

## REGIONAL AIRWAYS

# ADDING WINGS TO REGIONAL DREAMS

By SANAT KAUL

Having achieved well over trillion dollars in GDP and a major growth in aviation both domestic and international sectors, it is time India plans of creating a Regional Aviation Infrastructure for an all round growth of the country, both from the angle of well rounded regional economic growth as well as from strategic angle. In context there is a need to evolve a concept of 'essential air service' like it prevails in developed countries like the USA, Canada and Australia. From a strategic point of view also we need to consider civil aviation from internal security angle.

There is no doubt that many economic studies have proved that good connectivity, especially aviation can be a catalyst to growth of a region. Not only aviation connectivity to a region provides direct employment and growth but also indirect activities for overall development of the region. If appropriate policies are followed the spin off in terms of economic regeneration can be tremendous. According to Oxford Economics Report on Economic Benefits from Air Transportation in India published in 2011, aviation sector supports 1.7 million jobs in India of which 276,000 are directly supported, 841,000 are indirectly supported and 605,000 are supported through spending by employees of various sectors and its supply chain. In addition another 7.1 million people are employed through catalytic (tourism) effects of aviation. Further, air transportation employees generate about Rs 1.3 million in GVA annually which is ten times higher in productivity than the average worker in India. In addition, aviation sector contributes 0.5% to GDP and when taken with its catalytic benefits through



Tourism it contributes 1.5% of GDP. On the revenue side aviation sector pays Rs 87.5 billion in taxes including income tax receipts from employees, social security contributions and corporate tax. It is also estimated by them that an additional Rs 9.8 billion of government revenues is raised through the aviation supply chain and another Rs 7.1 billion through taxation of activities supported by the spending of employees of both aviation sector and its supply chain. The question then arises why as to why we cannot increase the role of aviation in Indian economy and make it more inclusive. Why can't we include the 'Aam Admi' in it also, not necessarily as a traveller but as a gainer of the advantages of growth induced by aviation.

All said and done, the role of aviation is currently limited in scope as 80% of

the domestic flights are between Metro cities which shows the heavy metro bias. The reason is that our pattern of growth is restricted to Metros and cities as well as reluctance on part of our existing airlines to experiment with new routes in the Tier II and III towns where establishing a market takes time and effort. Further, there is a limitation of airport quality in terms of length of runway, navigational aids like Instrument Landing System (ILS) & radar systems and night landing facilities. Many of the smaller airports are deficient in this respect and the normal jet aircrafts like Boeing 737s or Airbus 320s find it difficult to operate. In addition, since these aircrafts have higher capacities it may not be possible to fill them up. Part of this problem is getting sorted out by some airlines like Spice Jet opting for smaller aircrafts like

**For Indian aviation business, regional expansion is the next big frontier. The moot point is : what kind of strategy will work in a market which is different in many ways?**



AFTER BANKS threatening to call their loans, and after IATA announced its termination of membership, KFA had virtually the last nail in its coffin, with DGCA cancelling its slots. Traffic flights were withdrawn from all its erstwhile flying countries which included Bangladesh (14 services per week), Hong Kong (7 services per week), Nepal (7 services per week), Singapore (7 services per week), Thailand (21 services per week), UAE Dubai (21 services per week) and UK (7 services per week each from Mumbai, Delhi and Bangalore. This has resulted in making 25000 seats available from and to these eight countries, some of which are much in demand by other carriers.

ATRs and Q-400s which have smaller capacities and can operate from shorter runways. The newly announced Air Asia in India has even stated that they will not fly to expensive airports like Delhi.

Part of the problem of radars and ILS may get eliminated soon when satellite based GAGAN augmentation system becomes operational in the next year. Improvement in management of airstrips

and major regional airports by Airports Authority of India, Government by following an enlarged policy of Public Private Partnership in regional airports with some form of suitable subsidy gap funding can work out well in the long run.

The role of aviation in economic development and regional policy implementation can be seen in the north east India. Post independence when our border with China in the North East (near Arunachal Pradesh) was not demarcated but was a buffer zone on the McMahon line of 1814, it was decided to extend our civil administration to the forward hills of then NEFA (now Arunachal Pradesh). A separate civilian cadre of military officers was formed under Indian Frontier Administration Service and was sent with the tribal hill communities in the Assam Valley and establish the administration. It was easier and more secure. Officers had to march in convoys to collect and

**THE GOVERNMENT OF INDIA  
MINISTRY OF CIVIL AVIATION  
EXISTENCE OF AIRPORTS IN  
INDIA  
INTERNATIONAL AIRPORTS  
PRIVATE AIRPORTS**

befriend different tribal groups that it was only because of the massive air support provided by the Indian Air Force and private airlines that the remote frontier. New airfield or helipads were built and old abandoned wartime airstrips were revived. Food and other supplies that could not be carried by road were air dropped where it was not possible to land. After over five years of such effort the entire region is now fully secured and road transport is now possible to most of the places. We need to do a similar sort of exercise now to solve the intractable 'naxal' problem which is the bane of our country. We need to go to the development programmes which should do not allow any terrorist organisations. This can be done if necessary support is taken. For this we need to invest in aviation infrastructure with support from the Government.



*"Our next focus is on providing air connectivity to remote and interior areas of the country by developing low cost airports and encourage the growth of regional airlines."*

**AJIT SINGH, UNION CIVIL AVIATION MINISTER WHILE DELIVERING INAUGURAL SPEECH AT AERO INDIA 2013**

## ECONOMY &amp; INDUSTRY

The second kind of aviation infrastructure that we need is the remote area connectivity where areas of our country are inaccessible by any means of transport. For example remote parts of Ladakh, Lahaul Spiti, Andaman & Nicobar Islands, some parts of North-East India are still extremely cut off with hardly any road or rail connectivity. In many places roads become inaccessible in winter due to heavy snow. Then there are island territories of Andaman and Nicobar Islands in the Bay of Bengal and Lakshwadeep Islands in the Arabian Sea which have inhabited islands. These are parts of our country and our citizens are living there. We need to provide good connectivity (and not just touch the capital cities of these territories). The best and the cheapest connectivity that can be provided can be in the form of air connectivity.

In some developed countries there are examples of inclusive growth through aviation. In Canada in their northern region where the Tribals live in permafrost, government provides subsidy to airlines through a system of tender as the locations are very inaccessible,

especially during the winter when it is snowbound or is under permanent snow. Such locations need round the year connectivity. However, during the lean season the demand for air connectivity also falls. In Australia the deregulation of inter-state services in 1990 was followed by reduction and loss of regional air services. However, the government has taken the view that there is a need and a role for the government to provide support for regional routes that are not commercially viable, but are essential for the social and economic well being of the communities they serve. The Government, therefore, provides support in form of direct subsidy rather than regulation. They have a Remote Air Service Subsidy Scheme(RASS) as well as Remote Aerodrome Safety Programme(RASP) and a Remote Aviation Infrastructure Fund(RAIF). Australian Government has now consolidated these schemes

**THE NEWLY  
ANNOUNCED AIR  
ASIA IN INDIA  
HAS EVEN STATED  
THAT THEY  
WILL NOT FLY  
TO EXPENSIVE  
AIRPORTS LIKE  
DELHI.**

into one for better administration. In addition Australian government also invites matching funding from its states. In the United States under the Small Community Air Service Development Program proposals are invited from remote communities and the Department of Transportation selects based on availability of budget. Further, post liberalization, an Essential Air Services Program was introduced. In June 2009 152 communities were being served of which 45 were in Alaska.

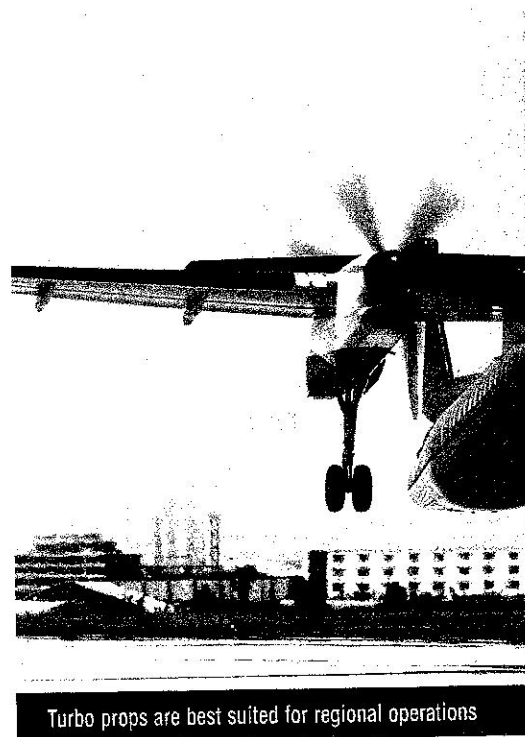
As tourism is a seasonal activity, commercial aviation might not find round the year viability at all locations. It is here also that state can intervene and provide subsidy in some form to keep the connectivity going round the year.

Third kind of aviation infrastructure required is in the development of air connectivity to second and third tier towns which is so essential for regional economic growth. We find that with the growth of economic activity in these towns, wherever airfields are available, some private carriers are starting service to these locations.

However, not all of them will turn out to be viable the year round and many airlines will find it difficult to continue their service. As a result there is a high probability of airlines dropping out or not maintaining their schedule. In order to provide incentive to airlines to continue their service, which will provide an assurance to investors in the region, it is left currently to the state or the local municipality to take a decision to provide a continuous service by offering incentive in lean times. But there is so far no policy on it. This can be achieved by formulating a policy on the subject. Here it is important that the stakeholders in this category be identified and made to contribute. For example, a remote industry wants air service to its location. It can build or maintain an airfield, charge the aero revenues, and if need be subsidize the airline either by way seat occupancy assurance or frequency of operation. In a similar manner a



Smaller check-in counters would be required at regional airports



Turbo props are best suited for regional operations

municipality or a business association could do the same. What we find in India is that with poor road conditions, poor aviation connectivity to tier 3 and 2 towns there is a tendency for the rich business people to either buy their own aircraft if an airport is available or move





congests a city. A policy towards airports in smaller town with a fund to keep both the airport and the airline financially healthy is necessary. We do not, however, need expensive airport terminals or long runways. A regional aviation infrastructure policy should provide for small aircrafts with short landing and takeoff capability and minimum terminal facilities. Similarly, airports need to be just functional without adding unnecessary load of a grand design, aerobridges or even air conditioning.

Our existing Route Dispersal Guidelines were introduced in 1994 when the monopoly of Indian Airlines was removed by repealing of the Air Corporation Act of 1953. This forced private airlines to fly 10% of their routes on uneconomic routes like those on north-east, Andaman & Nicobar Islands, Lakshwadeep Islands and Jammu and Kashmir (not all these routes are uneconomic anymore). This was done because there was then a contraction of air services to regional destinations served by these public sector monopolies i.e. Indian Airlines and Yavudoot. The Route Dispersal Guidelines which still exist are in fact mandatory and provide for an internal cross subsidy by private airlines flying on metro routes. In effect they distort the advantage of free pricing by adding the burden of regional connectivity to private airlines.

The Naresh Chandra Committee report of 2003 has recommended scrapping of the Route Dispersal Guidelines on grounds that it is an internal cross subsidy by airlines who may be running on uneconomic routes to meet the government target that too with big sized aircrafts. They have instead suggested issue of explicit subsidy where necessary, preferably through direct budget transfers and formation of an Essential Services Fund on lines of Remote Area Subsidy Scheme of Australia and Essential services Programme of the US. The Committee also recommended to the government to replace various aviation related taxes and fees such as IATT, FTT and PSF with a

single, lower ad volarem sector specific cess, say at 5% of the airfare with proceeds going into EASF. As this fund will not be adequate the government should add to it from budgetary resources. The Working Group on Civil Aviation under the National Transport Development Policy Committee, 2012 also stated that these guidelines cast a burden on the commercial health of airlines leading to distortions. They agreed with the Naresh Chandra Committee Report in removing this distortion.

The Ministry of Civil Aviations Strategic Plan 2015-2020 also mentions connecting unserved and underserved areas by providing airports and airstrips which will provide landing for small aircrafts like ATRs. It has also recommended introduction of seaplanes where necessary.

But without providing a financial plan it expects the State Governments to introduce subsidies on pattern of Madhya Pradesh and Manipur based on passenger load factors which would make operation on these routes commercially viable. The National Transport Policy has also recommended creation of an 'Essential Air Services Fund' on lines of Naresh Chandra Committee as non-lapsable fund and have also suggested

**REMOTE PARTS OF LADAKH, LAHAUL SPITI, ANDAMAN & NICOBAR ISLANDS, SOME PARTS OF NORTH-EAST INDIA ARE STILL EXTREMELY CUT OFF WITH HARDLY ANY ROAD OR RAIL CONNECTIVITY**

another name for it called 'Regional Air Connectivity Fund' (RACF).

In conclusion, the need for regional air connectivity has been well accepted and established within the government. The Indian growth model will get a major catalytic boost if EASF or (RACF) is created and regional air services concept is established with minimum subsidy. However, the final policy decision is yet to be announced in spite of its need and recommendation by various committees set up by the government in the last decade. ■

Dr Sanat Kaul is the Chairman of International Foundation of Aviation, Aerospace and Development (India Chapter)



to a big town along with their business office. Neither of these steps are a good option. For middle level entrepreneur an aircraft is an expensive office expense and it also adds to congestion both in the sky and at the airport. Moving to a big town also adds to expenses of the company and