



“We are of the opinion that 100% FDI in airlines will help the Airline sector become more efficient, internationally competitive, more service quality driven, better managed, and passenger centric”

Satyan Nayar - Secretary General - Association of Private Airport Operators (APAO)

What were the Aims and Objectives of founding APAO?

Association of Private Airport Operators (APAO) was founded with an aim to enable its member build world class Airport facilities in India, to help meet National Objectives and play a facilitating role in shaping the Airport sector in the country to Global standards. APAO is a non-profit organisation registered under the Societies Act, to represent the interests of its member airport operators with the prime objective of promoting the growth and development of privatized major airports i.e. PPP airports, to truly world class standards.

The other objectives are :

- To help address problems of its member Airport Operators relating to issues related to Operational, Regulatory, Financial, or Licensing through interactions and dialogue with various concerned Ministries, Regulators, other Industry Bodies, other Stakeholders etc.
- To engage in dialogue with all Civil Aviation Sector stakeholders and thereby assist the airport sector in particular to improve and economize airport operations for providing world class facilities and services.
- To assist relevant Authorities by providing them information and data about the industry to help them formulate suitable forward looking policies for the industry's growth and viability.
- Facilitate co-operation, mutual assistance, data information exchanges,

sharing of knowledge & best practices amongst its Members and involve them in all the Policy and Regulatory decision making processes.

Aviation is a key component of the economy and its growth, why aviation sector is facing all types of problems?

Aviation is a key component of the country's economy and its growth which enables global business and tourism. The Aviation sector in India is growing rapidly. India has the potential to become the third largest aviation market in the world by 2020 and the largest civil aviation market by 2035.

However the aviation sector in India is facing multiple problems today. There are several reasons for this. The mindset of the policy makers are that the Air transport is essentially for the elitist and hence the sector does not require the support and incentives required like that for other modes of transportation like road, rail, sea etc.

In addition following are some of the key reasons for the problems the sector is facing.

1. Regulatory Policy - There are certain uncertainties in the sector on the Tariff philosophy adopted by the Regulator. The present policy adopted by the Regulator by arbitrarily enforcing the Single Till tariff regime which is against the interest of PPP Airports. There are also issues of not allowing a reasonable return on cost of equity, zero return on Refundable Security Deposits etc.. There

should be clear and well defined tariff Policy and tariff determination methodologies which addresses the concerns of the investors and also make airports economically viable. This is lacking today.

2. National Civil Aviation Policy -

Today the sector does not have a structured National Civil Aviation Policy, a National PPP Policy and a progressive set of Act and Rules to govern the sector. The Sector is being managed with outdated rules and regulations and there is no clarity on several important issues.

3. Funding constraints : The sector is facing non availability of long-term, low-cost funding for infrastructure development,. Funding constraints should be addressed and government must facilitate availability of Low cost loans/funds for a longer tenure to the Airport Operators.

4. Issues of Land acquisition and various government approvals.- The issues and challenges in land acquisition, environmental clearances, providing inter-modal connectivity to airports etc. An integrated approach (single window clearance) must be adopted in such instances which require clearance from more than one ministry.

5. Airport Hub Policy - MoCA had issued a consultation paper on the HUB policy. We had given our submissions and have requested to make all strategically located major Indian Airport as HUBs to make them more efficient, cost effective, and create them as preferred

destinations for air travel. There are substantial economic gains to a country from a HUB Airport e.g. Dubai, Singapore, Istanbul, Frankfurt, Heathrow Airports etc. An inter-ministerial task force is to be urgently setup making India a leading global aviation HUB. This will have multiple economic benefits and reduce costs. No visible action is seen on this issue.

6. Aviation Turbine Fuel (ATF) to be brought under GST and to be classified as Declared Goods - A very high tax on ATF in the country is the most critical problem of the Aviation sector today. Cost of ATF in India is 40- 50% higher than international standards. More than 40% cost of Airline is on account of ATF. Rationalization of sales tax on ATF to a maximum 4% would address many problems.

7. Regional Connectivity: Improving Air connectivity to Tier II and Tier III cities is extremely important for the development of Domestic aviation market. Government must finalize the Civil Aviation Policy at the earliest.

8. Uncertainty in privatization of AAI Airports

There is total uncertainty in the privatization of six major airports, including those of Chennai and Kolkata, as the bidding has been deferred frequently and finally shelved. The Government had earlier proposed for entrusting the operation and management of 6 AAI major Airports to private companies under PPP mode. The AAI also issued Request for Qualification (RfQ) documents two years back and lot of work has been done on this account. This exercise was abruptly put on hold leaving uncertainty on the Government's intentions itself. The Government must speed up privatization of 6 AAI Airports without any further loss of time.

Above all the Government policy and regulatory frame work must be forward-looking and must be aligned with all stakeholders expectations. This will automatically address most of the problems of the sector.

Allowing 100% FDI in Airlines sector will solve the problem?

We are of the opinion that 100% FDI in airlines will help the Airline sector become more efficient, internationally competitive, more service quality driven, better managed, and passenger centric. Besides, it could be able to meet their

financial/ funding requirements to enable them to compete with international players and become global brands.

Will we see makeover of Airport limited for big cities or even satellite cities?

The Government of India has plans to build 200 low-cost airports in the next 20 years to connect tier-II and tier-III cities and has finished development work at 33 non-metro airports for increasing regional connectivity. As per various reports the Government also plans to construct 15 additional airports under the Greenfield airport policy by identifying the most suitable low cost viable model. As per the Union Budget 2016-17 AAI will develop 10 airports which are non functional now in smaller cities and towns to encourage air travel in the country to reach some remote places. AAI may opt to build these airports through public private partnership (PPP) model. There are also proposals to develop 60 airstrips which are belonging to various State Governments to provide Air connectivity to small and unviable towns and Satellite cities. However the success depends on the interest of respective State Government in extending various concessions and tax incentives and also the central government support in meeting the viability gap. It is expected to witness Airport makeover both in big cities and also in smaller and remote towns.

What are your expectations from central government? Any suggestions?

We expect from the central government certain some bold and key decisions on policy matters e.g.

- 1) The National Civil Aviation policy must be finalized and notified urgently
- 2) Regulatory decisions should be in synchronization with government policies and vision. Given the significant investment requirements envisaged in the airport sector, a Hybrid Till approach with maximum 30% revenue share will facilitate investment decisions from prospective investors and reduce regulatory uncertainties. This should be notified in the National Aviation policy to avoid any uncertainty in future.
- 3) Public Private Partnership is an important approach for development of Airport infrastructure in the country and hence all future major Airports development must be on the PPP Model. The

Kelkar Committee report on reforming PPP projects must be implemented urgently.

4) Funding constraints should be addressed and government must facilitate availability of Low cost loans/funds for a longer term to the Airport Operators.

5) Action on reduction of ATF prices and notify ATF as a " declared good " and rationalize the tax structure on ATF all across India at uniform rate of maximum 5%

6) New viable scheme for regional connectivity to be implemented

7) Action to abolish of 5/20 rule to be taken

8) Concession agreements to be fully adhered to and honored by all the Authorities.

9) The issues and challenges in land acquisition, environmental clearances, connecting infrastructure must be addressed on priority basis. Integrated approach must be adopted in such issues which require clearance of more than one ministry.

10) . All strategically located Major PPP Airports must be converted into aviation hubs. This will have multiple economic benefits and reduce costs.

11) The process of privatization of 6 AAI Airports which were started earlier must be expedited.

12) AAI being 100% Government owned should not participate in the bidding process on its own in new PPP Airport projects as it contradicts the very spirit of PPP model. Moreover, AAI being an instrumentality of MoCA, their participation in the bidding process leads to a conflict of interest situation. A clear policy to ensure AAI's does not participate as an individual entity/ bidder in new PPP Airport projects must be formulated.

What message you would like to share?

Indian Civil Aviation sector has a huge potential before it. The Government and industry must work closely to address the various opportunities and challenges in the Indian civil aviation sector. Certain bold policy reforms are required to take Indian Civil Aviation to the third position in the world by 2020. The PPP Airports are well positioned to take up the challenges and to be part of the mission.