Q3

Examine the developments of Airports in India through Joint Ventures under Public-Private Partnership(PPP) model. What are the challenges faced by the authorities in this regard.

UPSC Civil Services Mains 2017 · GS III · 10 marks · Infrastructure

Infrastructure: Energy, Ports, Roads, Airports, Railways etc.

Core demand of the question

- Examine how Indian airports developed through joint ventures under the public-private partnership model
- **State challenges for authorities:** land, tariffs, revenue share, regulation, and smaller airports

Revision summary

AAI could not fund metro airport expansion alone, so PPP joint ventures were used for greenfield and brownfield hubs.

Bengaluru, Hyderabad and Cochin show greenfield JVs; Delhi and Mumbai show brownfield OMDA with AAI equity.

AERA regulates major-airport tariffs; later AAI rounds tried to PPP more State capitals.

UDAN supports regional routes that do not attract the same private capital.

Challenges are land, tariff disputes, high revenue-share bids, exclusive contract clauses, and weak PPP appetite for small airports.

Introduction

Airports Authority of India (AAI) long ran most civil airports. Traffic growth after the 2000s needed terminals and runways faster than the public budget could build. **Public-private partnership (PPP)** joint ventures brought private capital and operators into **greenfield** and **brownfield** airports. The model expanded capacity at a few hubs. It also created disputes over **tariffs, land and revenue share** that the State still has to manage.

Body

Developments through PPP joint ventures

- **Greenfield city airports were built as joint ventures: Bengaluru International Airport Limited** and **Hyderabad International Airport Limited** combined State and private equity with long concessions, replacing constrained old airfields.
- **Cochin International Airport** is an earlier, distinctive PPP in which the State and a large set of public investors built India's first major greenfield airport in this mode.
- **Brownfield** modernisation used the **operate-maintain-develop route: Delhi International Airport Limited** and **Mumbai International Airport Limited** (GMR and GVK-led consortia with AAI equity) rebuilt Indira Gandhi and Chhatrapati Shivaji hubs under **Operation,**

Management and Development Agreements.

• AAI typically keeps a **shareholding** (often 26 per cent in the metro JVs) so the public interest sits inside the company, not only in a licence.

• **Airports Economic Regulatory Authority (AERA, 2008)** was created to regulate tariffs at major airports after private operators entered.

• Later bids (for example **Ahmedabad, Jaipur, Lucknow, Guwahati** in the 2016-18 AAI PPP round) extended the JV idea beyond the first four metros.

• **Ude Desh ka Aam Nagrik (UDAN, 2016)** is not a metro JV, but it is the parallel public attempt to make **regional** air connectivity viable with viability-gap funding while PPP money concentrates on busy hubs.

• Non-aeronautical revenue (retail, ads, hotels) became central to the business model of the JV airports.

Challenges for authorities

• **Land acquisition and rehabilitation** delay greenfield sites and second airports; State governments control land while aviation is Union.

• **Tariff fights:** developers want a return on a large regulated asset base; airlines and passengers want lower user charges; AERA orders are often litigated.

• **Revenue-share** bids can be aggressive, so the operator then pushes up non-aero charges or seeks a higher aeronautical yield, which the authority must police.

• **Right of first refusal** and exclusive clauses in early OMDA contracts limit competition for a second airport in the same city.

• **Security, slot allocation and airspace** remain sovereign; PPP does not remove the need for Central Industrial Security Force, Directorate General of Civil Aviation and Airports Authority coordination.

• **Environment and noise** clearances, and city-side road and metro links, sit outside the airport JV but decide whether the asset works.

• Small and **non-metro** airports often fail a pure PPP test; AAI or UDAN must still carry them, or regional connectivity thins.

Flow diagram

AAI public airports -> PPP joint ventures

PPP joint ventures -> Greenfield BLR HYD COK

PPP joint ventures -> Brownfield DEL BOM

PPP joint ventures -> AERA tariffs

AERA tariffs -> Challenges land revenue share litigation

PPP joint ventures -> UDAN regional gap

Conclusion

PPP joint ventures rebuilt India's busiest airports and created new greenfield hubs with AAI as a partner. Capacity and passenger experience improved. Authorities still struggle with land, tariff litigation, aggressive revenue shares, and the airports that private capital will not take. The model works at hubs if regulation is predictable and the public share in the JV is used to protect users, not only to collect a dividend.

Facts & figures

AERA

Airports Economic Regulatory Authority of India Act, 2008: independent tariff regulation at major airports after private operators entered.

DIAL / MIAL

Delhi and Mumbai airport JVs under OMDA: private consortia with AAI as a minority shareholder to rebuild the two busiest brownfield hubs.

BIAL / HIAL

Bengaluru and Hyderabad greenfield airport companies: State-plus-private JVs that shifted traffic from old inner-city airfields.

CIAL

Cochin International Airport Limited: early greenfield PPP with wide public shareholding, often cited as India's first such airport.

UDAN

Regional Connectivity Scheme, 2016: viability-gap support so smaller routes run even when a metro-style airport JV is not viable.