

Civil Aviation

Airports

9.63 The international airport in Delhi and Mumbai are being modernized and upgraded through private sector participation. In the Joint Venture (JV), AAI and other Government PSU will be holding 26 per cent equity. The balance 74 per cent will be held by the strategic partner. FDI in this transaction has been capped at 49 per cent. Towards this end, Expressions of Interest (EOI) were invited and bidders were short listed. AAI had issued Request for Proposal (RFP) to selected Pre-Qualified Bidders (PQBs) on April 1, 2005. On the basis of the evaluation of Technical and Financial Bids, the private partners for modernization and development of Delhi and Mumbai airports have been selected. The two separate JV companies for Delhi and Mumbai airports would be handed over to the JVCs. The process is likely to be finalized by the second half of 2005-06. It has been estimated on preliminary basis that the capital investment to the extent of Rs. 7,961 crore and Rs. 6,131 crore will be required, for Delhi and Mumbai airports, respectively over a period of 20 years in 4 stages of 5 years each. These estimates do not include cost of likely relocation of some of the assets and removal of encroachments. An 'in-principle' decision has been taken to modernize Chennai airport through JV route.

9.64 Construction work at greenfield airports of international standards at Hyderabad and Bangalore has commenced. The two airports are likely to be operational by the middle of the year 2008. 'In-principle' approval has already been granted to set up a similar greenfield airport in Goa. In-principle approval has been obtained to build new international terminals at Ahmedabad and Trivandrum airports. State Governments are encouraged to set up greenfield airports with private sector participation. Proposals to set up greenfield airports in Navi Mumbai, Kannur in Kerala, Ladhawal near Ludhiana and Pakyong near Gangtok in Sikkim are in the pipeline. An international greenfield airport has already been built and is operational in Kochi.

9.65 Airport Authority of India (AAI) is also considering development of non-metro airports. Indian Financial Consultants (IFC) and Global Technical Advisers have been appointed for ten airports, namely Ahmedabad, Amritsar, Goa, Guwahati, Lucknow, Madurai, Jaipur, Mangalore, Trivandrum and Udaipur. The techno-economic feasibility study (TEFS) have been received for all the 10 non-metro airports from GTA and IFC. The works pertaining to these 10 non-metro airports are being taken up by AAI in a phased manner. The terminal building and associated infrastructure like car park/roads and air side work, with an estimated cost of Rs. 1,437 crore for Phase – I (2006-08), will be taken up by AAI. The land use plans recommended by GTA/IFC for enhancement of non-aeronautical revenue will be restricted to passenger-related services or related to Aircraft Services or Air Traffic Services as per provisions of the AAI Act and State Government/Local body bye laws.

9.66 In addition to these 10 non-metro airports, AAI has identified 15 more non-metro airports, namely, Agatti, Aurangabad, Bhopal, Bhubaneswar, Coimbatore, Indore, Khajuraho, Nagpur, Patna, Port Blair, Rajkot, Trichy, Vadodra, Varanasi and Vizag, for development. For carrying out TEFS for each of these 15 airports, the process for appointment of GTA and IFC is nearing completion. Five more airports, namely Agartala, Dehradun, Imphal, Ranchi, and Raipur, have been identified for carrying out the TEFS, and for which process for appointment of GTA is being initiated. The consultants will identify the viable development works, specific to each airport. The approximate cost of development of these non-metro airports is estimated to be of the order of Rs. 5,000 crore.

Regulatory framework governing the airline industry

9.67 Due to the monopoly nature of the airports and their economic importance, efforts are afoot to set up an independent Airport Economic Regulator for tariff setting

and monitoring of performance standards. Government has adopted a liberal approach in the matter of grant of traffic rights under bilateral agreements with various foreign countries. A revised air services agreement signed with USA has led to increased co-operation in the aviation sector. Under this agreement, both sides can designate any number of services to any point in the territory of the other country with full intermediate and beyond traffic rights. Similarly, traffic rights were enhanced with 18 other countries, including Australia, Belgium, Canada, China, France, Germany, Mauritius, Netherlands, New Zealand, Singapore and UK to provide for more flights and better connectivity from these countries to India and also more commercial opportunity to all operating carriers.

9.68 Non-availability of seats to and from India during the peak winter season has been one of the major constraints faced by international passengers. A limited open sky policy was adopted by Government for the year 2005-06, under which designated foreign airlines were permitted to mount as many services as they desire to the available points of call, subject to the terms and conditions of the existing commercial arrangements between the airlines of both sides for the period December 1, 2005 to January 31, 2006. Foreign airlines have also been permitted to upgrade their equipment at their existing frequencies during the period November 1, 2005 to March 31, 2006.

Augmentation of fleet by airlines

9.69 Major fleet acquisition is underway by the national carriers Indian Airlines, Air India

and Air India Charters Limited. The project of Indian Airlines for acquisition of 43 Airbus aircraft has been approved by the Government. Government has accorded "in principle" approval to the project of Air India for acquisition of 50 long range aircraft and that of Air India Charters Limited for acquisition of 18 B737-800 aircraft. During the past one year, airlines in the private sector, namely, Air Sahara, Air Deccan, Jet Airways, Kingfisher Airlines, Spice Jet, Go Airlines and Paramount have been permitted to acquire 51 aircraft.

Commencement of new air services

9.70 Air India Express has commenced operations on low cost pattern effective April 2005. Air India and Air India Express have started services to Dacca, Dubai, Hongkong, Kuala Lumpur, Los Angeles, Seoul, Sharjah Singapore and Toronto, in order to improve connectivity. Also, Indian Airlines have commenced new services to Bangkok, Kabul, Kuala Lumpur, Sharjah, Singapore and Yangon from various points in India.

Air traffic

9.71 Policy initiatives have had a marked impact upon airline traffic. The entry of low cost carriers (LCCs), offering no-frills flights which are 30 to 35 per cent cheaper than the regular flights, has changed the profile of the air passengers. Domestic and international traffic grew by 24.2 per cent and 18 per cent, respectively, in April-December, 2005. Private airlines now account for 68.9 per cent of domestic traffic. During April-December 2005, international and domestic cargo recorded a growth of 11.7 per cent and 6.6 per cent, respectively. This growth is the second highest in the world, next to China, for the second consecutive year.