CIVIL AVIATION

9.68 The Civil Aviation sector has undergone dramatic expansion during the Tenth Five Year Plan period. The rapid growth of the economy especially during the last four years has been accompanied by a sharp increase in the volume of air traffic. The number of domestic and international air passengers (combined) has almost doubled between 2004 and 2007. Cargo traffic has increased by more than 45 per cent between 2003-04 and 2006-07 (Figure 9.4). As per the provisional figures available, international and domestic passengers recorded growth of 15.6 per cent and 32.51 per cent, respectively, during 2007. During April-October 2007, international and domestic cargo recorded growth of 13 per cent and 9.8 per cent, respectively.

9.69 As of now, there are 14 scheduled airline operators having 334 aircraft. During 2007, the scheduled operators have been given permission for import of 72 aircraft. The Ministry of Civil Aviation has given "in-principle" approval for import of 496 aircraft and, in the next five years, more than 250 aircraft are likely to be acquired by the scheduled operators. There are also 65 non-scheduled airlines operators who have 201 aircraft in their inventory. The explosive growth in air traffic has made it imperative to rapidly expand the air infrastructure to ensure safe and efficient handling of air traffic.

Airports

9.70 The Kolkata and Chennai airports are proposed to be substantially upgraded by the Airports Authority of India (AAI) pursuant to a decision of the Committee on Infrastructure. An Inter-Ministerial Group (IMG), has approved the action plan for the development of Kolkata airport. The proposal involves construction of an integrated terminal building to handle 20 million passengers per annum and airside works at a total cost of Rs. 1,942.51 crore for completion in June 2010. In respect of Chennai Airport, an Inter-Ministerial Group has approved an action plan involving expansion of international and domestic terminal building to handle additional 13 million passengers per annum and major airside works including extension of secondary runway at a total estimated cost of Rs. 1,808 crore, for completion in June 2010.

Box 9.4

Functions of the proposed Airport Economic Regulatory Authority

(i) To fix, review and approve tariff structure for the aeronautical services taking into consideration the capital expenditure incurred, the service provided, its quality and other relevant factors.

(ii) to fix, review and approve users development fees which may be levied by the service provider for development of an airport.

(iii) to monitor the performance standards relating to quality, continuity and reliability of service as prescribed by the Central Government or its authorized agencies through concession agreement or such other agreement.

9.71 The Airports Authority of India (AAI) has undertaken an ambitious project of modernization of 35 non-metro airports. Airside works, including construction of terminal buildings, would be undertaken by AAI. Work on most of these airports has been taken up. The work at Agra airport (Civil Enclave) has been completed and major works at 7 other airports viz. Agatti, Ahmedabad (Domestic), Amritsar, Jaipur, Nagpur, Tiruchirappalli and Udaipur are scheduled to be completed within the current financial year. It is expected that terminal buildings and associated airside works in respect of 24 airports will be completed by end-March 2009, whereas the remaining 11 airports would be completed by March 2010. Separately, city side development of 24 select non-metro airports would be taken up through PPP. The city side development includes commercial exploitation and maintenance of terminal buildings.

Airport Economic Regulation

9.72 It has been decided to set up an Airport Economic Regulatory Authority (AERA). An Appellate Tribunal is also proposed to adjudicate any dispute between two or more service providers; between a service provider and a group of consumers; and hear and dispose of appeal(s) against any direction, decision, or order of the AERA. It is expected that a proper regulatory framework as envisaged would help in fostering healthy competition among airports by creating a level-playing field and encourage investment in airport facilities. It would enable the regulation of tariffs of aeronautical services, protection of reasonable interest of users and operation of airports in an efficient and economically viable manner (Box 9.4).

Financial Health of the Civil Aviation Industry

9.73 With the liberalization of the Indian skies, the airlines market in India has witnessed several new players which has made it necessary for the players to build on their competitive strength. The profitability of the domestic airline industry is under tremendous pressure as almost all airline operators in the country are reported to be making losses. Given the intense competition between the airlines and the declining margins, a process of consolidation is perhaps inevitable. The process has already commenced and the recent mergers and acquisitions that have occurred in the public and in the private sectors are expected to enable the airlines to increase revenues through synergies in operations and by ensuring optimal utilization of resources in this capital-intensive sector.

Merger of national carriers

9.74 The Government of India decided on March 1, 2007, to merge the two national carriers, i.e. Indian Airlines Limited (IAL) and Air India Limited (AIL), into a new 100 per cent Government of India-owned company. This move was aimed at building a strong and sustainable business entity. Under this arrangement, the National Aviation Company of India Limited (NACIL) was incorporated under the Companies Act, 1956, on March 30, 2007. After registration of the order dated August 22, 2007, with the Registrar of Companies on August 27, 2007, the legal process of merger was completed. The Board of Directors of NACIL has since been reconstituted.

9.75 The merger is expected to provide an integrated international/domestic footprint, which will significantly enhance options and alternatives to the customer; allow easy entry into one of the three global airline alliances; and enable optimal utilization of existing resources through improvement in load factors and yields on commonly serviced routes. It would also enable deployment of “freed up” aircraft capacity on alternate routes and provide an opportunity to fully leverage the assets, capabilities and infrastructure to launch high growth and profitable businesses in Ground Handling Services (GHS), Maintenance, Repair & Overhaul (MRO), etc., and provide maximum flexibility to achieve financial and capital restructuring through revaluation of assets and cleaning up of financial books. The merger process is expected to be completed in the next 18 to 20 months.

Fleet augmentation by NACIL

9.76 With a combined fleet strength of more than 110 aircraft, NACIL is the largest airline in India and compares favourably with other airlines in the Asian region such as Emirates (93), Singapore (118), and Malaysia (110). The company is in the process of a major fleet expansion and is acquiring 111 state-of-the-art aircraft for its fleet. Out of these, 3 Boeing 777-200LRs, 3 Boeing 777-300ER, 10 Boeing 737-800, 6 A319 and 5 A321 aircrafts have already been received. The remaining aircraft from Boeing and Airbus would be received between 2008 and 2011.

International operation by private scheduled airlines on India-Gulf sectors

9.77 The Government decided to open up the India-Gulf route to eligible private schedule carriers from January 1, 2008, and under this decision Jet Airways has been permitted to operate international services in certain India-Gulf sectors.

Liberalization of air services

9.78 The Government has adopted a liberal approach in the matter of grant of traffic rights under bilateral agreements with various foreign countries. The Indo-U.S. aviation market has registered a significant growth under the new revised Air Services Agreement signed between the two countries in 2005. Similarly traffic rights were enhanced with other countries to enable greater connectivity to/from India. These countries include Australia, U.K., Germany, China, France, the Netherlands, Belgium, Canada, Singapore, Mauritius, New Zealand, UAE, Thailand, Italy, Russia, Taiwan, Finland, Maldives, Tanzania, Japan, Sri Lanka, UAE (Sharjah, Dubai & Abu Dhabi), Kuwait, Italy, Japan, Spain, Oman, the Scandinavian countries, Egypt, Qatar, Jordan, Uzbekistan, Malaysia and Hong Kong. This would not only lead to more flights and better connectivity from these countries to India but also provide more commercial opportunities to all operating carriers.

9.79 The main objectives of the aviation sector as set out in the Eleventh Five Year Plan would be to provide world class infrastructure facilities, safe, reliable and affordable air services so as to encourage growth in passenger and cargo traffic, and air connectivity to remote and inaccessible parts of the country. Apart from developing major and green field airports, the modernization of Air Traffic Management is also envisaged.