

Civil Aviation

Airports

9.85 Efforts to restructure and modernise the Mumbai and Delhi airports through the joint venture route are underway. To assist in the restructuring process, M/s ABN-AMRO Asia Corporate Finance (I) Pvt. Limited and Air Plan Australia have been appointed as financial Consultant and Global Technical Advisor, respectively. An Empowered Group of Ministers has been constituted to oversee the process of restructuring. A Request for Proposal (RFP) document is expected to be released shortly to pre-qualified bidders for selection of the joint venture Partner. Two new greenfield airports with private sector participation are proposed at Bangalore and Hyderabad. In these greenfield airports, private partners will hold 74 per cent equity in the joint venture and State Governments and Airport Authority of India (AAI) will together hold the balance 26 per cent. The State Governments of Andhra Pradesh and Karnataka have selected the private sector partners for Hyderabad and Bangalore airports, respectively. The Bangalore and Hyderabad International Airports and Airports Authority of India have signed the respective shareholders agreements. The two joint ventures are Bangalore International Airport Ltd. (BIAL) and Hyderabad International Airport Ltd. (HIAL).

9.86 The new greenfield airport at Devanahalli near Bangalore is to be implemented on a Build Own Operate and Transfer (BOOT) basis. AAI's investment in the equity is capped at Rs.50 crore. The strategic joint venture partner consists of Siemens Germany, Unique Zurich Switzerland and Larsen and Turbo India Ltd. The approximate cost of the project is Rs.1,300 crore. Financial closure is expected to be achieved shortly. The target opening date for the airport is 33 months from the date of financial closure. The Concession Agreement between the Government of India and BIAL was executed on July 5, 2004.

9.87 The strategic joint venture partner for the greenfield airport at Shamshabad near Hyderabad is a consortium led by M/s GMR

Infrastructure Limited with Malaysian Airport Holding Berhad (MAHB). The Concession Agreement between the GOI & HIAL was executed on December 20, 2004. The approximate cost of the project is Rs.1,300 crore. The target opening date of the airport is 36 months from the date of financial closure.

9.88 AAI is also considering development of non-metro airports. Indian Financial Consultants (IFC) and Global Technical Advisors (GTA) have been appointed for ten airports, namely Ahmedabad, Amritsar, Goa, Guwahati, Lucknow, Madurai, Jaipur, Mangalore, Trivandrum and Udaipur to assist AAI in identifying commercial activities to enhance non-aeronautical revenue including world class design for the terminal buildings. These consultants will carry out a detailed techno-economic feasibility study and prepare business and financial plans and models specific to each airport for adoption by AAI. Besides these 10 airports, AAI proposes to carry out similar studies for 15 more airports for which Notice Inviting Tenders (NIT) have been issued.

9.89 Due to the monopoly nature of the airports and their economic importance, efforts are afoot to set up an Independent Airport Economic Regulator responsible for tariff setting and monitoring of performance standards.

Regulatory framework governing the airline industry

9.90 Important policy changes to scale back entry barriers and increase competition in the airline industry have taken place during the year. During the year, Jet Airways and Air Sahara started operating flights to Sri Lanka and Nepal. Further, as a policy initiative to open up the air transport sector, the Government have decided to permit private airlines which have completed five years of domestic operation to operate to any destination in the world, excluding Gulf countries and West Asia.

9.91 Non-availability of seats to and from India during the peak winter season has been one of the major constraints faced by passengers. In order to ensure sufficient

availability of seats, a limited open sky policy was adopted by Government for November 2004 to March 2005, under which designated airlines can operate additional services to/from India subject to the existing terms of commercial agreement with Air India/Indian Airlines. A number of airlines have responded to the offer and have requested for operation of over 2400 additional flights (equivalent to over 5 lakh seats) to different airports in the country during this five-month period. This will

assist greater connectivity to/from India and easy availability of seats.

Air traffic

9.92 Policy initiatives have had a marked impact upon airline traffic. Domestic traffic grew by 24.7 per cent in calendar 2004 over calendar 2003. The international traffic saw a growth of 18 per cent in the same period. Private airlines now account for 61.1 per cent of domestic traffic.