

PRIVATISATION OF COMMERCIAL AIRPORTS IN INDIA: CARRY OVER LEGACY, A NIGHTMARE MANAGING THE PEOPLE AGENDA

L.R.K. Krishnan, VIT Business School

ABSTRACT

The government's economic policy framework and agenda, which is driving government-owned enterprises to be divested of their ownership and transfer to private players or transferring the assets on build own transfer agreements, is resulting in many business nuances associated with people management which is counter-productive and impacting corporate governance and progress of the enterprise. This study highlights the gaps in government policy and the positive and negative rub-offs of the strategy and its impact on business and performance. It also describes the flaws in the governance framework and the severe fallout on the people front in an organization. The study is based on hard facts observed on the ground and the scope for rectification in the future.

Keywords: Airport Authority, Private operator, Privatisation, Union, Greenfield, Brownfield, Transition.

INTRODUCTION

The Ministry of Civil Aviation is the nodal Ministry responsible for formulating national policies/programs for the development/regulation of Civil Aviation in India. Its main objective is to ensure the orderly growth of civil air transport in India. Its function extends to overseeing airport facilities, air traffic services, and the carriage of passengers and goods by air. Director General Civil Aviation (DGCA) and Airports Authority of India (AAI) work directly under the Ministry of civil aviation (www.civilaviation.gov.in). Since 2009 there has been an independent economic regulator – the Airports Economic Regulatory Authority (AERA)–to regulate tariffs and other charges for aeronautical services and monitor airports' performance standards. (a) to determine the tariff for aeronautical services, taking into consideration the specified factors ; (b) to determine the amount of the development fees; (c) to determine the amount of the passenger service fees; (d) to monitor set performance standards relating to quality, continuity and reliability of service as specified by the central government or any authority authorized by it; (e) to call for such information as may be necessary to determine the tariff under clause (a); and (f) to perform such other functions relating to tariff as may be entrusted to it by the central government or as may be necessary to carry out the provisions of the Act (<http://aera.gov.in>).

Slot allocation & Ground handling is with the private operator while ATC or air traffic control continues to be handled by AAI. The private operator also manages airport In-Terminal operations. Functions of the Airport consists of Airside, Terminal/City side, Slot Allocation & Airport Operations Control Centre (AOCC), Public Grievances, RTL and Quality Management Issues, and the functions include.

1. To ensure serviceability of all operational/passenger facilities always at the Airport.
2. Airside Management
3. Terminal Management

4. Commissioning and operationalization of AOCC (Air Operations Control Centre)
5. Safety Management and coordination
6. Plan and project the requirements regarding construction/up-gradation of the aerodrome and related facilities for safe aircraft operations
7. Terminal Management
8. Coordinate with DGCA for safety assessment on the planning, construction & commissioning of changes to airport infrastructure, and maintenance programs
9. Liaise at apex level with the various ministries, regulatory bodies like DGCA and Bureau of Civil Aviation Security (BCAS), Immigration and Customs on issues related to Airport Management (Operations) and Aviation Security.
10. Allocating night parking stands to domestic flight operators.
11. Slot Management-Slot allocation for all the airlines operating domestic/ international flights.
12. Coordinate with Dept. of Engineering / Planning/ IT/ Security w.r.t. all planned/ modification / repair works in the terminals
13. Handling VIP Movements and aircraft emergencies

Airport Authority of India (AAI) came into being in April 1995 and was established primarily to accelerate the country's development, expansion, and modernization. The clear focus was on passenger terminals, air traffic services, cargo operations, and other areas. In line with this mandate, the AAI had complete control over the Indian airspace (excluding the defence), runways, taxiways, aprons, ground handling services, vehicular traffic inside airport zones, including, design, development of passenger and commercial terminals, communication, and IT inside the airports, international and domestic operation, other passenger facilities, etc. (AAI.aero, 2020 a).

India has 449 airports/airstrips, 126 airports managed by the Airport Authority of India (AAI), 13 international, 85 domestic, 28 civil enclaves at defence airfields (www.civilaviation.gov.in b). The country's aviation sector was plagued with inefficiencies, inadequate infrastructure, and customer service. Hence, the government of India decided to privatize the major airports in the first phase and thereafter in a planned manner to extend the scope in the years to come.

Unfortunately, the infrastructure, technology, and passenger amenities were inadequate. After changes in government policy, the four major airports in the country, Mumbai, Delhi, Bangalore, and Hyderabad, were opened up for privatization on a well-planned and executed bidding process. The original plan of handing over the existing brownfield airport at Mumbai and green field in Delhi, Bangalore, and Hyderabad were not without controversies.

Mumbai airport the busiest Airport in the country, and with only one operational runway at any given point in the heart of the city, with slums all around and airport land encroached, was a unique situation not managed well by the government but handed over to the private sector operator without resolving legacy issues.

The government had handed over the Mumbai airport by a transaction governed by the Operations Management and Development Agreement (OMDA), a 30-years concessions agreement with a further 30-year optional scope of renewal. The contract had a mandatory capital expenditure program with critical projects to be completed within timelines post transfer of assets. The agreement had provisions for liquidated damages for non-compliance. The agreement had a series of objective and subjective service standards to be adhered to. An independent regulator (AERA) will decide, limiting the use of land for non-aero purposes to 10% in Mumbai, generating a minimum non-aeronautical revenue at 40%, most importantly retention of all staff initially and then of a significant number even after 3-years by the private operator. However, ATC would still be under the control of AAI/DGCA (AAI.AERO, 2021 b).

This case study is an effort to capture the various dimensions of the government's effort to privatize the Mumbai airport from a HR perspective since the people and talent related issues were not addressed in totality while embarking on the transition.

LITERATURE REVIEW

Introduction Airport privatization is a controversial yet increasingly important theme in government policy throughout the world. The first significant privatization occurred in the UK in 1987. Since then, several other countries, both in developed and developing regions, have seen it become a powerful political force. In a global study of 459 airports in 2007, it was found that 24% of airports had complete or partial private ownership (Anne, 2011).

Airports are designed and developed to support and provide infrastructure facilities to airlines. For many decades, the airports remained as natural and public monopolies with significant economies of scale. Only recently and after the corporatization and privatization, airports have come under economic regulation. Notably, during the last few decades, the nature of the airport industry has undergone a drastic change. The business and commercial objective with profit/ revenue maximization in a corporate framework has been adopted by almost all airports worldwide, including Indian airports in particular (Singh et al., 2015).

It is widely apprehended that handing over security matters to private players would result in the deterioration of airports and aircraft safety and security standards. The onus is on the government to ensure that such a situation does not arise. The interest of several parties is involved. Hence the government needs to come up with a policy that is acceptable to everyone. However, it must be said that safety and security in aviation are of primary importance (Ray & Deep, 2014).

A similar situation existed specifically within Europe in 2008, where public-private shareholders owned 13% of the airports and 9% were fully privatized. However, these partial or total privately-owned airports handled more European passenger traffic (48%) since private operators are predominantly found at larger airports (Anne, 2011). Such developments have transformed the structure of the global airport industry and have led to the emergence of multi-airport international companies (Forsyth et al., 2011).

CASE OVERVIEW

This case is presented in a manner where an introduction to the airport business, the various nodal agencies involved, the government's approach to privatization, the fall out of people-related issues which had a significant impact, and all the other problems related to the transition have been discussed.

On analysis after 5-8 years post-transition to private players, it has revealed time overrun, cost overrun, stakeholder's conflict, and debt repayment. In the case of the brownfield project, development issues pertaining to legacy matters have taken a toll - Land encroachment, slum relocation, various abattoirs/butchery units, and illegal construction in and around the airport zone, theft of assets, political interference, etc. The development of Brownfield airport have faced the following problems of non-availability of adequate land for expansion, the opposition of public residing nearby Airport, due to noise and air pollution, etc. (Alok & Smita, 2021).

Privatization of airports means that private companies have been provided the lease of these airports for a specific period. They would not only manage the airports but also carry out expansion and modernization. However, the security of the airports will be under the home ministry, and currently, the CISF, Central Industrial Security Force are guarding the airports.

The development of Brownfield and Greenfield airports was undertaken to ease airport congestion and ensuring value add to the passengers. Public-Private Partnership (PPP) model, i.e., Build Operate and Transfer (BOT), Build Own Operate and Transfer (BOOT), have been tried for the development of Airports in India. Up-gradation of existing facilities comes under

brownfield projects. These projects are developed under the BOT model. Mumbai International Airport (India) has been developed under the BOT contract. Greenfield project means a work started from scratch on the unused lands where there is no need to remodel or demolish an existing structure. Brownfield airport means an airport that was operational in the past. The Mumbai and Delhi airports combined handled the bulk of Indian passenger and cargo traffic. Delhi and Mumbai airports together accounted for over 70% of total passenger traffic and 80% of AAI's revenues. In 2000, the International Air Transport Association (IATA) surveyed the biggest airports in the world. The airports at Mumbai and Delhi ranked the three most minor favourable airports in the Asia-Pacific region on all 19 service elements. The two airports' service was considered inadequate despite the airports having a large administrative staff (ICMRindia.org, 2021).

Both Delhi and Mumbai airports handled twice as many aircraft movements as they were initially designed for, resulting in congestion for both aircraft and passengers (icmrindia.org, 2021).

There has been a lot of debate over the rationale of privatization of airports as it was argued by the critics that given the importance of airport infrastructure, private players would overcharge and exploit the public. On the other hand, proponents of privatization say that India modernizes its airports based on poorly managed public airports to improve the economy (Ohri & Manoj, 2006).

It is argued that privatization policies are motivated by the belief that the private sector will perform better, increase economic efficiency, and focus on results. At the same time, governments may gain financially from converting fixed public assets into cash and subjecting the privatized firms to paying corporate taxes. Overall, government and political involvement and control may be reduced as well as curbing public-sector union domination. Profit maximization objectives may lead to inadequate investment and impact social justice.

People Transition and Dimension of the Airport Business

A large proportion of the AAI employees, technical and non-technical, including all the contract labour and staff, transitioned to the private operator post privatisation. The bulk of the hiring in the government attracted talent keeping in mind social objectives. Therefore, skill, knowledge, and behavioural attributes were not developed, in the context of world-class service and operations. Though some of the technical managers had vast experience, leadership aspects needed refinement. The strengths of the AAI staff who crossed over to the private operator ensured continuity of operations and they did coordinate well with the various foreign Consultants and expatriates working with the private operator in ensuring smooth operations on the technical front. However, in the cargo, fire division, landside things weren't easy to handle, and many complications arose which had to be defused from time to time. Operating the commercial terminal, including the passenger terminals, improved substantially from the past and had a positive rub-off on the passenger experience. Coordination with CISF security, Customs, and Narcotics officers, IB-Intelligence officers enhanced over time with an understanding of each other's expectations in the management of the Airport. Liaison with local police on law and order outside the Airport also developed over time.

The bulk of the staff and workers were unionized, and it had deep roots in all departments and vitiated the professional working environment since nothing could be kept confidential. The union leaders influenced the management and had various contracts awarded to them, including additional revenue as consultants while in service. If the Airport had to be modernized, it's the human resources that needed to play an active part. The bulk of the operating staff of AAI (unionized) handling legacy matters was a huge challenge when

the new hires coming from the private sector were oriented towards a service culture. The industry is undoubtedly short of talent from business or engineering schools on airport operations, maintenance, and management. The private operator had to manage two sets of HR policies, one for the employees transferred from AAI rolls and the other for fresh hiring from the industry.

The AAI employees who moved to the private operator always believed in entitlement without focusing on productivity or performance. Large parts of the airside and cargo operations were managed by the employees who moved from AAI and hence plagued with legacy and union issues. The problem of multiple unions and fragmented worker-staff representation was a day-to-day challenge. The inter-union rivalry was an eyesore in the industrial relations climate in the organization. Most decisions were taken based on political considerations rather than pragmatism. Collective bargaining was never a choice; rather, the union leader's unreasonable demands and ability to coerce and get maximum gains for individuals or workers/staff was a common phenomenon due to a management policy of divide and rule.

Policy Implications on Airport Privatization

With the government keenly pursuing privatization of airports, it seems essential to fix socio-economic and socio-legal issues before embarking on the policy framework. Government hiring, training, and retention have to be consistent with privatization. Private owners must invest in developing talent transitioning from Airport authority and bring them to speed on the skill, knowledge, and behavioural front. Trade Unionism must be consistent with the common good and not driven from a political perspective and derail the industry. Hence, Union leaders have to be developed from within, to avoid external interference and meddling.

Ownership Issues and Management Control

From the first phase of privatization experience, the key takeaway must be that only leading business houses with a sound management experience, deep pockets, market standing, brand equity with a good track record of settling debts must be eligible for bidding of existing Airports that are getting privatized. Failing which we will see a repeat of short-term measures in handling the business and people, resulting in a loss to the national exchequer and also increase in costs of travel for the customers. Airport Management experience should be mandated for all future eligibilities to manage airports on a build own transfer basis.

Conceptual Framework

Efficiency might improve substantially, including passenger experience but might not result in profitability. This case study found out that the efficiency of Mumbai airport has improved substantially post privatization, but profitability and performance improvement of employees is a long way ahead (Figure 1).

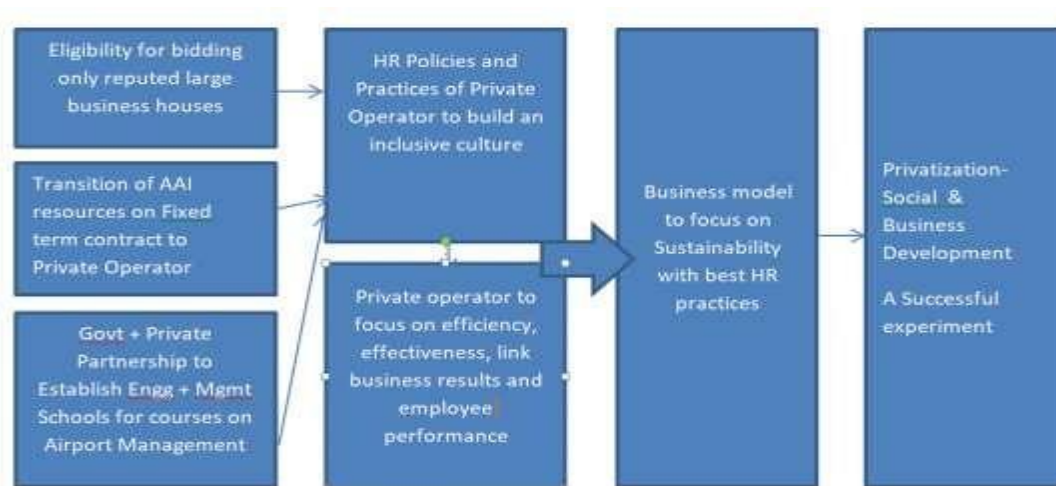


FIGURE 1
CONCEPTUAL FRAMEWORK FOR PRIVATISATION OF AIRPORTS- LRK MODEL

Conceptual framework highlights the importance of inviting bids for privatization from only large and reputed business houses and not the ones where political considerations weigh heavily. It is also advisable to move resources from government establishments into private businesses on a fixed-term contract basis for knowledge transfer and business continuity. The workforce heavily overburdened with legacy issues must remain with the Government. It is also suggested that with a large mandate in the offing and with a large pool of trained talent required for rolling out privatization measures, the need of the hour is to build quality engineering and business schools to develop talent for the ongoing requirements - this calls for both public-private partnership. The next step is for the private operators to develop policies and practices to enhance inclusivity and blend the cultures into post-privatization. The focus must be on linking productivity, and performance of the talent. HR policies and practices have to be consistent to ensure the sustainability of the business, or else we have seen the Mumbai airport experience wherein, in a short span of time, the business has been passed on to a new private operator indicating the gaps in the business plan and strategy. Finally, a comprehensive framework that looks at business and social issues in tandem can drive HR, Business, and Organisation sustainability, making privatization a good case for the nation's economy and customer experience.

Impact of Covid Pandemic on Airport Operations

The pandemic has shut many airports or drastically reduced the traffic. International operations have been widely impacted while domestic operations are running with a skeleton staff. In this context, the airport management needs to rethink or rejig its workforce deployment and operate with minimum staff. This calls for a complete reorientation on workforce dimensioning norms keeping in mind the footfall at the airport and considering the new standards of safety, health, and hygiene that have been put in place by the Government.

Considering the above, it may be good to implement fixed-term - part-time contracts and deploy only critical staff to meet essential services at the airport. Regulating commercial zones, restaurants, and other areas involving the movement of passengers is mandated to prevent the pandemic from spreading. In these challenging times, it may be good to provide boarding and lodging for the staff inside the terminals to avoid team (unnecessary exposure)

from moving out of the airports after each shift. By these measures, the private operators can hold on to the key and critical resources, and the rest can deploy on a need basis. The productivity and performance standards have to be revisited by bringing in new handling methods, whether at the Terminals involving passengers or at the Cargo involving the movement of baggage, goods, or material. Mechanization, Automation, and digitization of activities are essential for removing manual and people interfaces. Artificial intelligence, machine learning, robotics, etc., will be the way forward in many terminal and cargo operations, thereby reducing the dependence on the workforce with an increase in reliance on technology in a distributed and dispersed employee work scenario. This calls for up-skilling and considerable investments in training and development. Work from home by video connectivity for customer service operations, back-office, etc., has to be attempted while ensuring 100% adherence to security and confidentiality. Airports are suffering from loss of revenue owing to airports being shut or underutilized and hence needs government subsidy and relook at some of the norms of OMDA and RERA agreements to keep the privatization experiment live and a worthy policy to pursue in a post-Covid 19 situation. Airport modernization plans, technology upgrading, and up-skilling might help mitigate the problems of retaining the staff that has been transferred from AAI as part of the privatization plan.

CONCLUSION

While the policy of privatization of airports for economic considerations was the right step forward, transfer of employees from AAI to the private operator under the OMDA agreement seems counterproductive and a stumbling block in the development of the airports enhancing value to air travellers or users of the airport. Instead, deputing employees for a year to eighteen months and, after that, taking them back into the fold of AAI would have been a better option for both the private operator and the employees transferred from AAI. This option would have been better since there was a gap in expectations, skill sets, and ability to scale up to address the needs of privatization, liberalization, and globalization. Privatizing the airport and tying the hands of the private operator or overburdening the airport operator with legacy issues indeed comes in the way of governance and development of the enterprise. The Government should have adopted VRS (Voluntary retirement scheme) or transferred them to other AAI-run airports to address the social issues.

Owing to the vitiated environment, professionals from the private sector were victims of un-holy alliances of the Union leaders and the management, and there was hardly any stability. The Union leaders, politicians were dictating terms on who should be in the office or not was a disastrous human resource policy to further. Therefore, the private operator of the airport had employees transferred from AAI (unionized), private operator core employees who moved from their parent organization, and direct hiring from the industry, with three distinct profiles in the same work environment having a negative rub-off on the work culture. Attrition of employees hired directly from the industry was very high, and the organization lacked stability. A consequence of governance issues, inability to settle the debt, and consequentially the takeover by another private operator or business house in 2020 is a clear indication of the capabilities demonstrated by the private operator. It is critical for the new investor or private operator to address the legacy issues with an iron fist and clear the problems derailing the organization in a time-bound manner to expand and leapfrog into the future.

Privatization of airports is welcome, but the baggage of legacy issues needs to be addressed by the Government in the socio-economic context if this experiment needs to fire with all cylinders. Post privatization, the workers, staff, and officers align with the Union leaders, and not owing allegiance to the new employer is a cultural and management

challenge. Skills, knowledge, and attitudinal issues besides readiness for the future are significant impediments in the airport's progress and need a close look from the employment practice and outcomes perspective.

According to the report in the last three years, the aviation industry in India is presently an expeditious growing industry in India visually perceived. So, India is well-known as the third-largest domestic aviation market in the world and is foreseen to be the third-largest air passenger market by the end of 2024 (Kumari et al., 2020). To meet the future projections the employees, need to be up-skilled, employee relations have to be a primary focus area, and prevention of union leaders meddling with the affairs of the business is essential.

Time has arrived for the new private operator of the airport who has acquired the business recently to put productivity and performance to the centre stage. Integrating all the employees into one culture and bring a sense of belonging and pride would be the next big challenge. Hire on fixed term contract basis might be an option to ensure all employees are service focussed and aligned to business goals. This approach will help mitigate the risks and restore the confidence of all stakeholders. All future privatization projects must bring in a clause of a fixed-term contract for employees transferred from AAI to avoid excessive unionism and lack of alignment.

Pandemic-induced pain to the aviation sector and the airport management companies is an excellent stage to clean up some of the old un- resolved teething issues passed on by AAI during the transition. A new beginning could be foreseen.

Scope for Future Studies

Efforts should be made to do a comparative study in terms of cost-benefit analysis post-transition; what if the Government had improved the airports with the help of international consultants retaining management control or exploring public-private partnership. Whether opening up to multi-national companies while controlling the security tightly or MNC participation with Indian players to bring global experience and standards of airport management. All these need to be studied comprehensively to guide government policy.

Limitation of the Study

The case study is limited to Mumbai airport, India, and does not capture other nuances that prevail in domestic and international airports that have been privatised.

Questions from the Case Study

1. Is it prudent and making business sense for Private operators to absorb government staff in the process of privatization?
2. Can the Government develop resources keeping in mind privatization before embarking on handing over airports under OMDA?
3. Why do government employees fail to adapt to private sector work culture and work norms?
4. Is it not the responsibility of private airport operators to up-skill and develop AAI employees who moved to their rolls?
5. What measures are required in Post Covid scenario to manage the operations and people?
6. Is privatization the solution to airport development and up-gradation?
7. What technology, Automation, and digitization measures can improve passenger experience and enhance productivity and performance of employees?

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