RAJYA SABHA

PARLIAMENTARY STANDING COMMITTEE ON PETITIONS

PRESS RELEASE

The Parliamentary Standing Committee on Petitions headed by Shri Sujeet Kumar, M.P., Rajya Sabha presented its 161st Report on the petition praying for "Modernization of Airports by Airports Authority of India" to the Rajya Sabha on the 4th August, 2023. The Committee while examining the various aspects of Modernization of Airports in the Country, deliberated on the petition thoroughly during its 05 (Five) meetings, whereby, it heard various stakeholders including Secretary (Ministry of Civil Aviation), Chairman (Airports Authority of India), Member (Airports Economic Regulatory Authority), DGM (Air Vistara), Vice President (Indigo Airlines), General Manager (Jet Airways), Sr. General Manager (Spice Jet Airlines), Vice president (GO Airlines, India, Limited), Chief Operation Officer (Air Asia), Director General (DGCA), Secretary General (Association of Private Airport Operators), CEO (Delhi International Airport Limited), Chief Operating Officer (Mumbai International Airport Limited) and CEO (GMR Hyderabad International Airport Limited) so as to have thoughtful understanding and an equitable view of the issues raised in the petition. The Committee undertook study visit to Chhatrapati Shivaji Maharaj International Airport, Mumbai and a local visit to Indira Gandhi International Airport, New Delhi and interacted with other stakeholders to obtain valuable inputs on the issues raised in the petition. The Committee while formulating its observations/recommendations has relied on the written comments of the concerned Ministry/Department and stakeholders, oral evidence of witnesses, observations of the Members of the Committee and interaction with experts. The observations/Recommendations made by the Committee in this Report are enclosed.

The entire Report is also available on **https://sansad.in/rs/committees/8?standing-committees -> Report.**

Recommendations and observations of the Committee:

1. The Committee observes that Civil aviation is a key infrastructure sector with significant multiplier effects across the economy as it enables the growth of business, promotes tourism and is a major generator of employment and economic activity. The Indian economy is passing through a high growth phase and we are currently a three trillion dollar economy and aspire to become a 5 trillion dollar economy by 2025. As the Indian economy gains further momentum, there is bound to be a huge demand for air travel and more airports. Though the civil aviation sector in India has been on a growth path for the last two decades, it has not been able to reap the full benefits of the growth in Indian economy and demographic dividends, which is evident from the fact that in all, India has 148 operational airports which is very low for a country of our size. To make matters worse, out of 148 airports, only 22 are profit making. There is thus a huge upside in constructing airports. India is a country of approx. 1.4 billion people and though passenger and cargo traffic have witnessed significant growth during the last two decades, there are significant challenges to be overcome. The Committee notes that to propel India as the top civil aviation market in the world by developing world class infrastructure facilities and to increase passenger facilities and meet traffic growth projections, an ambitious programme of modernization of airports has been undertaken by the Government which has an important component of the Public Private Partnership. The Committee gathers from the information made available by the Ministry of Civil Aviation that AAI has leased out eight of its airports, namely, Delhi, Mumbai, Ahmedabad, Guwahati, Jaipur, Lucknow, Mangaluru and Thiruvananthpuram through Public Private Partnership for operation, management and development on long term lease basis. Out of these, Delhi and Mumbai were handed over in 2006 and from 2017-18 to 2021-22, AAI has received revenues of approximately Rs. 5500 crores from Delhi Airports and Rs. 5174 crore from Mumbai airport. AAI has also received concession fees of approximately Rs. 896 crore from the concessionaires for the six airports, viz, Mangaluru, Lucknow, Ahmedabad, Guwahati, Jaipur, and Thiruvananthapuram which have been recently awarded under PPP vis-à-vis which AAI spent an amount of approx. Rs. 1970 crore towards capital works at the recently awarded six

PPP airports, which have been paid back to AAI by the PPP Partner. It is obvious that the PPP model has delivered decent dividend to AAI that gets a specified share of the gross revenue from the airport operators as per the PPP concession agreement. The Committee also notes from the submissions made before it that the Government has launched the National Monetization Pipeline under which 25 airports of AAI have been earmarked for leasing out over the years 2022 to 2025.The Committee also gathers from the submissions made before it that from 2006 to 2017-18, AAI earned Rs. 23,325 crore from Delhi and Mumbai airports, which is almost 26% of its total revenue during the period. The revenue generated from Delhi and Mumbai airports have helped AAI in cross subsidizing the negative operational expenditure and creating infrastructure at other airports in the country. The PPP experiment has also helped create world class airports and rise in the collection of revenues, make investment in tier II & tier III cities and qualitative improvement in service quality. India's flagship airports at Delhi, Mumbai, Hyderabad and Bengaluru have been ranked consistently among the best in the world in the Airports Council International - Airport Service Quality (ASQ) rankings. The Committee also notes that AAI and Airport Operators have targeted capital outlay of approx. Rs. 98,000 crore for construction of Greenfield Airports and modernization of Brownfield Airports out of which approx. 25,000 will be expended by AAI and the remaining by private operators/ developers. The Committee has been informed that PPP in airport sector is a policy decision taken by the Government to promote investments into the sector and bring in more operational efficiencies and ensure enhanced services to the air passenger and attract long term capital in the form of foreign direct investment and that the PPP mode is an established practice for modernization and development of airports the world over. It is also worth mentioning that, as informed by Ministry of Civil Aviation, NITI Aayog has opined that at a point where there are pressures on India's Current Account Deficit and the Indian currency is under pressure, attracting long term capital in the form of Foreign Direct Investment is a key imperative and the airport sector may provide an immediate opportunity through the adoption of a PPP approach. The Committee observes that public funds for development of airports are getting scarcer. Since the quantum of funds required for creation of world class civil aviation infrastructure facilities is huge, private sector

involvement in the airport sector has got to grow so that the large gap in resources could be bridged and greater efficiency in the management of the airports in the country could be brought in. Taking the above facts into consideration, the Committee is of the view that PPP in the airport sector has been a success story in terms of creation of world class airport infrastructure and service quality and given a lot of growth in aviation market. The Committee also observes that despite the phenomenal growth in traffic, most Indian carriers are reeling under losses and in this context cost effective operations and sustainability are a must for airlines to operate in the long run. The Committee, however, observes that India is a resource constrained country and the Government must therefore ensure that modernization of airports, both AAI run and privately run, must provide the infrastructure efficiently and in a cost effective manner, using the technology so that the cost of operations are brought down and cost effective services are provided to the passengers as well as airline operators and the cost of travel remains within the reach of common man and the vision envisaged in the National Civil Aviation Policy to create an ecosystem to make flying affordable for the masses is realized.

2. The Committee notes the submission of the Ministry of Civil Aviation that the PPP mode has led to a significant improvement in the airport infrastructure and rise in the collection of revenues and due to the increased revenue, AAI has made investments in tier-2 and tier-3 cities and modernized their airports. The Committee, however, observes that though the airport sector in India has transformed radically with the arrival of several private players in this sector, a framework of analysis is required to be developed for deciding a set of parameters to assess the benefits of PPP model in the airport sector vis-à-vis AAI operated airports. The Committee therefore recommends that a comparative study be carried out for AAI maintained airports and Private or PPP run airports by an internationally accredited aviation agency. The study should take into account the following paraments : (a) Infrastructure capacity and Quality including expansion plans; (b) Service standards delivered to air passengers & other airport stakeholders viz. cargo handlers, MRO, ground handling, fuel suppliers etc.; (c) Sustainability initiatives which the airports have implemented along with future plans; (d)

Adoption of new technologies and innovation in airport operations; (e) Airport's contribution towards economic growth of a particular region; and (f) Profitability aspect of airport. Such a study should be able to showcase whether the aviation sector has benefitted from PPP mode of development or privatization.

3. The Committee observes that financial feasibility of airport investments by the private sector dictates that funding is recovered by the "User Pays Principle". India is a developing country and passengers are price conscious. In our national civil aviation policy, affordability and sustainability have been emphasized by the government. The Committee observes that maximum people use the airports just for travel, do the baggage check-in, get their baggage on arrival and leave. Other peripherals cannot be given that much importance as could rather be given to the passenger service. It is true that the quality of airport infrastructure is a vital component of the overall transportation network as it contributes directly to the country's international competitiveness and the flow of foreign funds. The Committee is however of the view that whilst the airport terminals need to be comfortable and facilitate a smoother and hassle free journey, they need not be overly opulent and the concept of gold plating of airports by the private operators should be avoided. The most important stakeholder in the sector is the common passenger whose aspiration and need to undertake air travel will deepen with the passage of time and growth of the economy. The Committee, therefore, recommends to the Government to develop world class standards but at the same time ensure that they are cost-effective and user charges remain affordable and competitive as compared to other airports in the Asia Pacific region.

4. The Committee is aware that there are a number of airstrips of AAI as well as airports owned by the State Governments which are in a dormant state. The Committee therefore recommends that to realize the huge growth potential of the Indian aviation market and to release enormous untapped infrastructure capacity in the airport sector, the Ministry of Civil Aviation should get active operations at these AAI and State Government airstrips.

5. As per the current PPP model of airport development, all of these airports operate as monopolies because airport operators at the time of award of PPP

projects argued that the modernization of airports is capital intensive with long gestation periods and succeeded in entering into water-tight agreements that ban use of the older airports. For example, in Hyderabad and Bengaluru, the old airports, which are our national resources, are not being used now because there is a provision in the Operation, Management and Development Agreement that no other airport can come within 150 kms. Due to such provisions, the airport operators, in some of the cases, start behaving in a monopolistic manner and other stakeholders have no leeway to negotiate with them. Keeping in view the fact that India is a developing country with 1.4 billion plus people and the passenger growth in the country will continue for many more years to come, and the economic footprint of the marker will be much deeper and wider, the Committee recommends that as the market size will increase manifold, there should be a provision in the PPP agreements to enable the Government to renegotiate the agreement in order to keep the dynamics of the market in place, avoid the monopolistic practices and drive the cost to the lowest level.

6. The Committee notes from the submission made before it that no Airport Development Fee is being collected at the airports. However, the Committee has been informed that the User Development Fee (UDF) is a financing mechanism provided to the airport developer and is levied to enable the airport operator to recover the cost and to bridge any revenue shortfall after considering landing and parking charges so that the airport operator is able to get a fair rate of return on the investments made and run the airport properly. The quantum of UDF is determined by the independent regulator i.e. Airports Economic Regulatory Authority (AERA) for major airports and Ministry of Civil Aviation for non-major airports. AERA adopts "shared till cost plus approach" for determining tariff in respect of major airports and determines the tariff for a five year cycle after the stakeholders' consultation. The Committee observes that the quantum of investments is divided into three categories i.e. (i) airside infrastructure (ii) Passenger terminal infrastructure and (iii) City side development of ancillary infrastructure. India has different carriers with different business models. Full service carriers provide as much as possible to the customers. However, low-cost carriers do not require aero bridges, VIP lounges and so on. Similarly, unlike airlines operating to

overseas destinations, domestic carriers do not require various facilities such as dual aero bridges, immigration, customs, duty free infrastructure, etc. The Committee, therefore, exhorts the AERA that while fixing UDF, it should distinguish the needs of each category of air travelers and ensure that costing of airports purely depends on the facilities availed at the airports, that there is a differential charge and that one category of passengers does not bear the burden of facilities provided to another class. Let us not forget that civil aviation is a customer-centric industry and exists to serve the consumers and therefore consumer interest should be of paramount importance.

7. The Committee observes that the PPP model has enabled India to create world class airports as reflected in the ACI-ASQ rankings carried out globally. However, despite the obvious need for the PPP Model, there is a lack of clarity on the cost of development of PPP airports and the AAI airports as Greenfield projects. The Committee therefore recommends that the Ministry should carry out a comparative analysis of the cost of development of Greenfield airports and the ones which are being developed under the PPP mode and utilize the findings in crafting appropriate policy decisions so that the modernization of airports remains affordable and feasible for the country.

8. The Committee notes from the information made available to it that the quality of the services provided at the airports are being assessed by Airports Council International (ACI), an independent body, through its Airports Service Quality (ASQ) ratings. ACI is a global non-profit organization of airport operators that carries out international benchmarking of airports through its Airport Service Quality ratings which measures passengers' satisfaction across more than 30 key performance indicators of service quality on a scale of 5. The Committee notes that ASQ ratings for the year 2017 and published in 2018 in respect of 5 privately managed airports and five AAI airports proposed for PPP at that point of time were as follows:-

A. ASQ ratings for Privately managed airport (in 2017)

i. DIAL - 5/5
ii. MIAL - 5/5
iii. HIAL - 4.94/5
iv. BIAL - 4.83/5

v. CIAL - 4.73/5

B. ASQ ratings for the then AAI airports in 2017 (now under PPP)

i. Guwahati - 4.48/5
ii. Lucknow - 4.78/5
iii. Jaipur - 4.51/5
iv. Ahmedabad - 4.69/5
v. Mangaluru - 4.65/5

Based on the above data, the Committee recommends that more endeavors be made to enhance the passenger experience and operational excellence at AAI airports so that they could match the PPP airports and their service levels are at par with the international standards.

9. The Committee observes that the country of approx. 1.42 billion people has only 148 active airports. Due to the rapid expansion of India's civil aviation sector, several airports in the country have already reached saturation and are handling passengers in excess of their maximum indicative capacity and parking bays and runaway slots are getting scarcer. Despite India being the world's fastest growing aviation market, the country's airport expansion is yet to gain the desired pace which is hindering India's booming air travel demand and aviation growth. Therefore a steadfast airport capacity augmentation is the need of the hour. The Committee notes that as per a Bloomberg report, India will spend around $12 billion over the next two years on airports to meet the growing air travel demand and increase the number of airports from the present 148 to 220 by 2025. It entails Greenfield projects, new terminals and the renovation of existing buildings. The Committee welcomes that Government's plans to boost airport infrastructure which is certain to bring a huge amount of economic upside. The Committee however notes that development of airport infrastructure projects are highly capital intensive in nature and also have a long gestation period and they have suffered from long delays in the past on account of key approvals and land acquisition issues. The Committee therefore recommends that the Government should proactively obtain all pre-project clearances and complete the planned airports in a time bound manner and obviate the possibility of cost escalation and time overruns.

10. Air travel is not prevalent among the masses. Regional Connectivity Scheme (RCS) – UDAN (Ude Desh Ka Aam Nagrik) was initiated in 2016 based on the review of the National Civil Aviation Policy, 2016 with the objective to promote air connectivity to common man in unserved and underserved destinations of Tier II and Tier III cities. The Committee notes from a PIB report dated the 17th August, 2022 that 425 new routes have been started and 1000 routes and 220 airports are planned to be operationalized under the Scheme by 2026. The Committee however observes that mere awarding of these routes does not make them functional. It is true that the Scheme has been able to promote regional and remote area air connectivity to a significant extent, it is still grappling with multiple issues ranging from lack of demand on a sustained basis all round the year, high operating costs, licenses of operators getting stripped off due to difficulty to start operations for more than a year, delay in securing necessary regulatory approvals, etc. It is thus evident that operationalisation of the awarded routes faces challenges of their own. The Committee therefore recommends that the Government should put in place a robust monitoring mechanism and ensure that the challenges facing the awarded routes are addressed expeditiously and the targeted routes under the RCS are operationalized within their designated timelines.

Miscellaneous recommendations:-

1. The Committee recommends that adequate number of X-Ray machines should be installed at airports for speedy security clearance of the passengers.

2. There should be mandatory adoption of DIGI- yatra at all airports for contactless terminal entry and security clearance, further, the data of passengers collected by DIGI-yatra app should be protected.

3. In the event of cancellation of flight, there should be timely payment of refund within a specified timeline.

4. The Committee has observed that there is a huge variation in the airfare of same day, same airline and same flight and expressed concern about exorbitant air ticket charges by airlines. Therefore, to tackle this, the Committee recommends that there should be a mechanism in place to cap the

higher and lower price of an air ticket and to ensure introduction of fair and transparent system of determination of air fare.

5. The Committee recommends that action needs to be taken to popularize the Air-Sewa portal which is complaint and grievance redressal portal of MoCA and also display "Rights of Passenger" prominently. Further, proper compensation should be given to air passengers in case of baggage damage. Moreover, at welfare level increased assistance and sensitivity towards terminally-ill patients and handicapped persons should be mandated. Also, priority should be given to people from vulnerable sections while hiring of contractual labourers at airports.

* * * * *