

Giving Wings to Small Town India

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Ude Desh Ka Aam Naagrik

India is the world's fastest growing domestic aviation market and regional connectivity is critical if this high growth is to be sustained. Adding airport capacity at metros is important, but for high growth, developing regional connectivity is the way forward

India has a unique phenomenon in having hundreds of 'ghost' airports, which always had the potential to service flights but have remained unused because of a variety of reasons. We have about 400 airports and air strips, in all, but only about 75 of these were in use for flights till last year. Some ghost airports were constructed during the two World Wars and fell into disuse later, some have basic infrastructure but need incremental investment to become operational and some others were simply built due to political considerations without having any commercial viability – flights from and to such airports never took off or stopped shortly after takeoff because such routes were not viable. It is interesting to note that in India, which is the fastest growing aviation market in the world now, majority of air traffic is still concentrated at airports in its biggest cities. Six airports – Delhi, Mumbai, Bangalore, Chennai, Kolkata and Hyderabad -- handle two-thirds of the country's air traffic in terms of passengers and almost 60 per cent of the total aircraft movements, according to data from the Airports Authority of India.¹ Needless to say, these airports are already saturated.

This vast traffic skew, where flying is almost entirely concentrated in the

big cities and is choking large airports while smaller ones lie idle, is what the government wanted to correct. The motto was: Anyone wearing the humble 'Hawai Chappal' should be able to fly a 'Hawai Jahaj' at affordable fares. This meant launching flights to tier II and tier III cities and ensuring that fares remain affordable. This not only allows redundant airport infrastructure to become useful but also provides air connectivity to businesses and individuals residing in India's hinterland.

Since the 'UDAN' scheme was launched in April last year, this is precisely what has been happening. Small towns, inaccessible hilly regions and the North-East of the country – all these virgin air territories are being slowly brought onto the aviation map under the UDAN scheme. 'UDAN' is an acronym for 'Ude Desh Kaa Aam Naagrik' and was launched with the Prime Minister flagging off the first flight from Shimla to Delhi by Alliance Air on April 27 last year. On the same day, he also launched flights between Nanded-Hyderabad and Kadapa-Hyderabad. The UDAN scheme has had two rounds of bidding by interested airlines; in the first round, the target was to make 31 ghost airports come alive while in the second, another 29 ghost airports were to see flight movement.

The author is business and policy journalist for 24 years, doing extensive reporting and commentary on Civil Aviation, Railways, Automobiles, Telecom and Retail for prominent newspapers and magazines besides being a senior editor for India's first digital news and views website, 'Firstpost'. She has also held the position of Contributing Editor at CNBC-TV18 and AIR.



100 Million

Domestic passengers in 2017



18-20%

Growth in passenger traffic for the last 3 years



Rs. 2,500 per hour

Fare under UDAN scheme

Exponential growth in aviation

- India emerges as the world's third largest aviation market. Passenger traffic growth in the range of 18-20 per cent over the past three years.
- For the first time ever in India, more people traveled in airplanes than in AC trains. Domestic air passengers crossed 100 million for the first time in 2017
- In 75 years since independence, we had 75 operational airports, UDAN added 25 airports just since December 2016
- UDAN provides regional air connectivity to unserved and underserved airports at a subsidized fare of Rs. 2,500 per hour

Route Economics

Take the case of the Shimla flight, which was initially to be operated five days a week. On this flight, 35 seats were available on the Delhi-Shimla leg but only 15 on the return journey due to restrictions at Shimla airport. Not only affordable fares, the Delhi-Shimla flight marked the restarting of operations at the Shimla airport, which has been an unserved airport since 2012 when operating airlines withdrew, citing non-viability. So why did Air India re-launch operations to Shimla, knowing the skewed route economics? Under the new UDAN scheme, the state government and the centre are committed to providing subsidy as per a pre-decided formula as Viability Gap Funding (VGF).

The economics of this flight make for interesting reading. The subsidy amount for this flight was a little over Rs 3,300 per seat. Under the VGF formula worked out for UDAN flights, there is subsidy for 50 per cent of the seats on each flight, exclusive route monopoly for the airline for three years and a host of other concessions at the landing airports (cheaper fuel, no airport charges etc). In turn, the airline operator is bound to cap fares for the UDAN seats at Rs 2500 per seat per hour or for about 500 kms of flying.

And how is the VGF being funded? Well, the aircraft taking off from the busy metro airports are expected to pay Rs 5000 to the government per departure so that UDAN fares are cross-subsidized. This levy is applicable only on "profitable" routes, according to government officials. In the first year of UDAN, Rs 300 crore was collected from this levy, with state governments and the Centre pitching in additional Rs 60 crore and Rs 200 crore, respectively. This Rs 560 crore has been the VGF payout in the first 12 months of UDAN.

Success Factors

The success of UDAN can well be gauged from the fact that in 12 months from the date of launch, the Shimla-Delhi flight has carried about 12,000

passengers in all with average load factor of 90 per cent (load factor refers to the number of occupied seats from total available seats). UDAN fares on this flight have averaged Rs 1970 per person while non-UDAN fares have averaged Rs 4000.

Here's another pointer to the importance of UDAN: Pakyong, in eastern Sikkim, would soon be on the aviation map of the country, with SpiceJet's Bombardier Q400 aircraft ensuring air travel to Delhi. SpiceJet plans to connect Pakyong, which is 35 km from Capital Gangtok, to Guwahati and Kolkata too, apart from Delhi. Ghost airports that were supposed to have come to life under UDAN include Adampur, Bhatinda and Pathankot in Punjab; Bikaner and Jaisalmer in Rajasthan; Bhavnagar, Jamnagar and Mundra in Gujarat and so on. Not just ghost airports, even some airports which have existing flight operations but in a limited way, are seen benefitting under the UDAN scheme.

A senior official of the Airports Authority of India says the Centre has already sanctioned Rs 4500 crore for operationalising ghost or underserved airports under the UDAN scheme. Airports which have been lying unused for years need to be operationalised and then licensed by the DGCA before flying can begin. So Jagdalpur in Chhattisgarh is ready and licensed now, Ambikapur is awaiting a license whereas at Bilaspur, works are continuing to make the airport



operational. In Odisha, flights will be starting from Utkela and Jeypur – they have already commenced from Jharsaguda.

India is the world's fastest growing domestic aviation market and regional connectivity is critical if this high growth is to be sustained. Adding airport capacity at metros is important, but for high growth, developing regional connectivity is the way forward. Not just established players, VGF under UDAN scheme has also attracted new airlines like Air Deccan and Air Odisha. These airlines picked up the bulk of RCS routes in the first phase. Now, the big boys are also coming in. IndiGo, SpiceJet and Jet Airways have all come in to participate in the UDAN scheme.

Challenges

But, as is to be expected from any ambitious connectivity scheme, not

all is going as initially planned under UDAN. Not all the underserved and unserved (ghost) airports which were envisaged to become operational have been revived, not all the routes for which airlines (new and established ones) had placed bids have been started and there is still no helicopter service under the UDAN scheme.

Remember, some of the airlines which came alive under UDAN have little previous experience, are short on funding and seem to be struggling with the economics and logistics of offering connectivity from remote locations. After the first round of bidding, five operators were awarded 128 routes, which had to be opened by September-end of 2017. A year later, less than half of these routes are operational. Established players such as Alliance Air, SpiceJet and TruJet have been able to deliver on most or all the routes awarded to them but smaller ones like Air Odisha and Air Deccan, which won almost three-fourths of the routes in the first round, have only been able to service less than 15 per cent of the total routes awarded. Air Odisha has commenced flights on eight of the 50 routes it was awarded and Air Deccan has started flying in 10 of 34 it won. Jet is expected to start UDAN operations from later this month while IndiGo and SpiceJet should begin in July.

Then, even the quality of service under UDAN is not quite upto the mark. As per DGCA data for April,



UDAN flights of Air Odisha and Air Deccan could fill up only a fourth and a third of the seats on their respective aircraft during the month, had the highest cancellation rates among all domestic airlines and naturally, maximum complaints from passengers. These new airlines are struggling with infrastructure issues and perhaps need to wait a bit more to generate adequate demand.

Another dampener for UDAN has been the non-starter helicopter services. No bids came in during the initial round because of insufficient VGF (potential bidders gave this feedback) and now, in the second round, regulations for scheduled helicopter operations are still being devised by the regulator. Remember, till now, there have been no scheduled helicopter services anywhere in the country so norms have to be laid down from scratch.

Last, but not the least, the operators who have bagged UDAN routes of their choice, may find it tough to sustain these after the VGF period of three years ends, specially since oil prices are already heading north. To make UDAN flights more attractive the government has already begun allowing waiver of the three year exclusivity clause, if the operator working the route does not object, but still concerns on long term viability remain.

Endnotes

1. <https://www.aai.aero/sites/default/files/traffic-news/Apr2k18annex3.pdf>
1. <https://www.aai.aero/sites/default/files/traffic-news/Apr2k18annex2.pdf>

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Election Commission of India Launches its online RTI Portal

The online RTI Portal of Election Commission of India was launched recently. The online portal will facilitate applicants seeking information under the Right to Information Act. The portal can be accessed by general public on the Home Page of the Commission's website 'eci.nic.in' by clicking on 'Online RTI'. There is also online payment gateway for making payment of requisite fees under the RTI Act. The portal also facilitates online reply to applications and also for making first appeal and reply thereto. There will be timely notification alerts to RTI applicant via SMS and E-Mail.

Applicants seeking information from the Commission under the RTI Act can make use of the online portal. The offline mode of applications will also simultaneously continue.

The website of online RTI Portal of Election Commission of India is <http://rti.eci.nic.in>.

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YE-746/6/2017