

Privatisation grounded

Why in news?

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The partial privatisation tenders for the Ahmedabad and Jaipur airports recently closed without a single bid.

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What is the situation of Indian Airports?

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- India's key regional airports are overflowing, at the same time scheme to partially privatise them has received a tepid response.

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- The overcrowding in airports is reaching a crisis point Pune is operating at almost triple its original capacity, and hubs such as Goa, Calicut, Jaipur and Trivandrum are reaching doubling levels.

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- Recent report says that 40 largest airports will exceed their capacities in 10 years, thus it is no small Task and cannot be achieved without private participation.

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- Even though the Airports Authority of India (AAI) had relaxed many guidelines for Jaipur and Ahmedabad airports, AAI could not make all the capital investment.

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What are the complexities in partial privatisation?

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- Under this scheme revenue generation for a private participant is restricted only to terminal operations.

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- This paradoxical situation is the result of a poorly designed tender process

and limited scope of privatisation.

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- Private players are looking into income from other avenues to bridge the gap principally from real estate development and will prefer to have a say in the capital investment too.

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- Private players prefer to go in for the kind of contracts that aim at full privatisation through an operation, management, development agreement of the kind that is in place for airports in major cities.

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- Questions about private players reaping the benefits of heavy public investment and charging passengers high user development charges are bound to arise.

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What is the way forward?

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- Since profits from such operations will necessarily accrue with a significant time lag, the private sector is unlikely to take the temptation.

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- Robust private participation in augmenting and expanding regional airport capacity will provide the much-needed infrastructural ballast.

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- A successful privatisation model will do much to restore confidence in the viability of the public-private partnership investment model for infrastructure.

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Source: Business Standard

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