Airport Privatization in India:

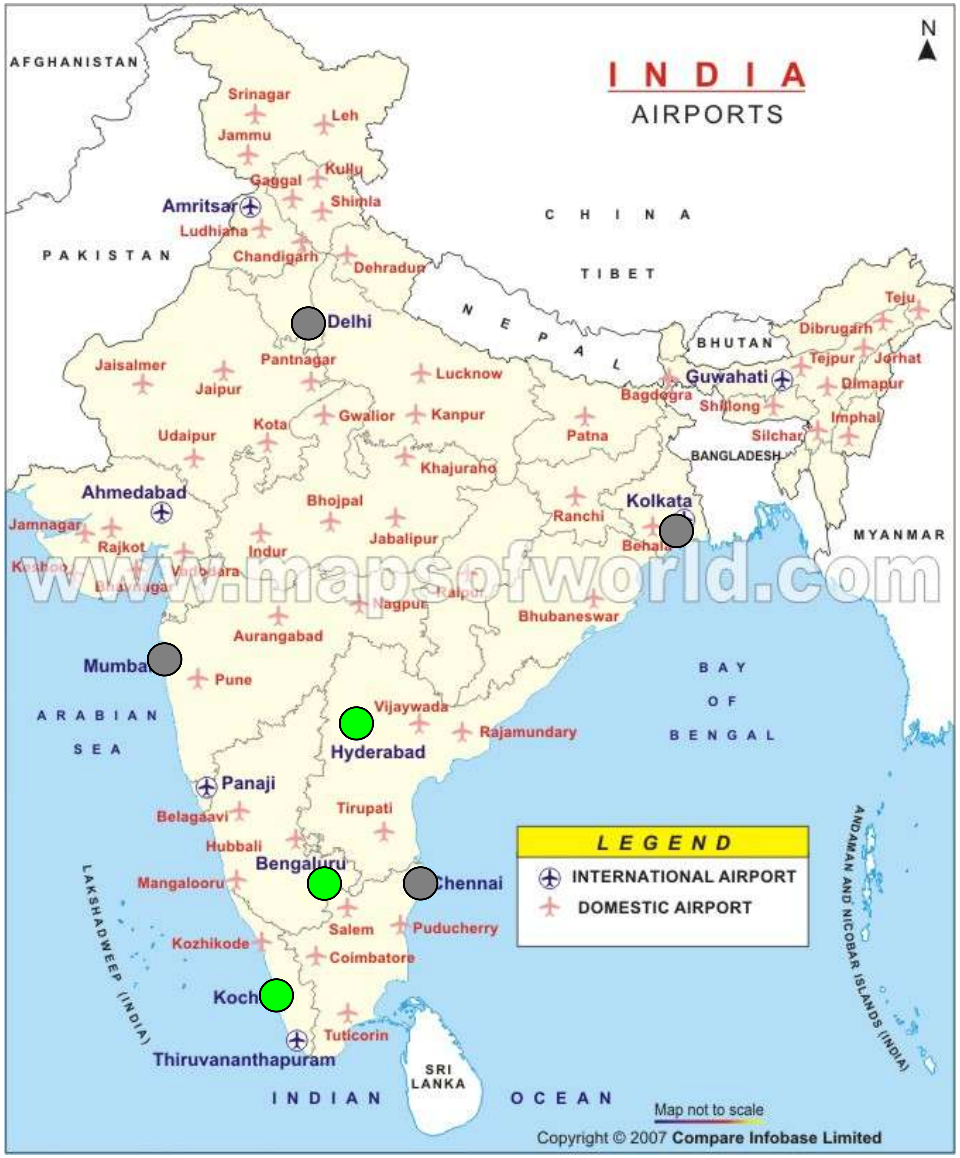
Lessons from Delhi and Mumbai

Rekha Jain

G Raghuram

Rachna Gangwar

Major Airports in India



Indian Airports

- 449 airports/airstrips in the country
- 126 airports managed by AAI
  - 13 international
  - 85 domestic
  - 28 civil enclaves at defence airfields

Source: Annual Report 2005-06, Ministry of Civil Aviation

Airport Privatization: Earlier Non-AAI Airports

1. **Cochin**
    - Government of Kerala (35%)
    - Investor Directors and Relatives (37%)
    - Public and NRIs (14%)
    - Central PSU (AI, BPCL) (7%)
    - Commercial Banks (6%)
    - Facility Providers (AI, BPCL, SBT) (1%)

Source: Secretary, MoCA

Airport Privatization: Earlier Non-AAI Airports

2. **Bangalore**

   - Karnataka State Investment and Industrial Development Corporation (13%)
   - AAI (13%)
   - Siemens Projects (40%)
   - Larsen & Toubro (17%)
   - Unique Zurich Airport (17%)

Source: http://www.bialairport.com

Airport Privatization: Earlier Non-AAI Airports

3. Hyderabad

- Government of Andhra Pradesh (13%)
- AAI (13%)
- GMR Group (63%)
- Malaysia Airports Holdings Berhad (11%)

Source: http://www.newhyderabadairport.com/

Privatization of Delhi and Mumbai

- Early Steps and Scope
- Transaction Agreement
- Pre and Post Bid Events
- Scoring and Rescoring Criteria/Factors
- Criterion for GMR's Choice
- Bid Specific and Other Issues
- Lessons Learned
- Post Bid Issues

Privatization of Delhi and Mumbai: Early Steps

1996	Modernization of Delhi and Mumbai was first considered by Airport Authority of India (AAI)
June 2003	AAI Board approved the modernization proposal costing Rs 30 bn
September 2003	Government approved on a long term lease by joint venture route with 74 per cent equity of a private consortium and 26 per cent of AAI. Empowered Group of Ministers (EGoM) was constituted
October 2003	Ministry of Civil Aviation (MoCA) constituted the Inter Ministerial Group (IMG) to assist the EGoM
December 2003	EGoM approved the appointment of ABN Amro as the financial consultants
February 17, 2004	An Invitation to Register an Expressions of Interest (ITREOI) for acquisition of 74 per cent equity stake in the Joint Venture Company (JVC) was issued
June 04, 2004	Last date of submission of expression of interest (EOI)

Airport Traffic in India

						% Change		
		2004-05	2003-04	2002-03	2001-02	2004-05 to 2003-04	2003-04 to 2002-03	2002-03 to 2001-02
All Airports								
Aircrafts movement (thousands)		730	639	560	510	14.2	14.1	9.8
Passenger movement (million)		59.5	48.7	43.7	40	22.2	11.4	9.3
Cargo movement (thousand tons)		1290	1068	979	854	20.8	9.1	14.6
Delhi Airport								
Aircrafts movement (thousands)		122	106	93	86	15.1	14.0	8.1
Passenger movement (million)		12.8	10.2	8.8	8.2	25.5	15.9	7.3
Cargo movement (thousand tons)		344	296	276	233	16.2	7.2	18.5
Mumbai Airport								
Aircrafts movement (thousands)		153	137	126	115	11.7	8.7	9.6
Passenger movement (million)		15.7	12.8	11.7	11	22.7	9.4	6.4
Cargo movement (thousand tons)		403	326	308	276	23.6	5.8	11.6

[Source: India Infrastructure, 2006; MoCA, Various Years]

Share of Delhi and Mumbai Airports

(2003-04)

Percent

Passenger traffic	47
Cargo traffic	58
Aircraft movements	38
Revenues	33

Source: Ministry of Civil Aviation

Capital Expenditure (Mandatory)

Rs bn

2005-2010	
Delhi airport	28
Mumbai airport	26
2005-2024	
Delhi airport	79
Mumbai airport	59

Scope

- Number of passengers (Mumbai): Around 50 million by 2025
- Number of passengers (Delhi): Around 46 million by 2025, 87 million by 2040
- Cargo (Delhi) : 1.5 mn tonnes 2025
- Cargo (Mumbai) : 1.4 mn tonnes cargo 2025
- Aircraft Movements (Delhi): 420,000
- Aircraft Movements (Mumbai): 525,000

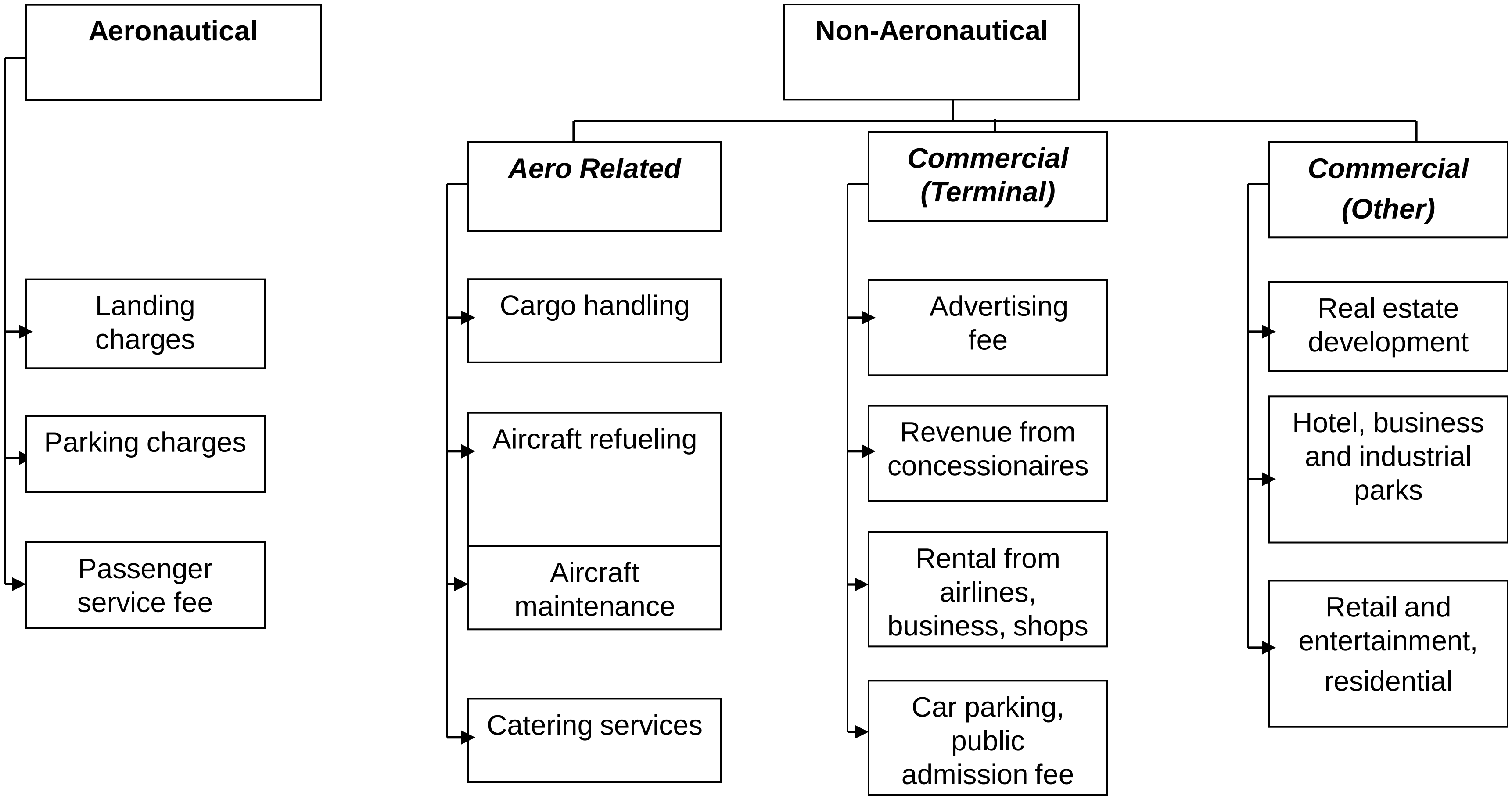
Transaction Agreement

- Transaction governed by Operations Management and Development Agreement (OMDA)
- 30-year concessions agreement with a further 30-year option
- A mandatory Capital Expenditure program with key projects to be completed by March 2010
- Massive liquidated damages for non-compliance
- A series of objective and subjective service standards to be adhered to

Transaction Agreement

- Aeronautical charges currently as per AAI rates. In future, an independent regulator (AERA) will decide
- Limiting the use of land for non-Aero purposes to 5% in Delhi and 10% in Mumbai
- Minimum non aeronautical revenue 40%
- Retention of all staff initially and then of a significant number even after 3-years
- ATC would still be under the control of AAI/DGCA
- First right of refusal, if within 10% of best bid for a second airport within 150 km

Airport Operator Revenue Streams



[Source: Communication from GMR, 2006]

Pre Bid Events (May 2004 – September 2005)

May 2004	Change of Government
June 15, 2004	EGoM reconstituted. It put a cap of 49 per cent on foreign direct investment within the 74 per cent of the private equity in the JVC
June 25, 2004	EGoM considered and approved the appointment of Air Plan, Australia as the global technical advisor (GTA) and Amarchand & Mangaldas & Suresh A Shroff & Co (AMSS) as legal consultants (LC)
July 20, 2004	Last date of submission of EOI extended
October, 2004	IMG reconstituted
April 1, 2005	RFP document and the draft transaction documents were issued

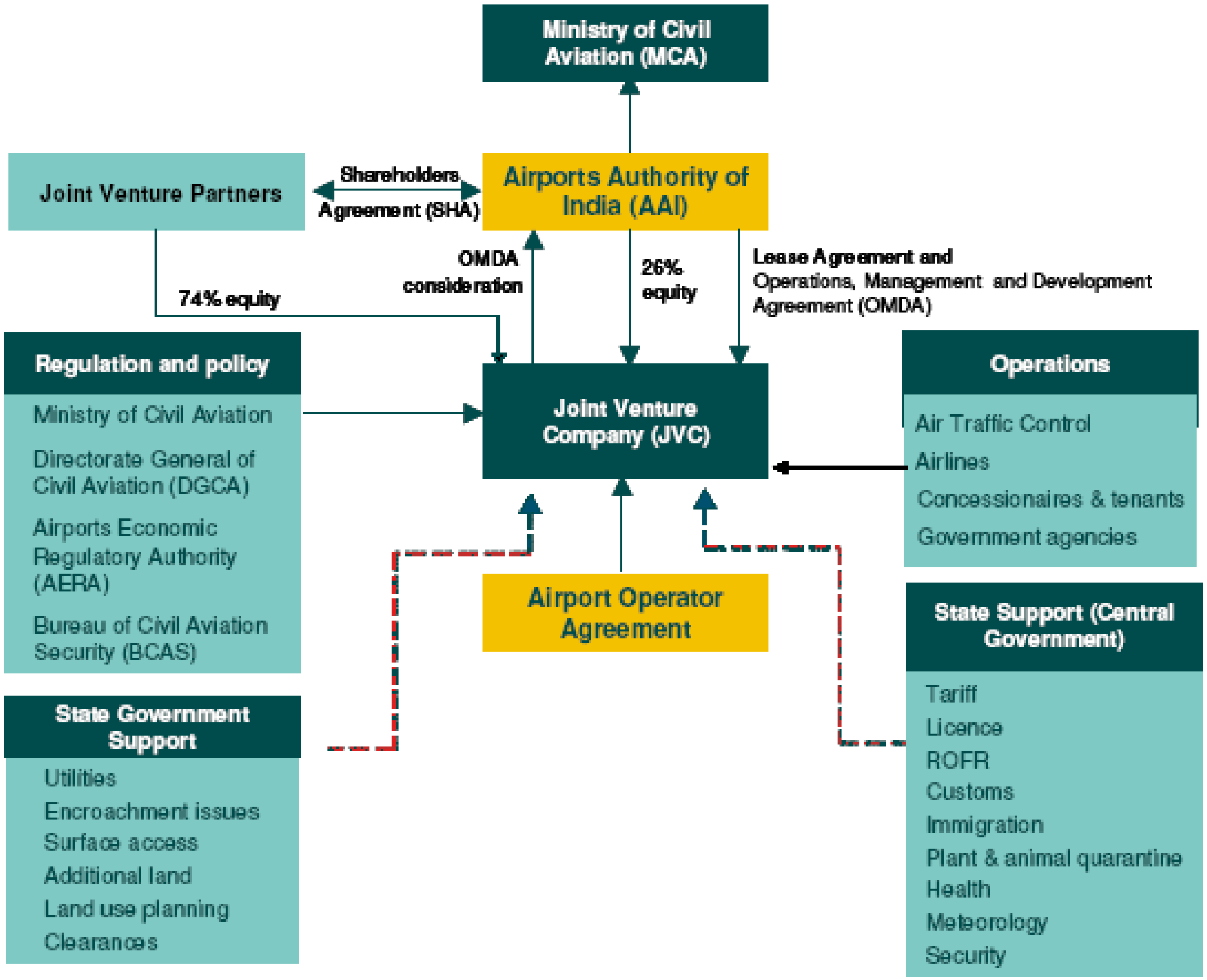
Pre Bid Events (May2004 – September 2005)

Transaction documents consisted of

- Operation Management and Development Agreement (OMDA)
- Lease Deed (LD)
- Shareholders Agreement (SHA)
- State Support Agreement (SSA)
- State Government Support Agreement (SGSA)
- Substitution Agreement (SA)

Pre Bid Events

Overview of Transaction Structure



[Source: AAI, 2005a]

Pre Bid Events (May 2004 – September 2005)
Original Bidders

1. **Bharti-Changi**
   – pulled out citing stiff performance conditions in the transaction documents
2. **L&T-Piramal-Hochtief**
   – pulled out citing stiff performance conditions in the transaction documents
3. **Sterlite-Macquarie-ADP**
4. **GMR-Fraport**
5. **GVK-ACSA**

Pre Bid Events (May 2004 – September 2005)
Original Bidders

6. **Reliance-ASA**
7. **DS Construction-Munich**
8. **DLF-MANSB**
   – dissolved itself, MANSB was invited to join the GMR-Fraport consortium
9. **Essel-TAV**
10. **Videocon-Methven Corporation**
    – Was rejected because the group had involved an airport consultant rather than an airport operator

Pre Bid Events

Bid Submission (September 14, 2005)

Bidders for Delhi airport	Bidders for Mumbai airport
1. Reliance-ASA 2. GMR-Fraport 3. DS Construction-Munich 4. Sterlite-Macquarie-ADP 5. Essel-TAV	1. Reliance-ASA 2. GMR-Fraport 3. DS Construction-Munich 4. Sterlite-Macquarie-ADP 5. Essel-TAV 6. GVK-ACSA

Post Bid Events
(September 2005 – January 2006)

September 14, 2005	**Submission of bids**
September 19, 2005	**IMG met** – constitution of EC – opening of bids on 22.09.05 – setting up of GRC
October 05, 2005	**MoCA met** – constitution of GRC
November 21, 2005	**EC met** – submission of report

EC's Report (November 21, 2005)

Per cent

Bidder	Management capability, commitment and value add	Development capability, commitment and value add
Delhi Airport		
Reliance-ASA	80.2	81.0
GMR-Fraport	84.9	80.1
DS Construction-Munich	72.7	69.9
Sterlite-Macquarie-ADP	57.0	61.9
Essel-TAV	39.2	40.3
Mumbai Airport		
Reliance-ASA	80.4	80.2
GMR-Fraport	84.9	92.7
DS Construction-Munich	72.7	54.1
Sterlite-Macquarie-ADP	57.0	55.1
Essel-TAV	37.1	28.3
GVK-ACSA	75.8	59.3

[Source: Thakurta and Majumdar, 2005]

Post Bid Events
(September 2005 – January 2006)

December 6, 9, 12, 13, 14, 16, 2005	**IMG met** asked EC to strictly adhere to the RFP documents and award marks again

EC's Revised Scoring

Per cent

Bidder	Management capability, commitment and value add		Development capability, commitment and value add	
	Old	***New***	**Old**	***New***
Delhi Airport				
Reliance-ASA	80.2	*80.9*	81.0	*81.0*
GMR-Fraport	84.9	*84.7*	80.1	*80.1*
DS Construction-Munich	72.7	*73.1*	69.9	*70.5*
Sterlite-Macquarie-ADP	57.0	*57.0*	61.9	*61.9*
Essel-TAV	39.2	*37.6*	40.3	*41.4*
Mumbai Airport				
Reliance-ASA	80.4	*81.0*	80.2	*80.2*
GMR-Fraport	84.9	*84.7*	92.7	*92.7*
DS Construction-Munich	72.7	*73.1*	54.1	*54.7*
Sterlite-Macquarie-ADP	57.0	*57.0*	55.1	*65.1*
Essel-TAV	37.1	*35.5*	28.3	*29.4*
GVK-ACSA	75.8	*76.0*	59.3	*59.3*

[Source: GMR, 2006]

Post Bid Events
(September 2005 – January 2006)

December 21, 2005	**EGoM met** constitution of Committee of Secretaries (CoS)
December 24, 2005	**CoS met** constitution of Group of Eminent Technical Experts (GETE) for • An overall validation of the evaluation process, including calibration of the qualifying cut-off and sensitivity analysis. The sensitivity analysis would cover the impact of inter- se weightages of sub-criteria as well as scoring • Addressing the issues raised by the members of IMG about the evaluation process • An overall technical assessment of transparency and fairness of the evaluation process, including steps required, if any, to achieve a transparent and fair outcome • Providing suggestions for improving the selection procedure for joint venture partners in future

Post Bid Events
(September 2005 – January 2006)

January 07, 2006	**GETE submitted the first report** – Technical flaws in the technical evaluation process – Assignment of marks to sub-factors was not done – A liberal attitude was shown by the EC to the Reliance-ASA consortium – GETE reassessed the marks – On reassessment, Reliance-ASA did not qualify, GMR still scored above 80%
January 09, 2006	**CoS met** – endorsement of GETE recommendations
January 11, 2006	**EGoM met**

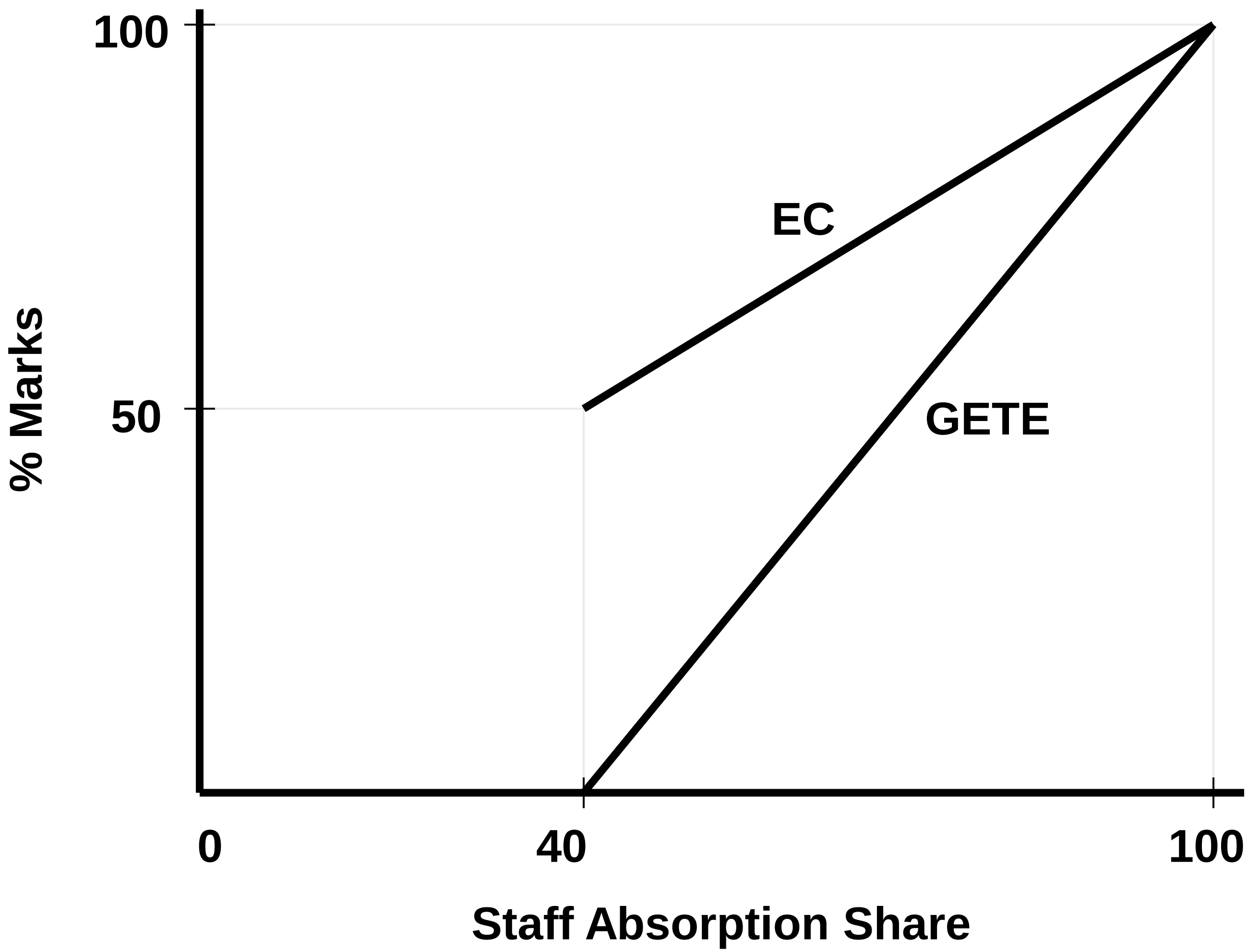
Scoring Criteria/Factor

Criteria/Factor	Weightage
Management Capability, Commitment and Value Add	**100.0**
Experience of the nominated airport operator	25.0
Experience of the other prime members	12.5
Commitment of airport operator	12.5
Commitment by other prime members	12.5
HR approach	12.5
Transition plan	12.5
Stakeholder management & Environmental management	12.5
Development Capability, Commitment and Value Add	**100.0**

Issues by GETE for Rescoring

1. Weightages were assigned to sub-factors equally. (The EC had assigned the weightages on a ‘subjective’ basis).
2. Since the non-OECD experience of ASA was only in airport development and not in operations, giving high marks to this was not in conformity with the RFP. (The EC had given 75% marks).
3. The marks for the current non-aeronautical revenue share of the bidders were rescaled to begin at 50% (from 75%) for the ‘required’ 40% share.
4. The marks for the proposed three year staff absorption share were rescaled to begin at 0% (from 50%) for the minimum 40% share.

Staff Absorption Share



Non-aero Revenue

Clause in RFP

Sub-Criteria: Management Capability

Criteria 1: **Experience of the nominated airport operator (weightage: 25)**

1.1.6 The performance of commercial operations at major airports managed by the airport operators, covering retail, property and other commercial operations, focusing on airports where non aeronautical revenues is 40% or more of total revenue.

GETE Rescoring

In sub-factor 1.1.6, the assessment of performance of commercial operations of major airports covering retail property and other commercial operations was to be done focusing on airports having non-aeronautical revenue of 40% or more of total revenue. Though non-aeronautical earnings of bidder ‘Reliance’ are only 37%, but they have been given 75% marks. This is considered to be in non-conformity of the RFP. The explanation of EC that wording of the Clause did not make the 40% mandatory is not convincing. In any case, since the non-aeronautical earnings of bidder A was less than the threshold limit of 40%, assigning a high score of 75% was not justified. This should have been of the order of 40% to 50%.

GETE Rescoring (Delhi Airport)

Bidder	Reliance-ASA	GMR-Fraport	DS Construction-Munich	Sterlite-Macquarie	Essel-TAV
Pre GETE Score	**80.9**	**84.7**	**73.1**	**57.0**	**37.6**
Moderation due to					
If equal weightage is given to sub-factor 1.2.2 and 1.2.3	-1.09	-0.21	-0.02	-0.02	+0.96
If equal weightage is given to sub-factor 3.1.1 and 3.1.2	-0.60	-0.81	+0.35	-0.32	+1.85
If the marks of sub-factor 1.1.6 given to A for non-aeronautical revenue less than 40% are reduced from 75% to 50% others no change.	-0.70	0.0	0.0	0.0	0.0
If score of sub-factor 1.1.8 given for experience in OECD country to A is excluded – others no change.	-2.1	0.0	0.0	0.0	0.0
If marking system of sub-factor 3.1.2 is modified keeping '0' for 40% absorption and '5' for 100% absorption.	-1.60	-1.98	-0.17	-3.13	0.0
Total variation	***-6.09***	***-3.00***	***+0.16***	***-3.47***	***+2.81***
Post GETE Score	**74.8**	**81.7**	**73.3**	**53.5**	**40.4**

GETE's Second Report (January 17, 2006)

Per cent

S No	Name of the Bidder	Management Capability		Development Capability
		Pre GETE	Post GETE	
Delhi Airport				
1	Reliance-ASA	80.9	74.8	81.0
2	GMR-Fraport	84.7	81.7	80.1
3	DS Construction-Munich	73.1	73.3	70.5
4	Sterlite-Macquarie-ADP	57.0	53.5	61.9
5	Essel-TAV	37.6	40.4	41.4
Mumbai Airport				
1	Reliance-ASA	81.0	74.8	80.2
2	GMR-Fraport	84.7	81.7	92.7
3	DS Construction-Munich	73.1	73.3	54.7
4	Sterlite-Macquarie-ADP	57.0	53.5	65.1
5	Essel-TAV	35.5	38.3	29.4
6	GVK-ACSA	76.0	73.0	59.3

[Source: SC, 2006]

EGoM's Framework (January 24th, 2006)

- GMR-Fraport is the only technically qualified bidder for both the airports
- Financial bids of the top four technical bidders will be opened
- GMR-Fraport is given the choice of selecting the airport subject to matching the highest financial bid since they are the only technically qualified bidder
- The other airport (not chosen by GMR-Fraport) will be awarded to the highest financial bidder amongst three bidders. Government has declared technical cut-off marks of 50% for this airport

Criteria for EGoM's Framework

- Speed of decision: Commonwealth Games
- Timeliness of decision: Praful Patel's commitment
- Validity/robustness of current process (weaknesses in RFP, repeated three evaluations)
- Unbiased approach
- Potential for new bid content, other players
- Political implications
- Implications for future airports, other infrastructure

Financial Bids (January 31, 2006)

S No	Name of the Bidder	Management Capability		Development Capability	Financial Bid
		Pre GETE	Post GETE		
Delhi Airport					
1	Reliance-ASA	80.9	74.8	81.0	**45.99**
2	GMR-Fraport	84.7	81.7	80.1	**43.64**
3	DS Construction-Munich	73.1	73.3	70.5	**40.15**
4	Sterlite-Macquarie-ADP	57.0	53.5	61.9	**37.04**
5	Essel-TAV	37.6	40.4	41.4	**Bid not opened**
Mumbai Airport					
1	Reliance-ASA	81.0	74.8	80.2	**21.33**
2	GMR-Fraport	84.7	81.7	92.7	**33.03**
3	DS Construction-Munich	73.1	73.3	54.7	**28.12**
4	Sterlite-Macquarie-ADP	57.0	53.5	65.1	**Bid not opened**
5	Essel-TAV	35.5	38.3	29.4	**Bid not opened**
6	GVK-ACSA	76.0	73.0	59.3	**38.70**

[Source: SC, 2006]

Criteria for GMR's Choice

- Highest financial bid (Delhi: 45.99%, Mumbai: 38.70%)
  Revenue share increase for GMR
  (Delhi: 2.35%, Mumbai: 5.67%)

- Impact on Reliance
  – GMR choosing Delhi: GVK gets Mumbai
  – By Choosing Mumbai: Reliance gets Delhi

- Changes in the environment after September 14, 2005

Criteria for GMR's Choice (?)

- Vacant land available (Delhi: 2723 acres, Mumbai: 56 acres)
- Encroached/disputed land (Delhi: 91 acres, Mumbai: 200 acres)
- Total Revenue 2003-04 (Delhi: Rs 4,089m Mumbai: Rs 4,376m)
- Use of land for Non-Aero purposes (Delhi: 5% (253 acres), Mumbai: 10% (187.5 acres))
- Threat of traffic diversion from Mumbai airport due to upcoming Bangalore and Hyderabad Airports as well as due to proposal of second airport in Navi Mumbai
- Runway layout (Delhi: nearly parallel, greater scope for simultaneous use, Mumbai: intersecting)
- By 2025, Mumbai airport will be saturated as per the SH&E analysis
- CAGR 1999-00 to 2003-04 (Delhi: 9.39%, Mumbai: 6.54%)
- Ability to leverage commonwealth games in Delhi

EGoM's Decision (January 31, 2007)

After GMR-Fraport chose Delhi airport and matched the highest bid of Reliance ASA, EGoM awarded

- **Delhi airport to GMR-Fraport**
- **Mumbai airport to GVK-ACSA**

Subsequent Events

February 2, 2006	Reliance filed a writ petition under Article 226 of the Constitution in the High Court of Delhi
April 21, 2006	A division bench of the High Court dismissed the writ petition on the primary ground that the EGoM had absolute discretion in the matter of choosing the modalities
April 24, 2006	The petitioner appealed to the Supreme Court
November 07, 2006	The Supreme Court also dismissed the petition

Bid Specific Issues

- **Should the GETE report have been accepted, especially since it revises the Reliance score to below cut off?**

- **Should GMR have been given a choice? Or should they have been given the airport where there would have been the best value for GoI on opening the financial bids? (GMR's choice of Delhi airport effectively got Reliance out of the bid).**

- **Should GMR, while being given the choice, be asked to match the highest financial bid?**
  - What if the financial bid among the top four had been significantly higher than GMR's?

Bid Specific Issues

- **Should the "other" airport have been re-tendered ?**
  - Implications of rebidding?

- **For the "other" airport, should the opportunity to match the highest financial bid have been given in order of the technical rank rather than treating all above 50%/top 4 equally?**

- **If a key criteria for the EGoM was to come up with a framework by which no winning bid for a specific airport should be known apriori, to avoid possible accusations of bias, then what choices did the EGoM have?**

Larger Issues

- **Was the RFP well thought out?**
- **Was it OK for bidders to make contact with various committees/those involved?**
- **Was lowering the cut off justified?**
- **Were two re-evaluations justified?**

Larger Issues

- Danger of over determination in the contractual parameters
- Pool of bidders being restricted by requirements such as FDI caps, a foreign player having to be a constituent of the bid consortia, and limits on airline participation
- Role of regulators, especially for tariff setting of aeronautical charges?
- Implications for next round of bids, other sectors
- Sustainability of the high revenue share (winning bids are in the 38-46% range, while the minimum was set at 5%)

Lessons Learned

1. A lot of thought should be given to the RFP including

a. Bid structure
   - Parameters (eg integration between different terminals, other modes)
   - Weightages and Scoring
   - Obligations of bidders during the bid process
   - Transparency
   - Implications for those who had not bid

b. Constitution of EC and other Committees

c. Contingency plan: if none or one had qualified

Lessons Learned

2. **Norms during the bidding process need to be specified and complied with**

a. Adherence to deadlines
b. responsibility of the bidders in identifying and bringing to notice deficiencies in the bid document during pre bid meetings
c. discretion on the part of bidders in independently communicating with sensitive stakeholders (decision makers, media etc)
d. deciding modifications in the evaluation by the EC, if essential, prior to opening of the bids

Other Issues

- **Positive Mood of Privatization of Infrastructure – Central Government ; Commercial Capital and National Capital**
- **Tired/Worn out: Further Modernisation not by Privatization**
- **Centre vs State**

Other Two Metro Airports

Decision on Chennai and Kolkata

- **Modernization will be undertaken by AAI**
- **Funding through internal resources**
- **Estimated modernization cost for**
  - Chennai airport: Rs 20 bn
  - Kolkata airport: Rs 15 bn

Post Bid Issues

- DIAL vs MoCA on Architecture
- Subsidiaries for Commercial Development – Implications for Revenue Share
- Cargo Free Time
- MIAL – Encroachments, Responsibility?
- Duty Free Retail Deal
- New Airports – NOIDA, New Mumbai
- Leveraging Business at Other Airports
- Government Nominees on Board
- Airport Development Fee Vs User Development Fee
- Earnings for AAI
- AERA Constituted

DIAL vs MoCA on Architecture

- GMR wanted to give the airport facade a red sandstone structure, much like the majestic Red Fort

http://www.businessworld.in/content/view/2534/2612

GMR's Proposal

http://www.businessworld.in/content/view/2534/2612

DIAL vs MoCA on Architecture

- Praful Patel purged the design of the intended Indianness and, presumably inspired by Singapore’s Changi International Airport, asked for a glass-and-steel look instead.

- The airport layout changed extensively following the ministry’s comments. The changes to the blueprint ultimately led to the relocation of both the new third runway at the airport and the terminal buildings. Five rectangle-shaped structures that will form a U, when completed in 2040, have replaced the original H-shaped terminals. Construction of the first terminal began from the East in February, though according to GMR’s master plan, it should have started from the West. “

http://www.businessworld.in/content/view/2534/2612

After Ministry's Intervention

http://www.businessworld.in/content/view/2534/2612

Subsidiaries for Commercial Development Implications for Revenue Share

- Delhi Aerotropolis Private Limited (DAPL)
  - Incorporated on May 22, 2007 as a 100% subsidiary of DIAL with an objective of commercial property development at IGIA

- DIAL Cargo Private Limited (DPCL)
  - Incorporated on 28th June, 2007 as a 100% subsidiary of DIAL with an objective to carry on the business of development, operation, providing, export, import, maintenance of cargo services, cargo terminals for providing cargo handling services and cargo handling system, re-engineering systems and procedures for hassle free cargo terminal operations resulting in reduction of dwell time.

http://www.gmrgroup.co.in/GIL11thAnnualReport2006-07.pdf

Subsidiaries for Commercial Development Implications for Revenue Share

- **DIAL receives 250 acres of land around the Delhi airport to be developed commercially, with 46 per cent of the revenues accruing from it flowing back to the government**
- **The company passes on the licence to develop the land it had received as part of the privatisation deal to a newly formed subsidiary DAPL.**
- **Since the sale consideration would be recognised in a "separate entity", the government would not be entitled to any share in this revenue, GMR officials said.**
- **According to ballpark estimates, potential revenues from land lease and rentals stand in excess of Rs 25,000 crore for the 250 acres of land, with the government ideally entitled to revenues of over Rs 10,000 crore**

http://in.rediff.com/money/2007/aug/16gmr.htm

Cargo Free Time Reduced from Five Days to Three Days

- Trade members associated with air cargo have expressed concern over the decision of the Ministry of Civil Aviation to reduce the free period for cargo clearance at airports to three days, from five, effective October 1.

Business Line, Oct 22, 2007

MIAL – Encroachments, Responsibility?

- MIAL estimates suggest that three lakh people inhabit around 65,000 hutments on the 276 acres of encroached land at the airport. It has also worked out that roughly 176 acres of land would be required for rehabilitating the slums. With in situ rehabilitation already ruled out for want of land, MIAL has invited Expression of Interest (EOI) from private developers. Five players have responded to the EOI and bids are currently under evaluation. Under the arrangement, the developer would have bring in land, bear the cost of building the tenements and pay the requisite charges to the Government. In return, the developer would get the money through Transfer of Development Rights and commercial rights at the airport.

September 12, 2007 (http://cities.expressindia.com/fullstory.php?newsid=255923)

Slum Rehabilitation

GVK

Slums

- Approximately 276 acres of airport land is encroached
- There are ~65000 hutments
- Population of slums ~ 300,000 persons
- Security hazard to the airport operations

Rehabilitation issues

- 175-185 acres required outside airport
- Rehabilitation In–Situ not possible

Progress on rehabilitation

- HDIL selected as the developer to rehabilitate the slums
- Will be completed over the next 4 years
- 18,000 units currently under construction at Kalina targeted for completion end 2009

Source: Presentation of Mr Sanjay Reddy, MD, MIAL

Delhi-Duty Free Retail Deal

- DIAL had awarded the duty free shopping contract to a consortium of US-based Alpha Airports Group Plc and Pantaloon Retail (India) Ltd, a Future Group venture. The venture is projected to generate sales of Rs 500 crore for DIAL in the next 39 months.
- DIAL hopes to extract maximum value from the duty-free shopping, car park and advertising. These three businesses are expected to grow 250%, 90% and 215%, respectively in 2007-08.
- DIAL hopes to generate Rs 470 crore from non-aeronautical sources of business, in the first full year of operations, 2007-08. This is a 56% jump from what AAI collected from such sources in 2005-06.

26/03/07 Atreyee Dev Roy/Financial Express

Mumbai-Duty Free Retail Deal

- IPCL-Aldeasa's bid was the highest at Rs 570 crore
- They were awarded the contract
- Second highest bid was from DFS at Rs 260 crores
- IPCL-Aldeasa felt bidding very high and tried renegotiating with MIAL
- MIAL refused to do so, since it was a global tender and renegotiating would have meant scrapping the entire bidding process
- MIAL awarded the bid to the DFS

Economic Times, November 29, 2007

Second Airport in Delhi

- The Union Cabinet referred the issue of building a greenfield airport in Greater Noida to a Group of Ministers to decide on legal matters and look into the right of first refusal clause that can be exercised by the DIAL.
- The Rs 3,505-crore Taj International Aviation Hub (TIAH), expected to come up in the Zevar area of Greater Noida, about 68 km away from IGI airport.
- Planned through SPV (74% private party, 13% State Govt, 13% other Govt Agencies such as AAI)
- DIAL has indicated that it will seek compensation and demand a level-playing field. Cognisant of DIAL's opposition to the venture, the note to the Cabinet points out that the central government has at no stage given any traffic guarantee to DIAL or assured exclusive rights to IGI airport.

Business Line, January 04, 2008

Second airport won't hit IGI, says UP Government

IGI without TIAH	
2011	47.40
2036	326.61
IGI with TIAH	
2011	45.03 (5% loss)
2036	276.82 (15% loss)

The Financial Express, January 10, 2008

RIL to Move on Cargo Airport Plan in SEZ

- A team of Mukesh Ambani’s Reliance Industries Ltd met aviation ministry officials to kickstart the proposed cargo airport at their ambitious SEZ project in Jhajjar. The airport and a 2,000-MW power plant were the highlights of the Rs 40,000-crore project that will be spread over 25,000 acres in Gurgaon and Jhajjar when Ambani inked the deal with Haryana last June.

- While the Greater Noida airport is 72 km away, the Reliance cargo one is so close to IGI that ATC services will have to be provided from there itself. Saying in no uncertain terms that they would oppose this airport, a senior DIAL official said: "We are all for the growth of aviation sector but the issue is of timing of introducing more than one airport in Delhi. There has to be maturity in the market before one does that. Otherwise there will be two or three week airports instead of one strong hub." The group said its stand on greater Noida airport would hold true for the Ambani cargo plan also.

18/12/07 Saurabh Sinha/Times of India

Second Airport in Mumbai

- The proposed Navi Mumbai airport project has been cleared by the Union Cabinet and its technical aspects by the Indian civil aviation authorities, as well as the International Civil Aviation Organisation (ICAO). The project is being developed by various organisations, particularly the state agency CIDCO.

- Rs 90 biliion Project will be spread over nearly 2050 hectares and have two parallel runways. Out of the total area, CIDCO already possesses 1,150 hectares, around 450 hectares belongs to other government agencies and the process of acquiring the remaining land has started.

- CIDCO expects to pick up 26 per cent equity in the project in lieu of land in the special purpose vehicle.

- The airport is likely to become operational in 2012. It will generate traffic of around 10 million passengers in the first year itself and the number will reach 50 million by 2030. The developer will thus have an average internal rate of return amounting to nearly 17.5 per cent.

- CIDCO has short listed four international consultants (Scott & Wilson from England, Maun Senn from Singapore, Louis Burger from the US and Mott Mc'Donald from US) to prepare the roadmap

Rediff.com, January 07, 2008. (http://www.rediff.com/money/2008/jan/07air.htm)

Second Airport in Mumbai

- Got clearance from the Environmental and coastal Regulation Zone (CRZ) on May 18, 2009, which was the last hurdle
- Tenders for selection of the developer will be prepared by 30 September.
- Bids submitted by interested parties will be taken up on 15 February 2010
- developer will be shortlisted on 31 March.
- The signing of the agreement and laying of foundation stone for the project will be done in April- May 2010.
- Basic facilities at the airport are expected to be ready in September-October 2013.

http://www.domain-b.com/aero/gov_reg/20090519_navi_mumbai_airport.html

500 New Airports Planned

- Praful Patel said that the government has plans to touch 100 operational airports by 2008 and was working to create at least 500 small and big airports across the country with no spot being greater than 50 kms from airport.
- Under Patel's tenure, the number of operational airports in the country has gone up from close to 40 in 2004 to 81 at present. Calling aviation a sunrise economy, Patel said around $150 billion was expected to be invested in the aviation sector in the next few years.

November 23, 2007 (http://www.rediff.com/money/2007/nov/23air.htm)

GMR Consortium Bags Istanbul Airport Contract

- A joint consortium that includes the GMR Infrastructure Ltd has bagged the contract to develop Sabiha Gokcen International Airport in Istanbul

- The total investment is estimated at about €400 million. The project has a debt-equity ratio of 18:20. GMR Infrastructure, a listed company, holding a 40 per cent stake in the consortium, would pump in around €32 million of the €80 million equity, said Mr Madhu Terdal, Chief Financial Officer, Corporate Strategic Finance, GMR Group

- The other consortia members are Limak Insaat Sanavi San Ve Tic A.S. Turkey (Limak), which has a 40 per cent stake, and Malaysia Airports Holding that has a 20 per cent stake.

Business Line, July 11, 2007

Govt Replaces Member on DIAL, MIAL Boards

- The civil aviation ministry has removed Joint Secretary KN Srivastava, who was on the board of Delhi International Airport Ltd (DIAL) and Mumbai International Airport Ltd (MIAL), as the government's nominee and replaced him with a director-level official, Sandeep Prakash.
- The government felt that in view of the recent dispute between the ministry and DIAL, it is better to have nominees who are not dealing with airports.

November 15, 2007 (http://www.business-standard.com)

Airport Development Fee (ADF)

vs

User Development Fee (UDF)?

UDF

- UDF at Hyderabad
  - Domestic departures - **Rs 375** extra per passenger (wef August 22, 2008)
  - International departures - **Rs 1,000** extra per passenger (wef March 16, 2008)

- UDF at Bangalore
  - Domestic departures - **Rs 260** extra per passenger (wef January 16, 2009)
  - International departures - **Rs 1,070** extra per passenger (wef July 01, 2008)

http://www.indianairlines.in/scripts/userdevelopmentfee.aspx

UDF

wef August 01, 2010

Airport	UDF-Amount (in Rupees)		Effective Date
	Domestic	International	
Thiruvanthapuram	Nil	755	1 August
Ahmedabad	110	415	16 August
Amritsar	150	910	15 June
Udaipur	150	Nil	15 June
Tiruchy	150	360	15 June
Visakhapatnam	150	Nil	15 June

http://www.thehindubusinessline.com/2010/07/31/stories/2010073152872000.htm

wef September 01, 2010

Mangalore Airport

- Domestic: Rs 150
- International Rs 825

http://www.daijiworld.com/news/news_disp.asp?n_id=83052

ADF

- ADF at Delhi (fixed for three years)
  - Domestic departures - **Rs 200** extra per passenger (wef March 01, 2009)
  - International departures - **Rs 1,300** extra per passenger (wef March 01, 2009)

- ADF at Mumbai (fixed for four years)
  - Domestic departures - **Rs 100** extra per passenger (wef April 01, 2009)
  - International departures - **Rs 600** extra per passenger (wef April 01, 2009)

http://www.indianairlines.in/scripts/userdevelopmentfee.aspx

Earnings for AAI from Delhi Airport

Rs crores

	AAI's Revenue	AAI's Profit after Tax	Annual fee paid by DIAL
2004-05	2997	325	-
2005-06	3490	718	-
2006-07	3726	860	272
2007-08	4289	1,082	403
2008-09	4186	687	441
2009-10	4450	624	539

MoCA Annual Report 2009-10, and DIAL's Auditors' Report

Earnings for AAI from Delhi Airport

Rs crores

	2004-05	2005-06	2006-07	2007-08	2008-09
Profit	**345**	**515**	**482**	**403**	**432**
Of which, fee paid by DIAL	-	-	272	403	432

AERA Constituted

- Mr Yashwant Bhave, a retired IAS officer of Maharastra cadre, took over as the first Chairperson of the AERA on August 01, 2009.
- The AERA bill was passed by Lok Sabha on **October 22, 2008** and received assent by the president on **December 05, 2008**.
- Functions of AERA
  - To determine the tariff for the aeronautical services
  - To determine the amount of the development fees
  - To determine the amount of the passengers service fee
  - To monitor the set performance standards relating to quality, continuity and reliability of service

AERA

- Two consultation papers on
  - review of development fee levied at IGI Airport (10.09.2009)
  - draft guidelines on stakeholders consultation (08.10.2009)
- Issued RFP, inviting proposals from consultants for (09.10.2009)
  1. Structuring of the AERA - designing organisational structure and staff responsibilities including capacity building of AERA
  2. Define systems, process and procedures for enabling AERA to carry out its regulatory functions
  3. Assist in stakeholder consultations with respect to the recommendations made at clause (ii) above and modifying and altering the same, if required
  4. Translating the recommendations regarding the processes and procedures after stakeholder consultations into legally binding document(s) like rules and regulations for implementation and enforcement;
  5. Hand holding support

AERA

- Issued an order on ‘review of development fee levied at IGI Airport’ (04.11.2009): *Extended the date of submission by DIAL for requisite information to January 31, 2010*
- Establishment of the AERA Appellate Tribunal (February 06, 2010)
- Issued a circular listing airports that qualify as major airports as per clause (i) of Section 2 of the Airports Economic Regulatory Authority of India Act, 2008 (March 12, 2010)
- Issued an order on ‘10% increase in aeronautical charges requested by DIAL and MIAL’ (May 21, 2010): *Rejected the request*
- Appointment of Chairman and Members to AERA Appellate Tribunal (June 03, 2010)

References

1. AAI, 2004. ‘Restructuring and Modernization of Delhi and Mumbai Airports – Invitation to Register an Expression of Interest (ITREOI).’ Airports Authority of India, February 17, 2004.
2. AAI, 2005a. ‘Information Memorandum: Indira Gandhi International Airport.’ Airports Authority of India, April 01, 2005.
3. AAI, 2005b. ‘Restructuring and Modernization of Delhi Airport – Request for Proposal (RFP).’ Airports Authority of India, April 01, 2005.
4. GMR, 2006. Communication from GMR.
5. Indian Infrastructure, 2006. ‘Key Statistics.’ Volume No 9 Issue No 2, September 2006.
6. Jain, Raghuram and Gangwar, 2007. ‘Airport Privatization: Bidding Process for Delhi and Mumbai (A, B, C, D, and E).’ Indian Institute of Management, Ahmedabad. IIMA/PSG0102.
7. MoCA, Various Years. ‘Annual Report.’ Ministry of Civil Aviation, Government of India.
8. SC, 2006. ‘The Supreme Court Judgment: Reliance Airport Developers Pvt. Ltd vs Airports Authority of India and Others.’ 2006 INDLAW SC 913. http://www.indlaw.com.
9. Thakurta and Majumdar, 2005. ‘How the Airport Bids were Evaluated.’ December 30, 2005. http://inhome.rediff.com/money/2005/dec/30paran.htm.
10. http://www.hinduonnet.com/fline/fl2303/stories/20060224006913000.htm.
11. http://www.ipsnews.net/news.asp?idnews=31659.

Thank You