



**Satyan Nayar**, Secretary General, Association of Private Airport Operators (APAO)

**THE NCAP PROMISES DEVELOPMENT OF AIRPORTS EITHER BY THE STATE GOVERNMENTS, THE PRIVATE SECTOR OR IN PPP MODE**

## PPP Model The Way Forward

Satyan Nayar, secretary general of Association of Private Airport Operators (APAO) in an interview to *AIBM* strongly advocates that all future airports must be on Public-Private Partnership (PPP) model and doing that would be a win-win for all.

*K V Priya*

**How do you see the National Civil Aviation Policy (NCAP) 2016 boost airport infrastructure, attract global participation, bring in domestic and global investments, and generate employment?** The NCAP's fundamental objectives are affordability, improving connectivity of air services and facilitation of ease of doing business in India. The policy recognises that the airport infrastructure is an area that needs immediate attention since the existing infrastructure is inadequate to meet the sector's existing and future growth.

The NCAP promises development of airports either by the state governments, the private sector or in PPP mode. The NCAP also provides for regulatory certainty and promises to abide by the provisions of existing concession agreements and contracts. It also proposes to unlock the potential of land-use restrictions by liberalising the end-use restrictions for existing and future greenfield and brownfield airports in India. This will facilitate bringing the much needed investments for developing the infrastructure to meet the capacity challenges. The NCAP also ensures to work towards providing multi-modal hinterland connectivity (road, rail, metro, waterways). The NCAP recognises that the development of the Indian aviation sector can have a multiplier effect on the nation's economy in terms of investments, trade and tourism, and employment.

As per the International Civil Aviation Organization (ICAO) study, the development of civil aviation reflects the ripples of prosperity in a country and air transport has output and employment multiples of 3.25 and 6.10 respectively. This implies that every INR 100 spent on air transport contributes INR 325 worth output and every 100 direct jobs will create 610 indirect jobs in the economy. Based on the progressive proposals in the NCAP, we are sure that the NCAP will boost the development of airport infrastructure, attract global players' participation and bring in domestic and foreign investments

that will help generate employment in the country.

**What are the challenges in developing airports and airport infrastructure?**

There are challenges in respect to finding investments, land, environmental clearances, single window clearances, etc. However, due to the positive policies now introduced by the government, some of these challenges have been addressed. For example, the 'hybrid till' policy has attracted the investors in the recently held bidding for greenfield airports in Navi Mumbai (Maharashtra) and Mopa (Goa). Some of the issues connected with aero tariff are still in litigation with tribunals. We expect that these issues will be settled soon. We are closely working with the ministry and other concerned agencies to address several such issues and improve the ease of doing business in the aviation sector.

**Is a consistent forward looking and investor-friendly regime (including taxation) in place to attract private participation for airport infrastructure development?**

In conjunction with the liberalised Foreign Direct Investment (FDI) rules, the policy is expected to pave way for the launch of new airlines, new routes, increase in number of aircraft, development of new airports, expansion of the existing airport capacities, etc., to match with the ever growing demand.

**Will the 'hybrid till' system in India result in increased private investment in airports and enable the airport sector to play its role in facilitating growth in air travel?**

We are sure that the 'hybrid till' system in India will result in increased private investment in airports and enable the airport sector to play its role in facilitating growth in air travel. It is already visible from the fact that there were no bidders initially for participating

**PPP IS THE MOST SUCCESSFUL AND THE BEST MODEL TO BE FOLLOWED FOR DEVELOPMENT OF AIRPORT INFRASTRUCTURE IN THE COUNTRY**

in Navi Mumbai and Mopa (Goa) airport projects when the regulator initially proposed 'single till' for the first control period of Bengaluru and Hyderabad airports due to incorrect interpretation of the concession agreements.

Subsequently, the government had to step in to clarify a 30 pc 'hybrid till' regime for all existing and future airports to remove the uncertainty that was affecting investments. This has changed the scenario and both Navi Mumbai and Mopa airports were given to private operators for its development and operations after undergoing a competitive bidding process. Regulatory predictability will be critical if India is to attract the USD 30-40 billion of capital that will be required to develop the necessary airport infrastructure over the next 10-15 years.

Global experience indicates that investment for a regulated utility like airport sector will continue to be forthcoming if investors receive a return on their investment commensurate with the perceived risks. The framework of 'hybrid till' regime will provide a stable and objective environment enabling the investors to anticipate the context for future decisions and to make long term investment decisions with confidence. This will facilitate increased private investment in airports and enable the airport sector to play its important role in facilitating growth in air travel.

**During the last few years, India has successfully built five airports and airport infrastructure through PPP model. Is this the way forward?**

India's decision to invite private capital to participate in the modernisation of its metro airports has been a very successful exercise. Dramatic improvement in airport infrastructure has transformed the passenger experience, improved the efficiency of airline operations and delivered a massive dividend to Airports Authority of India (AAI). The five PPP major airports in India have shown the world that PPP is the most successful and the best model to be followed for development of airport infrastructure in the country. The five PPP major airports have not only created world class infrastructure in the country but they also have been adjudged as the best airports in the world in their respective categories in quality and performance.

In fact some of the developers of our PPP airports have been invited and have set up airport infrastructure outside our country. Furthermore, these PPP airports in India are contributing huge revenue share to AAI, which helps the AAI to develop other non major airports in the country and also make AAI a viable entity. Since the financial year 2007, the PPP airports (mainly Delhi International Airport Limited and Mumbai International Airport Limited) have delivered a massive dividend of USD 2 billion to the AAI in the form of revenue share payments. Hence, AAI has been a major beneficiary of the PPP model.

No doubt, privatisation of major airports in PPP mode will enhance the efficiency of the entire sector, provide better facilities, comfort and convenience to passengers, generate more revenue to AAI, and also contribute immensely to the Gross Domestic Product (GDP) of the country. Looking into the fact that India today is one of the world's fastest growing air travel market and is poised to reach the third position in the world within the next few years, it is extremely important that development of all future airports must be on PPP model. **AIBM**