

Development of Airport Sector in India

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Aviation Scenario

➤ India in select league:

- ✓ India has emerged as 3rd largest aviation market in terms of domestic passenger traffic surpassing Japan.
- ✓ India remained the world's fastest growing domestic aviation market for the third straight year in 2017.
- ✓ During 2017, domestic aviation in India grown at 17.5% against 13.3% in China.
- ✓ Delhi and Mumbai airports jointly ranked as best airport in the world in the category of above 40 million passengers by ACI.
- ✓ Three airports of AAI viz., Lucknow, Ahmedabad and Indore, ranked as best airports in their respective category.
- ✓ Indian carriers operated 395 aircrafts in 2014 which rose to 584 by 2018. In addition to this, Indian carriers have placed orders for 900 aircrafts
- ✓ Aviation sector has achieved near rail parity in terms of fare, size of the sector and number of passengers carried in air conditioned class by railways. On major trunk routes, airfares on advance bookings are comparable to air-conditioned class of railways. The size of aviation sector is Rs. 1400 billion as compared to Rs. 1570 billion of Indian Railways.
- ✓ Regional Connectivity scheme launched in 2016 has attracted bids for operationalisation of 116 unserved / underserved airports/ heliports from airlines.
- ✓ Scheduled air services available to/from 91 airports now as compare to 69 in 2014.

Airport infrastructure in India

➤ Existing Airports:

- ✓ Total of 476 airports / airstrips; AAI manages 129 Airport
- ✓ Joint Venture Airports (PPP) – 6; Remaining airports/airstrips managed by Defence/State Governments.

➤ New Greenfield Airports added in last 3 years:

- ✓ Durgapur in W.B and Shirdi in Maharashtra operationalised. Pakyong in Sikkim ready for operation. Kannur airport in Kerala is near completion.

➤ Upgradation of existing airports :

1. Under RCS :

- ✓ Government of India granted Rs 4500 Cr for revival of 50 airports under RCS
- ✓ 19 airports revived so far under the scheme.
- ✓ Action initiated for completion of work in other airports

2. AAI airports :

- ✓ Top 20 existing AAI airports will be modernised with an investment of Rs. 20178 Cr in next 5 years.

3. JVC airports:

- ✓ DIAL, BIAL and HIAL will invest Rs 21500 Cr in next 5 years for construction of new runway, terminal building and also upgradation of existing infrastructure;

New Initiatives

- **New Greenfield Airports**
 - ✓ **New Airports with an investment of Rs. 48000 Cr. are at various stages of development.**
 - ✓ Navi Mumbai , MOPA, Kannur, Sindhudurg, Jewar, Rajkot, Dholera, Bhogapuram
- **Operation & Management Experiment at Jaipur and Ahmedabad Airports are at bidding stage to improve operational efficiency;**
- **Making Indian airports as international hub**
 - ✓ The six metropolitan airports viz., **Delhi, Mumbai, Chennai, Kolkata, Bangalore and Hyderabad** are becoming major international hubs.
 - ✓ Developing integrated multi-modal connectivity connecting airport to rail, metro, etc and promotion of city side development are part of making them to become hub airports.
- **Promotion of MRO:**
 - ✓ Promote new airport at MIHAN, Nagpur as Cargo hub and MRO center.(700 million USD of investment)
 - ✓ M/s Boeing has developed MRO facility alongwith Air India at Nagpur with an investment of 107 million USD.
 - ✓ Hyderabad airport has full-fledged MRO facility and is being utilized fully.

Regulatory framework

- ✓ Airports Economic Regulatory Authority of India (AERA) was established under AERA Act, 2008 on 5th December 2008 with an objective :
 - ✓ to regulate tariff and other charges for the aeronautical services rendered at major airports (1.5 million passengers per annum or above (total 27 airports presently))
 - ✓ to monitor performance standards of airports.
- ✓ AERA consists of Chairperson and two Members;
- ✓ Regulatory certainty is critical to attract significant investments in airport infrastructure;
- ✓ Large revenue streams of airport sector make regulations very complex;
- ✓ Global experience shows that regulatory policies need to be simple, transparent, progressive, equitable and predictive.

Regulatory approach

- ✓ AERA follows a mix of cost plus and normative philosophy for determining the tariff.
- ✓ Tariff period - Once in five years (termed as Control Period).
- ✓ Till philosophy – 30% Shared Till model
- ✓ Airport operator files Multi-Year Tariff Proposal to AERA.
- ✓ AERA issues tariff order after a detailed stakeholder consultation process. AERA determined tariff of 16 major airports out of 27 airports.
- ✓ Order of AERA is effected by MoCA through DGCA.

Policy intervention to deal with changing dynamics

- When AERA was established, there were only 12 major airports in the country;
- The Aviation sector has witnessed exponential growth in passenger traffic during last 4 years;
- As a result, major airports has increased to 27 with more than 75 independent service providers operating at these airports.
- Thus, a need was felt to increase the benchmark passenger throughput to release the burden on the regulator.
- ✓ Government is proposing to amend the AERA Act to:
 - ✓ increase the benchmark of 'Major airports' from existing 1.5 million passenger per annum (mppa) to 3.5 mppa so as to ease out increasing pressure on AERA.
 - ✓ keep the PPP projects out of the purview of AERA where tariff/tariff structure is part of the bidding process.

THANK YOU