

Rationalization of Airport Operations

Over the years, the development of major airports like Bombay and Delhi has been lopsided. While the terminal facilities have improved, navigation, communication and landing aids have not been upgraded to the same degree. These two airports should be able to handle 40 aircraft movements per hour instead of 20 at present. It is in this context that a merger of IAAI and NAA has been suggested. The protagonists of the merger maintain that a unified authority would be more accountable, it could put limited funds to more judicious use and the expertise gained by IAAI in planning, designing and constructing airports could be made available to domestic airports.

There is a bill pending in the Indian Parliament - The Airports Authority Act, 1993 - that would see the merger of the two airport authorities. Indications are that the proposed Airports Authority Act would apply to all civil airports in the country. The assets of both the IAAI and the NAA would be vested in a new Airports Authority, which would be formed by a merger of two. The rationale for the merger is that it would provide for a better balance of the high revenues earned from international flights with the large expense outlays necessary to maintain India's aviation infrastructure.

The merger proposal has recently been approved by Cabinet. As such, with the resignation of the IAAI Chairman on June 25, a new Chairman was not appointed, but rather the current NAA Chairman was given additional responsibility for the IAAI. The Government is now finalizing the legislation and appears to be keen on introducing the Bill in the monsoon session of Parliament (mid-July to mid-August).

There may be, however, some stumbling blocks to merging the two organizations. The IAAI Employees Union is not in favour of the bill as it may affect the career prospects of its members. There would also be difficulties in introducing uniform pay scales and allowances in the two organizations and in determining the relative seniority of staff. Another option may be to form a holding company. This would allow a better utilization of resources without having to merge the two organizations, and avoid the difficult issues of personnel management and corporate culture differences.

Privatisation of Airports

No study has been carried out in India to determine how much cities stand to gain by the development of airports. It may, therefore, be difficult to persuade business and commercial interests to share the cost of airport development. Furthermore, the NAA's financial results have not been good enough for its shares to command a good price on the market. In February 1993, the Civil Aviation Minister stated that an interdepartmental committee had been constituted to identify areas where private sector participation could be enlisted to supplement the development plans of the NAA and the IAAI. While there has been a lot of discussion, there is little likelihood of the Government privatising airports at this stage. However, with a resource shortage and increasing demand, there is going to be pressure on the Government to find alternative financing arrangements. The inevitable result may be some form of privatization. It has been suggested that the IAAI's budget shortfall to carry out planned projects may be as much as two-thirds, i.e. Rs 21 billion as opposed a budget allocation of Rs 7.31 billion. In this context, the IAAI and the NAA may opt for privately developed and operated facilities, such as Terminal III at Pearson International Airport in Toronto.