DECCAN HERALD

National aviation infrastructure gets much needed flip

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India is supposed to be the ninth largest civil aviation power in the world today, in terms of passengers. It is predicted that it will become the third largest by 2020. Yet we do not have a laid-out Civil Aviation Policy document as yet.

The first draft was issued over 15 years back. The present government issued a draft about six months ago, and now, yet another draft came out in November 2015, which is the latest. This draft is a comprehensive draft, a much greater improvement over the last one. However, it has left out certain very important aspects of policy like safety of aviation, setting up of a Civil Aviation Authority or an independent ATC company. This draft is yet to get cabinet approval before it becomes the Policy.

However, this draft has for the first time raised the issue in reasonable detail of setting up an aviation infrastructure in the country from regional connectivity perspective. It has also gone into details of how a viable regional and remote infrastructure can be set up with details of a financial mechanism in place.

Non-utilisation of airstrips

India is fortunate in having about 476 airstrips, constructed largely during World War II, but most of these strips are lying unused and are deteriorating in quality. The ownership of land is largely with AAI and some with state governments. But unfortunately, only about 75 are under use, while the rest lie abandoned as they are not viable. Out of the 75 airports under use, only a dozen are making profit and the rest being subsidized by AAI's non-lapsable fund. The cost of maintain an airport with all safety and security requirements (both manpower and technical equipment) makes regional airports unviable, when traffic demand is insufficient to make it worthwhile. This draft policy has attempted to meet this challenge.

Various aspects of the draft

The draft policy states that a Regional Connectivity Scheme (RCS) will come into effect from April 1, 2016, and the promises to keep the fares below Rs 2,500 for a one-hour flight on predetermined RCS routes. This is based on a new category of airlines called Scheduled Commercial Airline (SCA). RCS will generate its funds through a 2 per cent levy on all domestic and International passengers, which will go into a dedicated fund called Regional Connectivity Fund (RCF), collected and operated by AAI.

The draft has also suggested auctioning of India's 'additional bilateral rights' and putting it into RCF. Further, SCA will be given concessions like no airport charges for 10 years, custom duties concessions, reduced requirements under security and safety, servive tax exemtion, provision of free fire and police services by state governments and subsidy from RCF. It has also provided for Viability Gap Fund (VGF) between the ministry and state governments in ratio of 80:20. RCS concessions will be valid for 10 years, but will apply only in those states which agree to certain concessions like reduced VAT on ATF, excise duty concession among others.

Fingers crossed for formal policy

While all this above sounds wonderful, we need to wait for the formal policy to be announced, to see how much is implementable. Further, the concept of VGF or RCF is not new. Naresh Chandra Committee on Road Ahead for Civil Aviation (2003) had recommended a similar fund but it never saw the light of day. No details of the fund have been spelt out. If the RCF is kept on similar to Universal Obligation Fund of telecom sector, then, there is a good possibility of a regional aviation infrastructure becoming a reality.

The draft policy has tried to put an upper limit to ticket price at Rs 2,500 per hour of flying in the regional sector by SCAs. This could be possible when airlines get subsidized from RCF and other concessions are offered.

For main routes in domestic sector, the Route Dispersal Guidelines(RDG), already in existence will remain and national level airlines will continue to cross subsidize their operations to remote area like J&K, North East and island territories of India. There is no mention of any price stabilization for main routes, which will remain on free pricing principle and will vary with demand and supply.

5/20 rule — an ostrich like position

On the controversial issue of 5/20, which concerns Indian airlines going abroad, the draft policy has taken an ostrich like position without taking a stand. 5/20 rule which prohibits our airlines from going abroad till they are five years in domestic operations and have 20 aircrafts creates divide between airlines and is found nowhere in the world. Further, as our existing airlines, who are qualified to go abroad under this rule, are not able to exhaust our side of bilateral slots, the justification of keeping this rule is not understandable.

On top of this, the draft policy proposes to auction our unutilised bilateral rights without giving a chance to our own airlines just because they do not qualify the 5/20 rule. Therefore, there is a need for a clear policy on 5/20 rule.

On ground handling, the draft policy has taken a stand to allow all Indian Airlines to become Ground Handling Agents (GHA), along with existing GHAs with no upper limit. This is contrary to international practice, which allows only two or three GHAs to operate in one airport for reasons of space, security and investment in expensive equipment. It is, therefore, surprising that such a policy has been put in the draft. It is likely that the Home Ministry will not look at this kindly, from a security point of view.

Draft is a mixed bag

On the whole the draft policy is a mixed bag. It is clearly in favour of a national aviation infrastructure connecting regional and remote areas, which is the need of the hour. RCF will certainly meet many requirements. The issue of airline profitability in the background of their huge losses, has not been suitably elaborated in the draft. Nor has the issue of huge fluctuation of ticket pricing. Also areas of Safety, Security, MRO, manufacturing need greater emphasis.

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