Research on the Innovative Mode of Cooperative Operation Between Domestic Airports and Foreign Capital

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Abstract. As the accelerating pace of national economic opening, the scale of foreign capital investment is also increasing. Especially in the direction of air transport has become the focus of foreign investment. At present, the joint venture management mode between domestic airports and foreign companies is becoming more and more mature, and the operation forms are flexible and diverse. However, while utilizing foreign capital, domestic airports must adhere to the principle of prudence, realize the form of equity joint venture, establish an effective cooperation evaluation mechanism, control the cooperation period, and set up a corresponding launch mechanism. All these measures provide a practical guarantee for the foreign capital cooperative operation of domestic airports.

1. Analysis on the Mode of Joint Venture and Cooperative Operation between Domestic Airports and Foreign Enterprises

1.1 Management Outsourcing Mode

Management outsourcing is a mode in which the airport entrusts part of its business to a third party for management through public bidding and negotiation. Contractors must have the appropriate qualifications and level of operations management, which is similar to hotel management outsourcing. The introduction of outsourcing mode is conducive to the airport to make its core business bigger and stronger, which is also the only way for domestic airports to participate in international competition and improve their international competitiveness. Currently, Shanghai airport and Hong Kong airport have jointly established an airport management company, which has undertaken the management tasks of hongqiao airport terminal.

Compared with labor dispatch or direct employment mode, labor outsourcing mode has certain advantages.

Can effectively reduce the management cost of enterprise units. The management affairs of employees in non-core positions are all completed by labor outsourcing companies, which can save a lot of labor management costs and enable managers to invest their energy into the main business activities that can effectively add value to the enterprise. The labor relationship is completely blocked, and the labor dispute risks of the contracting units are effectively dispersed. In the labor outsourcing relationship, due to the fact that there is no labor relationship between the employer and the employee, the employer does not need to bear the joint and several liability risk of labor dispute even if there is a labor dispute. There is no need to assume the laborer's liability for external damages. In the labor outsourcing relationship, if the laborer causes any damage to the third party, the labor outsourcing company, as the employer, shall bear the compensation liability to the victim, while the outsourcing enterprise shall not bear any responsibility.

Enterprises adopt labor outsourcing mode for some auxiliary posts, which can effectively isolate the management risks of employees in corresponding posts.
1.2 Franchise Mode

After the airport obtaining the management right granted by the government, it transfers part of its business resources or business rights to other service providers in a paid way through bidding or open competition, which is called "franchising". The airport charges a "franchise fee" according to the franchise contract. Airport management requires higher professional and safety requirements, so subsidiaries or joint ventures will be set up for self-operation, but in the franchise fee management, it will operate as a company. In 2005, for example, the Zhuhai airport and Hongkong's airport authority submitted to Civil Aviation Administration of China on the management of the Zhuhai airport's framework agreement. The two sides’ cooperation term is for 20 years. Hongkong airport pays $250 million, overall responsible for management and financial self-sufficiency, but Zhuhai airport is still in the ownership of the assets depreciation cost and need for twenty years.

For franchisees, franchise advantages are mainly shown as follows:

Enjoy the existing goodwill and brand. Franchisees can use the goodwill of the franchisor (airport), in the start-up phase can obtain a good corporate image, listing can do business. Save yourself the cost of building a brand.

Avoid market risks. Franchisees often lack market experience and are at a disadvantage in the face of fierce competition. To join a brand, good reputation and strength of the store, can use the brand image of the store, management model, greatly reduce the franchisee's business risk.

Share economies of scale. The main body that can have qualification to undertake franchise business, have good management scale benefit commonly, advertisement scale benefit and technology development scale benefit, these resource join a business can share to use in order to strengthen oneself, reduce the franchisee's business detour, increase the chance of successful business. Not only is it easier to obtain financial assistance from the franchising headquarters or the bank, but franchisees can also obtain support from the franchising headquarters in aspects such as training, site selection, technology transfer, market analysis, unified advertising and so on.

1.3 Equity Joint Venture Business Model

Equity joint venture is a mode in which domestic airports and foreign enterprises jointly invest and operate. The two sides share the equity while sharing the risks, and cooperate in the management of airport affairs. The cooperation mode includes domestic airports absorbing foreign shares through capital increase and share expansion. For example, Hong Kong airport authority participates in the operation and management of Xiaoshan airport through subscription. Or the two parties may jointly set up a new company to share the profits according to the investment proportion, such as Chengdu Shuangliu airport co., ltd. jointly established by Hong Kong airport authority and Sichuan airport, in which as holds 25% of the shares.

2. Suggestions for Domestic Airports to Introduce International Strategic Partners

2.1 Prudent and Prudent, from Part of the Business Joint Venture to Full Equity Cooperation

Domestic airports have a certain monopoly in operation, taking into account economic benefits and social welfare. The public welfare of civil aviation transportation determines that the government is always the main investor and the local government assumes the responsibility of management and operation, which sets many limitations for the injection of foreign capital. This requires domestic airports to speed up the pace of reform on the basis of cautious treatment of foreign cooperation, to avoid too many unknown risks interference. The cooperation mode of Hongqiao airport has certain reference value.
It starts with part of joint venture and then develops comprehensive equity cooperation, which can effectively control the cooperation risks and improve the safety of airport cooperative operation.

2.2 Implement the Mid-Term Evaluation Mechanism to Protect Shareholders' Rights and Interests

The mid-term evaluation is to evaluate and analyze the operation management, profit situation and social benefits in a specific period after the airport and foreign capital cooperate in the operation, so as to find out a more reasonable and perfect method. For example, the interim evaluation agreed between Zhuhai airport and Hong Kong airport authority is 8 years, but in actual operation, due to too long evaluation time, it is difficult to achieve the expected evaluation goal. Therefore, some insiders propose that the interim evaluation time limit should be 3-5 years, and a third-party evaluation mechanism should be introduced. After the completion of the interim evaluation, if the evaluation index fails to meet the requirements, a certain review period should be reserved. If the expected benefits cannot be achieved during the review period, or the operating situation does not improve significantly, then the domestic airport has the right to terminate the joint venture operation contract to protect the operating benefits of state-owned capital.

2.3 The Term of Managerial Joint Venture Cooperation Shall not Exceed 20 Years

From the current situation of foreign capital cooperation in the operation of domestic airports, China is mainly responsible for the investment in construction resources, while foreign capital is responsible for the investment in technology and management. The cooperation between the two is conducive to a win-win situation. The reason why domestic airports introduce foreign capital is that they hope to deeply develop their own resource value, learn advanced international management concepts and technologies, and improve their profitability. Therefore, the term of cooperation must be well grasped, with the term of 10-15 years as the main one, and the longest one should not exceed 20 years.

2.4 Reasonably Set Up Exit Mechanism

The two parties have different interests, which may make it difficult for them to maintain the cooperative relationship. Therefore, it is necessary to specify the exit mechanism of shareholders before the cooperation, so that shareholders can exit in accordance with the law when the cooperation is in deadlock, especially when shareholders are in trouble of cooperation but the two parties cannot reach an exit agreement, the exit mechanism can play a good role in coordination and guarantee.

3. Conclusion

Domestic airport construction, the management need to invest a lot of money, and the payback period is longer, in such a background, the development of foreign cooperative joint venture is beneficial to alleviate the problems of shortage of funds of domestic airport, and through cooperation can make domestic airports are more learn foreign advanced technology and ideas, to further improve the quality of the airport management. In order to ensure the health, safety and security of the sino-foreign joint venture in the airport, we must establish a sound supervision and supervision mechanism, stipulate the term of cooperation and set up an exit mechanism.
References

