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Aero Expo 2016 – Civil Aviation Convention & Exhibition
"Enhancing Regional & Remote Connectivity"

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Presented To:

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Hon'ble Minister of Civil Aviation
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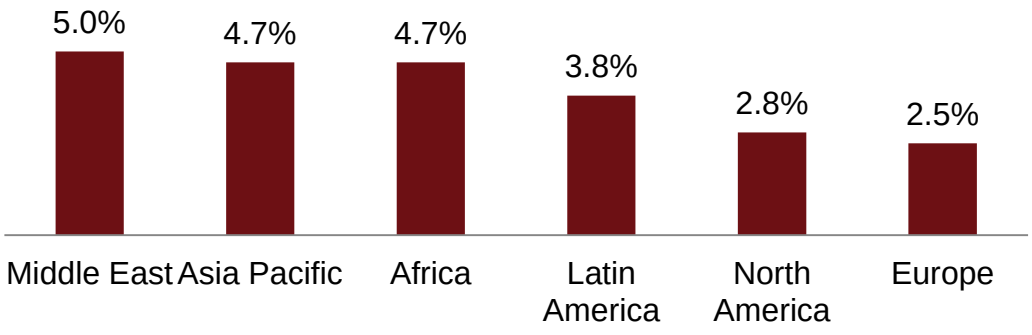
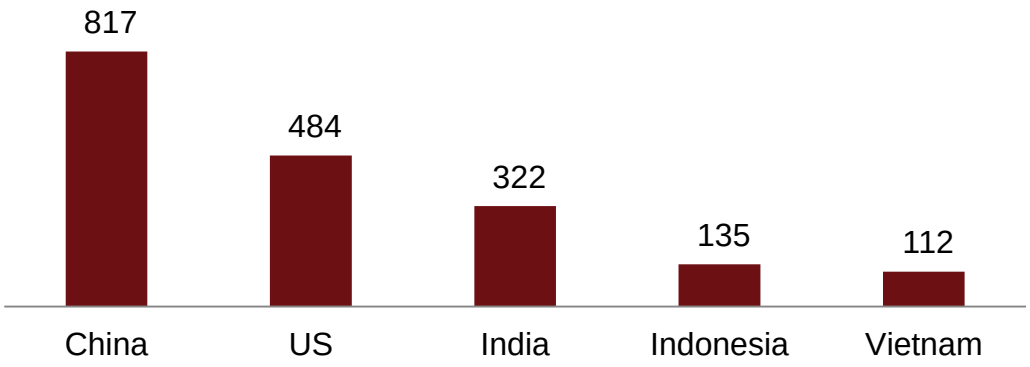
MoS, Civil Aviation

The Asia-Pacific region, and specifically, India are poised for significant growth over the next 20 years.

Passenger traffic growth (%) over the next 20 years



5 fastest growing passenger markets (additional passengers) over next 20 years (in Million)



- Air traffic growth over the next 20 years will be driven by Middle East & Asia Pacific
- Within Asia Pacific, India and China will lead the growth
- India is amongst the top 3 fastest growing market after China and US (in terms of additional passengers)
- As per IATA, India is expected to outgrow UK and become the 3rd largest aviation market by 2026

Source: IATA, Auctus Analysis

While the last decade was driven by metro contribution, regional connectivity will drive the next growth wave.

Cities	Domestic Passenger Air Traffic		
	2000-01 (Lakhs)	2009-10 (Lakhs)	2015-16 (Lakhs)
Delhi	48	178	343
Mumbai	65	174	300
Bangalore	23	80	156
Chennai	20	67	103
Kolkata	20	68	102
Hyderabad	17	48	92
Cochin	8	16	31
Ahmedabad	7	27	49
Goa	8	22	47
Pune	4	22	51
Total top 10 cities	**220**	**702**	**1274**
CAGR (%)	-	*13.8%*	*10.4%*
Total Domestic Traffic	**329**	**891**	**1689**
CAGR (%)		*11.7%*	*11.2%*
Metro Traffic as % of Total Domestic Traffic	**67%**	**79%**	**75%**

For FY 15 : 78%

- Majority traffic growth in last decade has come from large cities
- However, share of top 10 cities is saturating
- Development of airport infrastructure, policy liberalization and improving living standards will drive traffic growth from regional economic and tourist centres in the future

The flat lining of traffic share at major cities makes it is an opportune time for the Regional Connectivity Scheme.

Source: AAI

The Regional Connectivity Scheme, under the aegis of National Civil Aviation Policy, will help tap this momentum.

Key features

- Introduction of regional connectivity scheme
- Change in 5/20 rule to remove constraint of number of years before flying international
- Integration of Civil aviation policy with “Make in India” and other Skill development policies

RCS is seeing good traction with 7 states - Maharashtra, Gujarat, Andhra Pradesh, Chhattisgarh, Jharkhand, Puducherry and Manipur already signed up for the scheme.

Going forward, the RCS policy requires immediate focus on bidding and a long term focus on operationalization.

Bidding

Operationalization

Pre-bid work

- RCF levy proposed by Govt. – between Rs. 7500-8500 per flight based on flight distance
- RCS signatories states have given preferred list of airports for 1st bidding

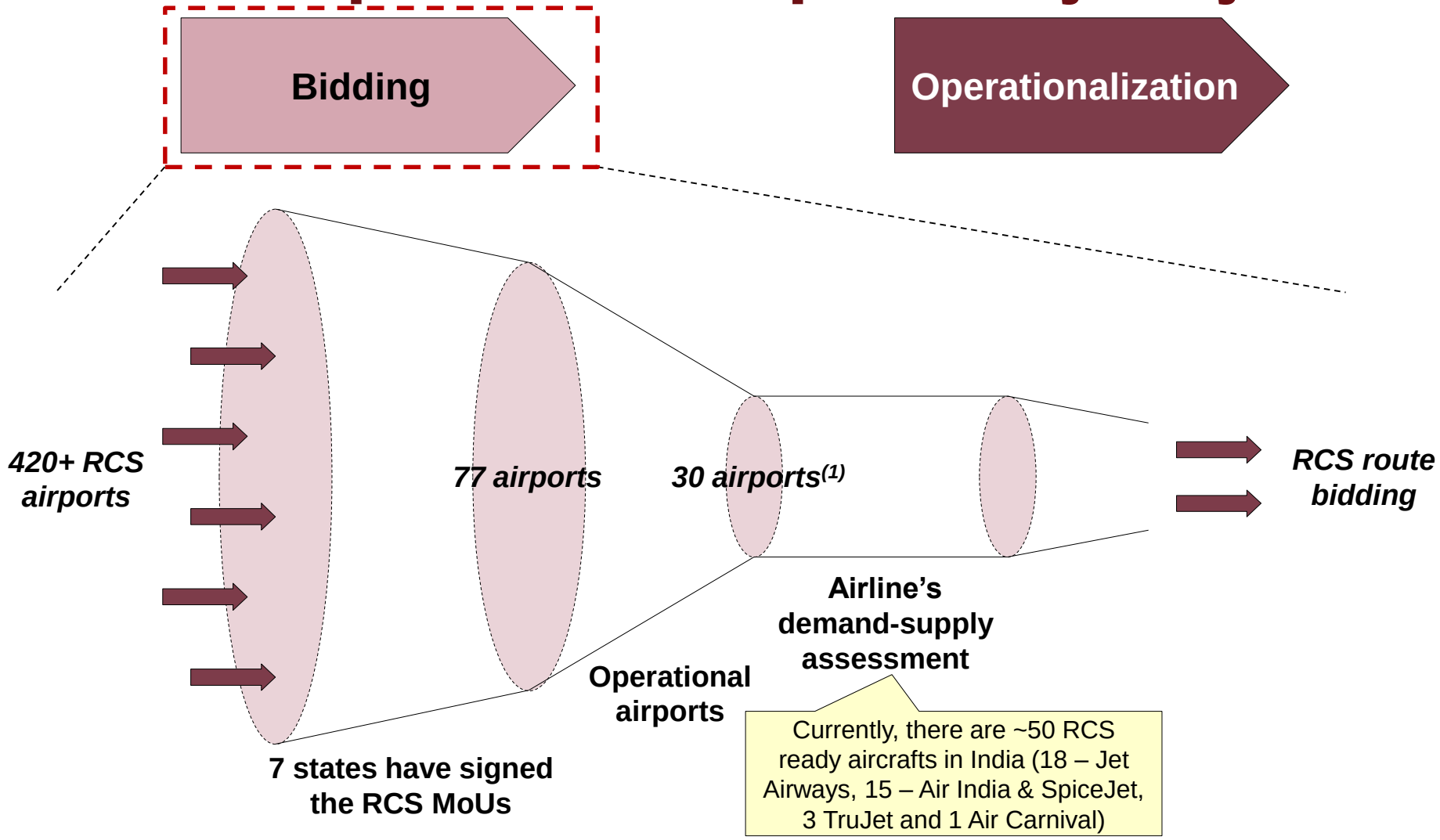
Bid submission

- 1st bidding to happen in next two months
- AAI to invite fresh bids once every 6 months; two months window will be provided
- Swiss challenge method proposed to invite bids

Evaluation

- Based on VGF per RCS seat and/or maximum airfare for an RCS seat
- Higher preference for Network proposals over Individual route
- Unserved preferred over underserved airports/airstrips

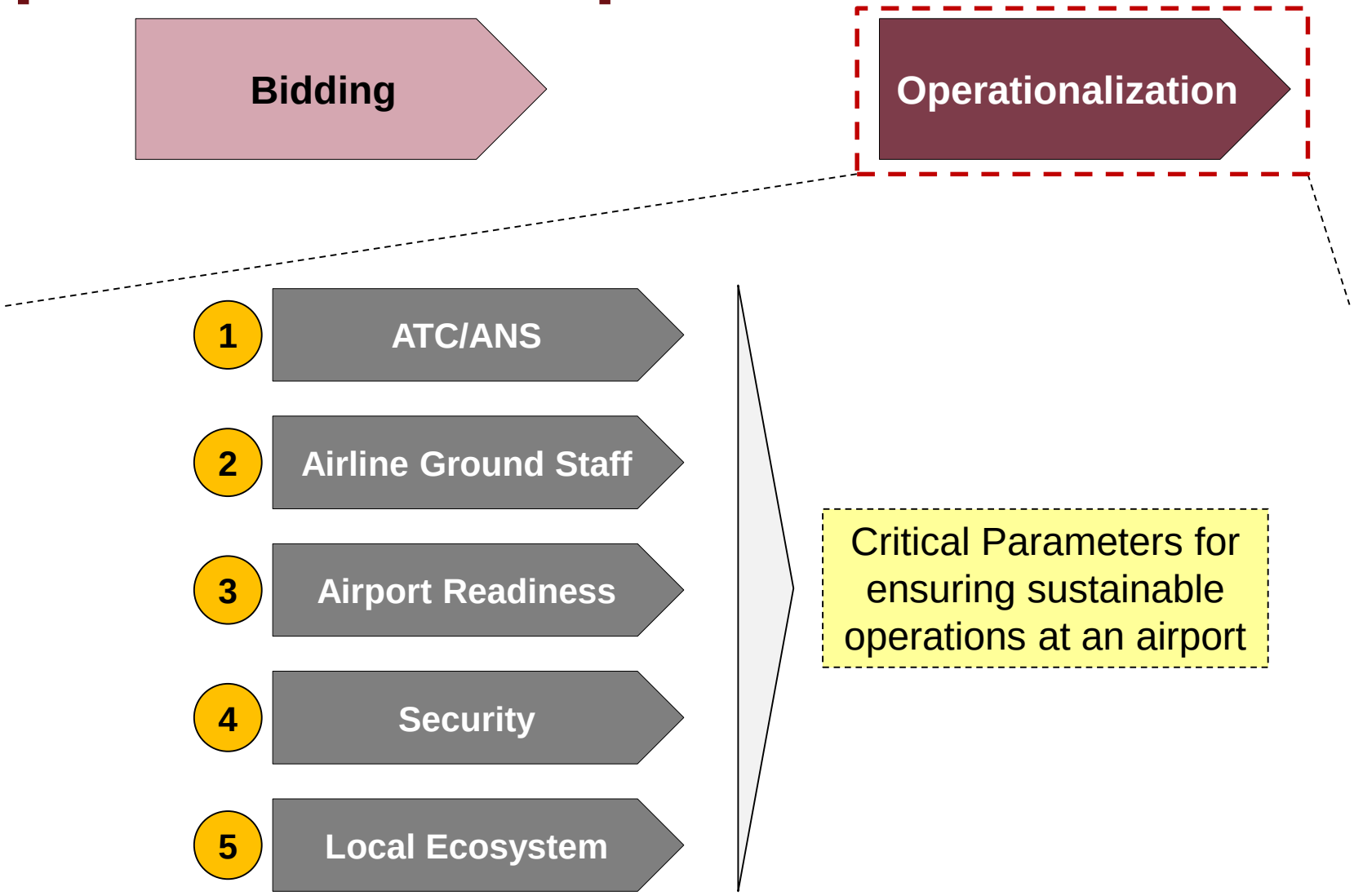
Being the 1st bid, airlines will avoid external uncertainties and bid for airports which are operationally ready.



(1) *Of the 77 airports, only 30 airports are operational; 20 airports are non-operational; 27 airstrips with little information on operability*

Sources: Auctus Analysis

Apart from the airlines, there are five key stakeholders required for successful operationalization of the scheme:



1 Significant shortage of ATC / ANS staff requires technology intervention and private sector participation.

Key Issue	Description	Suggestions
Staff Shortage	• Delhi & Mumbai have ~60% of required air controllers • Limited training facilities in the country; bound to create shortage of additional 1000 air controllers every year • Locating dedicated ATC staff in remote locations	• Increase training centres & incentives to attract talent • Involve private sector in ATC training – sub-contract or independent institutes • Pvt. sector participation will require streamlining of training standards & placement certainty
Infrastructure	• Viability of building full-fledged ATC infrastructure for each RCS airport will be difficult	• Explore remote ATC facilities, as currently operational in countries like Sweden, US, Norway, Australia, etc.

2 Greater collaboration between airlines and airport can ease availability of ground staff at remote locations.

Key Issue	Description	Suggestions
Ground Handling staff	• Initially, the RCS airports are expected to see 1-2 flights; or 100-150 passengers per day • Airlines would require atleast 4-5 staff for ground activities • Sub-optimal utilization; high costs	• Collaboration between airlines and airport operator; cross-train staff to support both • In case of multiple airlines operating at the airport, explore sharing resources for greater efficiency & better economics
Pilots & Cabin Crew	• Sub-optimal utilization due to limited flights • Readiness to fly to remote places	• Route planning very important to ensure better cabin crew utilization

3 Clear guidelines for timelines & cost for availability of airport infrastructure will be critical.

Key Issue	Description	Suggestions
Infrastructure readiness	• Timelines & cost implications for making airport RCS ready not clearly laid out • Not clear if winning bidder will have to wait for airport to become operationally ready & its cost implications	• Standardize minimum facility standards & corresponding development plan (time & cost) • States can specify airports which are operationally ready & invite bids only for them for 1st phase
Airport Operation Staff	• Difficult to find skilled manpower for airport operations & maintenance in remote locations	• Lay down minimum skill-sets & staff requirement for handling airport operations effectively & sustainably • Invite private sector participation to provide standardized solution

4 Better planning, technology and privatization can help resolve significant security challenges at RCS airports.

Key Issue	Description	Suggestions
Ensuring effective landside & airside security	• Operating hours of RCS airports will be limited, security will still be required 24X7 • Challenges in fencing boundary; prohibitive costs of security equipment	• Can explore keeping minimal security during non-working hours • Infrastructure planning to involve fencing of airside; can consider automated solutions
Security Staff	• Smaller airports would also require atleast 15-20 security personnel • CISF already stretched in ensuring safety of assets of national importance	• Plan airport infrastructure to minimize entry/exit points to optimize security personnel • Explore involvement of private agencies, with detailed scrutiny, to perform non-core security functions

5 Lastly, on-boarding the local support ecosystem will be critical for on-ground implementation.

Key Issue	Description	Suggestions
Ticketing agents	• Access to large ticketing booking platforms can be a challenge for pure-play regional airlines • Lack of awareness can hamper utilization and demand pick-up	• Involvement of local ticketing agents to create awareness in the immediate catchment area • Creation of a common ticketing platform across all regional airlines
Surface transport	• Availability of adequate surface transport facilities • Radio taxis may be unavailable at the RCS locations	• Involvement of local transportation options, including buses, rickshaws

To summarize - greater stakeholder involvement and innovative solutions will be critical to the success of RCS.

Bid management

- The most critical element for success of RCS is the airline participation
- Therefore, a transparent and efficient process will need to be run
  - Minimize information asymmetry regarding operational airports
  - Define clear timelines for bid evaluation, Swiss challenge and closure
  - Fast-track onboarding of additional states as RCS signatories

Stakeholder involvement

- A sustainable revenue model for airport operators will need to be developed
- Need for greater load sharing with private players in ATC / ANS, security, airport operations, etc.
- Greater involvement of local stakeholders – ticketing agents, baggage handlers, perimeter security

Innovative solutions

- Greater use of technology to solve key issues, e.g. remote ATC / ANS through cameras, pre-fab airport terminals, etc.
- Cross-training of ground staff to handle multiple functions (baggage, check-in counters, etc.)
- Creation of a shared ticketing platform across multiple RCS airlines / routes

The Regional Connectivity Scheme is a much needed positive initiative towards making flying accessible and affordable for large parts of the country, which are not connected today.

Thank You