Salient Features of JVCs
 - ▲ Objectives
 - ▲ World Class Development and Expansion
 - ▲ World Class Airport Management
- Equity participation
 - Delhi 74 % Pvt. Consortium (GMR Group, Fraport AG, MAPL, IDF)
26 % AAI
 - Mumbai 74% Pvt. Consortium (GVK, ACSA,BSD)
26% AAI
- Initial Capital
 - Mumbai Rs. 200 crores Delhi Rs. 200 crores.
- Estimated Capital Investment for first 7 years
 - Delhi Rs. 3286 crs. (Funded as equity Rs. 551 crs, internal accrual Rs. 70 crs. Debt Rs. 2665 crs.)
 - Mumbai Rs.5676 crs. (Funded as equity Rs. 626 crs. Internal accrual Rs. 804 crs. Debt Rs. 4246 crs.)
- **The estimated costs of Stage - II (Mar. 2026)**
Mumbai Rs. 10,015 crs. Delhi Rs. 7,438 crs.



Tasks to be performed by JVCs

- Apart from Managing and running the airport the JVCs have to invest for the mandatory and other capital works.
- Performance Standards
 - The JVCs are to achieve a rating of 3.5 on the AETRA scale of 5 on completion of stage-I and improve to 3.75 by stage-II.
- Payments to AAI
 - Upfront payment of Rs. 300 crores (RS.150 crores from each JVC).
 - Annual Revenue Share to AAI for a period of 30 years.
 - Delhi Airport 45.99% of Gross Revenue
 - Mumbai Airport 38.7% of Gross Revenue
- **AAI employees' cost to be reimbursed by the JVCs**



Modernisation & Restructuring of Mumbai & Delhi Airports

Salient Features of State Government Support Agreement (SGSA):

- The SGSA has been executed by the respective State Governments with the JVCs in order to provide support to the projects.
- The agreement provides that the State Governments will make best efforts to provide support to the JVCs in matters relating to removal of encroachment or procurement of additional land for development of airport, removal of obstruction outside the airport boundary to ensure safe and efficient air traffic movement, best endeavor to improve the surface access to the airport and to provide all the utilities namely water, power etc.
- The SGSA provides for assistance in procuring various clearances. However, the agreements do not confer any right to JVCs for enforcement of any obligations of State Government or consequently for any damage or loss incurred by JVCs or by any party.



Development of Non – Metro Airports

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Development of 35 Non-Metro Airports have been taken up in a phased manner :

These airports are

Ahmedabad, Amritsar, Agatti, Aurangabad, Agartala, Agra, Baroda, Bhopal, Bhubaneswar, Chandigarh, Coimbatore, Dehradun, Dimapur, Guwahati, Jaipur, Jammu, Khajuraho, Nagpur, Patna, Portblair, Pune, Rajkot, Ranchi, Raipur, Goa, Imphal, Indore, Lucknow, Madurai, Mangalore, Trichy, Trivandrum, Udaipur, Visakhapatnam and Varanasi,

Development Approach for first ten non-metro airports

- **Terminal Building and Airside development by AAI.**
- **City side development through PPP or Land Lease and Revenue Sharing (Airport wise in a single package)**



Development of Green Field Airports- North East Region

a) **PAYKONG AIRPORT – Sikkim for 50 Seater Aircraft (ATR 72)**

Estimated cost Rs. 340 Crores (excluding land cost which will be provided by State Govt. free of cost).

b) **CHIETHU AIRPORT – Nagaland for 50 Seater Aircraft (ATR 72)**

Estimated cost Rs. 150 Crores (excluding land cost which will be provided by State Govt. free of cost). Rs. 1 Crore has been paid by NEC to AAI for Techno-Economic Feasibility Study.

c) **ITANAGAR – for 50 Seater Aircraft (ATR 72)**

Estimated cost Rs. 120 Crores (excluding land cost which will be provided by State Govt. free of cost). Banderdeva site seems to be technically feasible. Site details awaited from State Govt. for further technical feasibility study.



Development of Greenfield Airports – Proposals received from state govts.

- MOPA - GOA
- Gangtok – Sikkim
- Navi Mumbai, Maharashtra
- Chakan, Pune, Maharashtra
- Kannur, Kerala
- Kohima – Nagaland
- Hassan & Gulbarga – Karnataka
- Halwara – Punjab
- Itanagar- Arunachal Pradesh

SL. NO.	NAME OF THE AIRPORT / STATE WHERE DEMAND HAS BEEN MADE	STATES WHICH HAVE PROVIDED LAND	AREA OF LAND	PURPOSE
1	Raipur / Chhatisgarh	Chhatisgarh	300 Acres	Land free of cost for extension of Runway Land yet to be handed over by State Govt.
2.	Bhopal/M.P.	Madhya Pradesh	366 Acres	Land for extension of Runway. Land yet to be handed over by State Govt.
3.	Ahmedabad/Gujarat	Gujarat	67.89 Acres	Development of Airport. Land yet to be handed over by State Govt.
4	Aurangabad/ Maharashtra	Maharashtra	13.9 Acres	Installation of CAT I approach light. Land yet to be handed over by State Govt.
6.	Bhavnagar / Gujarat	Gujarat	29 Acres	Extension of Runway. Land yet to be handed over by State Govt.
7.	Rajkot/Gujarat	Negotiation with Western Railway	14.7 Hectares	For extension of runway. Development of Airport. Western Railway yet to hand over land to AAI.
8.	Surat/Gujarat	Gujarat	36 Hectares (85 acres)	Development of Airport. Land yet to be handed over by State Govt.
9	Udaipur/Rajasthan	Rajasthan	42.53 Acres * Land admeasuring approx. 2 acres is yet to be handed over by State Govt.	For extension of runway, widening of runway strip and construction of isolation bay.
10.	Trivandrum / Kerala	- do -	2.5 Acres	For Runway End Safety Area, land yet to be handed over
11.	- do -	- do -	120 Acres	To be given free of cost by State Govt. for development purposes. 27.57 Acres handed over.
12.	Chennai / Tamil Nadu	Tamil Nadu	1440 Acres	To be given free of cost by State Govt. for development purposes (for construction of parallel runway).
13.	Indore / madhya Pradesh	Madhya Pradesh	150 Acres	To be given free of cost by State Govt. for development purposes. (extension of runway)



SL. NO.	NAME OF THE AIRPORT / STATE WHERE DEMAND HAS BEEN MADE	STATES WHICH HAVE PROVIDED LAND	AREA OF LAND	PURPOSE
14.	Bhunter / H.P.	Himachal Pradesh	5.91 Acres 60 Acres	For construction of new terminal building etc. Land will be acquired for extension of runway after diversion of river Beas.
15.	Hubli / Karnataka	Karnataka	390 Acres	To be given free of cost by State Govt. for development purposes.
16.	Belgaum/Karnataka	Karnataka	370 Acres	To be given free of cost by State Govt. for development purposes.
17.	Tirupati /Andhra Pradesh	Andhra Pradesh	405 Acres	To be given free of cost by State Govt. for development purposes. Request is being placed.
18.	Jammu/ Jammu & Kashmir	J&K		



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Thank You