

MOVE AIMED AT AVOIDING CONCENTRATION

Govt to cap bids for airport privatisation

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THE GOVERNMENT IS set to revive its airport privatisation programme with 11 Airports Authority of India (AAI) airports to be offered in five bundles for 50-year public-private partnerships, but with a new safeguard to prevent any single bidder from gaining control of too many airports.

The Public Private Partnership Appraisal Committee (PPPAC), at its August 4 meeting, gave in-principle approval to the Ministry of Civil Aviation's proposal to offer the airports for operation, management and development. The number of bundles that can be awarded to one bidder will be capped, although the exact limit is yet to be finalised and will be placed before the PPPAC when the ministry seeks its final recommendation.

The move marks a significant shift from the previous large-scale brownfield airport privatisation exercise in 2018-19, when the Adani Group emerged as the highest bidder for all six airports offered by AAI. The finance ministry, during the latest PPPAC meeting, flagged the oligopolistic nature of the aviation sector and raised concerns that excessive concentration and over-leveraging by an airport operator could create risks across multiple projects. In response, the civil aviation ministry proposed limiting the number of bundles that one bidder can win, signalling that competition and concentration are now becoming an explicit

ASSET MONETISATION

■ Under the plan, **11 airports** run by AAI are to be offered in five bundles

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■ Adani Airport Holdings currently has eight airports in its portfolio and GMR Airports has six

■ Together, the two groups account for more than half of the passenger traffic in the country



consideration in the design of airport asset monetisation.

The concern comes as airport operations have become increasingly concentrated among a handful of private players. Adani Airport Holdings currently has eight airports in its portfolio — Mumbai, Navi Mumbai, Ahmedabad, Lucknow, Mangaluru, Jaipur, Guwahati and Thiruvananthapuram — and accounts for about a quarter of passenger footfalls, according to the company. GMR Airports operates six airports — Delhi, Hyderabad, Goa, Bidar, Nagpur and Bhogapuram. Together, the two groups account for more than half of the passenger traffic, according to industry data. The government's decision to put a ceiling on the number of bundles a bidder can win is intended to ensure that the next phase of airport privatisation

does not further deepen concentration in an already consolidated market.

AAI, however, remains the dominant airport infrastructure owner by number, managing 129 airports, including international, customs and domestic airports. Under the proposed structure, the five bundles are Amritsar-Kangra, Varanasi-Gaya-Kushinagar, Bhubaneswar-Hubballi, Raipur-Aurangabad, and Tiruchirappalli-Tirupati. The bundling is designed to combine relatively stronger airports with smaller ones so that cash flows from the larger airports can support operations and investment at the smaller airports. The bidding parameter will be the fee charged per domestic passenger, with the fee for international passengers fixed at twice the domestic passenger fee.