

Achieving a Balance among Competing Goals: The Case of Cochin International Airport Limited

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ABSTRACT

This paper discusses the success story of Cochin International Airport Limited set up under the PPP mode in order to learn lessons in leadership and business management that will provide clues for potential projects of similar kind. The paper would like to particularly look at the persona of Mr V J Kurian who made it happen against heavy odds. The paper concludes that V J Kurian was successful in establishing the airport, make profits and create ownership because he made it work like a social enterprise through various measures such as rehabilitation of those who lost their land and initiating meritocratic and transparent processes that could withstand political interference. He was able to achieve a balance among the competing goals involved in the project. This approach to enterprise building has a strong Gandhian tenor about it.

Keywords

Public-private partnership, Kerala, infrastructure, compassion, Gandhi.

1. Introduction

The idea of Public Private Partnership (PPP) gained momentum in the 1990s. Scholars share a common understanding of PPP as collaboration between the public and private sector organisations where there is pooling together of resources (financial, human, technical, and information) from public and private sources to achieve a commonly agreed social goal. A PPP is defined as “an arrangement of roles and relationships in which two or more public and private entities coordinate/combine complementary resources to achieve their separate objectives through joint pursuit of one or more common objectives” (Lawther, 2002: 33). Here the term “private” is used loosely to mean stakeholders who are not part of the government. For the purposes of simplicity, the term can be used to signify collaboration, participation, and partnership interchangeably.

Provision of public services and infrastructure has traditionally been a function of the government. However, with increasing budgetary demands for social welfare schemes coupled with growing expectations from the people, the government’s ability to adequately address infrastructure needs through traditional means has been severely circumscribed. This has forced the governments across the world to team up with the private sector to supplement public investments and provide public services through Public Private Partnerships (PPP), i.e., to work with the private sector to finance, design, build, maintain and operate infrastructure projects through PPPs. The XIIth Plan Approach paper of Kerala implicitly recognizes the role of private sector in

development of physical and social infrastructure. People in Kerala, including Non Resident Keralites are looking for avenues to invest their savings in revenue generating projects. The PPP projects provide such avenues. Socially responsible corporations are always performing a balancing act by trying to maximize the amount of good they do while not alienating shareholders who want to make sure the bottom line goes unharmed. This is particularly true with PPP projects that had to carry the burden of rehabilitation of people.

Public Private Partnership can take in a number of models. They are Build-Operate-Transfer (BOT); Design-Build-Operate-Maintain (DBOM); Design-Construct-Maintain (DCM); Design-Build-Finance-Operate (DBFO); Build-Own-Operate (BOO) Performance Specified Maintenance Contracts (PSMC) and so on.

PPP’s enable the public sector to harness the expertise and efficiencies that the private sector can bring to the delivery of certain facilities and services traditionally procured and delivered by the public sector. Secondly, it is based on the rationale that private sector can operate more efficiently with lower overheads, innovative technology and managerial effectiveness. Nevertheless, since a PPP project deals with provision of public goods and services, government has a key and strategic role - government owns the asset, structures the project keeping public interest in view regulates standards of delivery and fixes user charges. The other important features of PPP model are allocation of risks to the partner best able to manage them, thus minimizing the cost while improving the performance. Public sector normally assumes social, environmental and political risks whereas the private sector bears financial, construction and commercial risks.

2. Various Models

In Kerala various models including the CIAL (Cochin International Airport Ltd) has been considered as PPP. The CIAL is a PPP model company with 26% of shares owned by Government of Kerala (GoK) and the rest of the shares are widely distributed. The management of the company vests with GoK thereby depriving the company of making use of private sector efficiencies in management fully. As far as possible, the Government of India (GoI) definition of PPP is accepted as the basis of such projects. This will enable GoK to avail of Viability Gap Funding (VGF) and other financial assistance from the centre.

Kerala is a green strip of land located in the southwest corner of India with 1.18% of the total area of the country and 3.43 % of its population. It is one of the most densely populated states. More than 25% of the population lives in urban areas. The

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Kerala Model is widely acknowledged and is known for its high scores on Human Development Indices built on a fragile economic base and poor industrial development. Rapidly declining birth and death rates, low infant mortality, very high literacy, relatively good health delivery system and politically active population characterise the state. Cochin is the second most important port city on the western coast of India situated in ernakulam District. Since more than 60% of the tax revenue of the State comes from Cochin, it is rightly called the 'Commercial Capital of Kerala'. (Bwana, 2014; & <http://www.cppr.in/archives/public-private-partnership-for-sustainable-urbanization-of-cochin/>)

Cochin has the distinction to have the first Indian International airport built successfully on the PPP model. The initiative was taken by V J Kurian, a young career bureaucrat. The initial days were not in his favour, started with a peon and office with minimum one chair and table and cash balance of Rs.20000 in hand, moved the project to one of the best models in the history of aviation. Within a span of six years from its inception, the project was inaugurated by the then President of India Dr K.R Narayanan.

There are a number of governance issues relating to CIAL that had to be addressed. The main ones were land acquisition, rehabilitation and resettlement of project affected people, project development and ensuring viability of airports and staffing. The key areas of risk management are political risk, revenue risk, operating risk and regulatory risk (Varkkey and Reghuram, 2002). Mr. V.J. Kurian, founder Managing Director of Cochin International Airport Limited (CIAL) is acknowledged as a dynamic bureaucrat, young in mind and professional in practice, he always thinks in social terms without losing the profit motive. He is very god fearing as well. He taught people behind him the value of sincerity, loyalty, belongingness yet made them to think in most modern ways. He always positioned himself in a junction, where one has to think in all directions, one about the past and other about the future. Also he made a strategic move forward capturing new ventures and furthering the advancement of the company. The solar project, the hydroelectric project, aerotropolis etc made the CIAL very distinct from similar projects in Indian aviation sector.

In a recent strike incident, he reminded everyone of the social goal of CIAL. At a condolence gathering for a departed employee with a family and small children, he announced a number of measures to help his family including construction of his half-finished house besides granting him several other benefits including the promise to consider a job for his family members, even before such requests could emerge from the union leaders. A big silence was followed by a loud applause. He never came to this stage with an inherent intuition of prestige and glory, but it was always with him. V.J. Kurian is sensitive and socially conscious person providing always a part to the society, 'He donates to orphanages and sponsors education' (Rameshan & Jayavelu, 2007). It may be noted that CIAL was very pro active in its social responsibilities, even before the so-called CSR legislation under companies act was introduced in India.

In any infrastructure projects, money and land were the major bottle necks; same were also big challenges for CIAL. The initial proposal of building a new airport for cochin, replacing small old airport was initially rejected by government of India as AAI was unable to commit resources required for setting up the ultra modern airport (Rameshan & Jayavelu, 2007)). The helping hands from NRIs especially those malayalis in Gulf countries, commercial banks especially M/s. Federal bank, and

HUDCO were in the forefront to address financial constraints. The incorporation of CIAL as a company in 1994 and the selling of its shares to private parties changed the financial face of the company.

In the land acquisition front also CIAL had become a land mark, with a "rehabilitation package" which guaranteed free land for each family in addition to the market fair value. This was an innovative concept brought by Mr. V.J Kurian, which is a clear example of his social commitment. V.J Kurian is the trend setter in Kerala not only for rehabilitation process but for his "determination, persistence, leadership, financial disciple and the ability to operational ideas and plans under difficult conditions and under the shadow of vested political interests" (Rameshan & Jayavelu 2007). Out of the 822 evictees who were deprived of their homes, 768 were provided some means of livelihood associated with airport. These include jobs in airport for those qualified, prepaid taxi permits, cargo external loaders, jobs in various associated agencies like Air India & related organisations and in housekeeping agencies. Further CIAL had provided professional training programme in ARFF to 33 house / land evictees for a career in ARFF, most of them were absorbed in other institutions immediately following the training. In all the above cases CIAL had the option to follow the normal procedure stipulated in the acquisition law of the state, but it went beyond it by granting various social benefits to the evictees.

The CIAL project started in 1993 was completed in a span of 6 years, shortest period among all the green field airport projects in India. It started its commercial operations in 1999 and has now completed 16 years. During these years Mr. Kurian, had been three times the managing director of the company. Mr. Kurian was particular that those who were evicted should be given preference in employment and other contracts and this position often differed with that of the politicians who wanted their own men, especially those who had earlier created hurdles to the construction of the airport to be accommodated (Rameshan and Jayavelu, 2007). His approach to construction was to parcel it out to several small contractors rather than adopt the turnkey approach which saved considerable time and money. Kurian's services were enlisted not only in building the airport, but also in helping its turnaround into a profit generating venture.

In each phase he had driven the company to newer areas of focus. The initial focus was on funding, acquisition and completion of project. In the second phase, it was on financial restructuring and bringing the company into profit. During the current phase, the focus is on modernising the organisation with latest business practices and procedures. The business diversification across both aviation and non aviation is one of the important focuses of the organisation during this phase. The formation of subsidiary companies and venturing into non-aviation projects like non-conventional power sectors is a characteristic feature of this phase even as airport expansion plans are under way. During 2014-15, CIAL reported a profit (after tax) of 144.57 cr, which is 16.24% more than last financial year. It is the only airport in the state that handles more than 0.5 million passengers a month. It registered an annual passenger growth of 21%, from 5.63 million in 2013-14 to 6.4 million in 2014-15.

The professional approach in HR practices and policies, brand building, re-establishing vision, mission and values for the organisation are happening inside the organisation. Each time Kurian returns as the captain of the CIAL team, the CIAL team members are charged with additional enthusiasm and power and

render their wholehearted support. During the current phase the social responsibility part of CIAL is most pronounced through the initiative to join hands with Kerala Water Authority to set up drinking water project (with a estimated cost of 85 crore) to supply potable water to all the households of the three neighbouring villages, from which major portion of the land was acquired for the airport project. Further, CIAL has become the first airport in the world that is completely operated on solar power, which was another land mark in the history of the company and a feather in the cap of V.J Kurian. If we think of this initiative from a social angle, it has added relevance in Kerala, where power is a scarce and costly resource.

3. Successful Journey of CIAL

In this successful journey of CIAL, 'Kurian effect' is the most important influence which made CIAL a brand. The rebellious trait in Kurian made this project a successful story. He never gave up despite tremendous obstacles. A fearless personality, a risk taker, a committed professional, strategic leader are some of the traits that make up the so-called 'Kurian effect'.

The Kerala government is eager to adopt the same model for other development projects in the state. The question is can the CIAL model be replicated? CIAL project had its own uniqueness. If the government can create similar conditions, the model can be replicated across the state. But the challenge is to reproduce such political, social, legal, environmental conditions. It is said that Kurian had built CIAL model in a unique way, the demand for a new airport in cochin was urgent and the then political leadership was actively supporting the project, the legal and social situation was relatively favourable and the acquisition laws existing then were advantages to the government. Even if we acknowledge that favourable background conditions played role, harnessing these favourable factors required leadership skills of a high order.

4. CONCLUSION

The PPP model of CIAL strikes a balance between social, economic, political, technological, and ecological needs. CIAL model is not a straightaway replicable one since it is a combination of several factors that made it possible and the personality of V J Kurian looms large. Some factors are unique to the style and intelligence of Kurian. But his ability to negotiate with the politicians and come up with a winning formula is a lesson for public sector managers in Kerala who often go on central government assignments in times of excessive political interference. CIAL exists in society and it has obligations to the villages close by, making the organisation look like another service provider. This could be described as a sort of organisational compassion on a collective scale. In places like Kerala where politics rules the roost and trade unionism is rampant, evicting people from the 800 plus homes and securing the land itself was a gargantuan task. Kurian was able to achieve it with firmness tempered with a certain degree of compassion for those displaced, which was a personal style that he himself had crafted. This does not fit into conventional understandings of management. However, more recently compassion, spirituality, forgiveness and related values have been found relevant in management. Further, Kurian was re-appointed twice since the airport became operational, enabling him to put into effect his vision in a bit more relaxed way unlike the period of construction of the airport. Although vested interests have crept into CIAL operations, he was able to minimise their effect without antagonising those powerful

individuals patronising such interests. The organisation was able to project an image of benevolence and also create in the minds of the people of central Travancore an ownership of the airport, which was a big relief from the harrowing experience going through Mumbai for international travel with attendant costs and hassles. The fact that resistance could be overcome and a sizeable number of those who lost their land were accommodated as full time or part-time employees or as licensed taxi drivers suggest that the social side of the project was addressed from the start itself. Many development projects leave behind victims of dispossession and the CIAL story is different. CIAL was also a major test case for Kurian's abilities in managing finances in such a way that the project cost just one of third of what was quoted in standard estimates. This gave him a firm footing to achieve a turnaround by 2004. Benevolence and firmness can be brought together in enterprises as the Kurian saga tells us. It demands determination of a rare order, leading a team by example, motivating even the lowest person to develop a stake in the project and keeping high the interests of the dispossessed in the various expansion plans. These goals have a strong flavour of a Gandhian social enterprise in the making.

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