

ASSOCIATION OF PRIVATE AIRPORT OPERATORS

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Mr. Oma Nand,
Under Secretary to the Government of India,
Ministry of Civil Aviation,
Government of India,
New Delhi 110 001

Subject: Developing Aviation Hubs in India

Dear Sir,

A kind reference is invited to the policy note on 'Developing Aviation Hubs in India'. We congratulate MoCA in notifying this policy note for stakeholder's consultation. We agree with MoCA that for the next stage of growth, one of the important contributing factors would be development of Indian Airports as major aviation hubs. Hub Airports are the face of a country, proving to be centers of great economic activity in many developed nations. Liberalization of Aviation sector has promoted new services globally and led to the boom of the global air travel. Air transport industry today is carrying the global exchange of passengers, goods and services across the globe. Aviation goes beyond the direct trade benefits. Many Airports in India are being modernized especially through the PPP model. The success of PPP projects in the Airport sector has provided much needed impetus to the Indian Government and the Airport operators to undertake both Greenfield and Brownfield airport development with confidence. Continued liberalization and the encouragement to private participation have led to availability of better passenger and cargo facilities besides increase in traffic growth, surpassing various forecasts. Liberalization added with the emergence of world class Airports in India offers an opportunity once again for the Airlines and Airports in India to create the HUB model for both International and Domestic operations. Most analysts consider Hub airports as most efficient, cost effective, reliable, safe, secured mode for transportation of passengers and cargo as compared to point to point model. Considering the enormous advantage it gives, we feel that this policy note is in the right direction since India is a late entrant looking for the Hub development where as other countries have already advanced much.

These recommendations are pivotal, not only to develop Aviation Hubs in India but by and large have a sustained robust growth in the aviation sector; whilst empowering the Indian air carriers and airport operators to compete with their international counterparts. Given the geographic spread and location of the country, developing 'Hubs' will always be an advantageous strategy for airlines as well as for the airports and the induced benefits to the other facilitating sectors. Although, the potential has been quantified as 45.6million passengers, unlocking this potential will depend not only on the hub product on offer, the competitor airlines and airports in the region but also the minimum timelines to execute

the said recommendations as there is a huge economic potential that can be harnessed by developing Hub airports in our country.

In this connection the effort taken by Ministry in identifying the bottlenecks and suggesting action plans is a step in the right direction. Even though the policy note explains most of the issues we feel the following points may further be considered while finalizing the policy note on developing aviation hubs in India.

1. It is observed that many of the regional airports are having international status. Granting international status to the small city airports by the Government will have adverse effect on the development of Indian Hubs which will dilute the traffic moving through the emerging Hubs at the same time it will not give benefits to the small city airports. Hence, access to foreign Airlines to the Non Hub Airports in India should be discouraged as it would be difficult in such cases to promote the Indian Airports as Hubs. It is also recommended that traffic rights to Tier II & Tier III cities should be ceased to International airlines. Indian carriers wishing to fly international destinations from Tier II & Tier III cities should fly via Indian Hub airports.
2. We need to acknowledge the fact that in the immediate future it may not be feasible to simultaneously create multiple international 'Hubs' in India. Therefore, the focus should be to develop all the PPP managed major airports like BIAL, CIAL, DIAL, GHIAL and MIAL which are strategically located for developing into Hub airports in India. As a first step MoCA should take immediate action to develop the two top most PPP airports in the country in terms of capacity, passenger throughput, geographically well connected and have maximum number of international connectivity i.e. Chhatrapati Shivaji International Airport (CSIA) - Mumbai and Indira Gandhi International Airport (IGIA) - Delhi as major International Hub Airports followed by other PPP managed airports Bengaluru International Airport (BIA) - Bangalore, Rajiv Gandhi International Airport (RGIA) - Hyderabad and Cochin International Airport (CIA) - Cochin into regional/international Hub Airports. The required infrastructure and vast land available today at all these Major PPP Airports will make it most convenient to develop Hub airports in India. All these airports are eminently qualified as international Hubs and the airport facilities are upgraded to the desired level including convenient connections to international and domestic passenger, airport related infrastructure such as Hotels, Shopping Malls, SEZ's, Golf Course, Convention Center, Conferencing, Entertainment facilities, Aircraft Maintenance Bases etc. Extra effort may not be required at this juncture to convert these airports into Hubs as all these airports have excellent facilities and have all the ingredients to make it good Hub airports. MoCA to initiate urgent and effective steps on converting these airports into Hubs at the first instance. It is suggested that a clear action plan may be laid down at the earliest without any further loss of time.

3. Developing a hub requires a well planned terminal design to enable efficient facilitation process for transit passengers and their baggage with minimum connecting time even at peak traffic interval. Indian Carriers have not been able to enjoy economies of scale by aligning their schedules to capture transfer traffic currently leaking out to Middle East and South-East Asian hubs. This severely limits the growth opportunities of Indian carriers to utilize traffic rights. Developing Hub airports in India will regain such loss of transfer traffic.
4. In India, there is an urgent need for faster immigration and custom clearances, improved and liberalized tourist Visa on arrival facility (for instance setting up more counters, qualified/trained staff for making the process simpler), improvement in transfer of registered bags between connecting flights to eliminate re check-in etc. Direct domestic transfers should be introduced in India. Passengers arriving from international sector may be allowed to proceed directly to parking bay where aircraft for domestic sector is parked. MoCA may initiate necessary actions urgently to take up this task.
5. Visa-on-arrival is an important proactive measure which the Ministry shall have to concentrate. Even though there is a suggestion on this policy to improve visa-on- arrival, we suggest that visa-on-arrival must be extended to all the friendly countries and it must also cover their short stay. Coordination with the Tourism Department is a must to enhance the convenience of passenger on this account. The overall process for issuance of tourist visa to India also needs to be simplified. It is suggested that Government should revisit the visa rule and give transit visa to passengers for a minimum 24 hours and maximum 96 hours, allowing them to leave the airport and visit the city. This would encourage passengers to transit via Indian Hubs as they can experience the city during their stay. State tourism will play a vital role for a 1-2 day city or state tours. This will help in promoting tourism and will contribute towards more foreign exchange earnings.
6. Currency conversion procedure should be liberalized to facilitate for comfort and convenience for passenger segment that is transferring from hub airports and not terminating at an international airport in India. This recommendation is not enough as it only has a partial benefit to the international incoming passengers. APAO has submitted detailed representation to MoCA, RBI and Ministry of Finance on this account. We have suggested that international passport holders should be allowed to carry with certain limit, the Indian rupee in the Security Hold Area (SHA) where Retail Outlets i.e. shops/establishments /duty free items for purchase are available. We have also suggested that ATM facility may also be made available beyond immigration check point to facilitate money transactions at this area to give more convenience and comfort to passengers.

In the policy note the issue regarding incoming passengers has been addressed but the outgoing passengers are also subject to lot of inconvenience due to restriction in currency conversion at airports. We suggest that Ministry should take up the issue with Ministry of Finance to remove the present restrictions in the currency conversion at SIIA area for outgoing passengers as well. Foreign passport holders should be permitted to buy goods in duty free shops using Indian currency without any restriction. It may also be considered for setting up foreign currency conversion centre even beyond the check-in point and post custom area and allow foreigners to convert Indian Rupee into foreign currency. This is an urgent item to be addressed by the Ministry for making the Indian Airports as International Hubs.

7. Cost of Aviation Turbine Fuel (ATF) in India is almost twice when compared with our neighboring countries. Airlines operating outside India are inadvertently enjoying cheaper fuels. This reflects directly increase in operating profits enjoyed by these carriers, who under-cut competition by selling seats at cheaper prices, effectively taking away passengers who would have flown with an Indian carrier. Today uniform ATF prices are not available throughout the country. The policy note reveals that the sales tax reduction on ATF to uniform 4% across 6 metro airports will cost the exchequer annual revenue of Rs. 1,500 crore and the loss is more than compensated by generation of economic benefit of around Rs. 40,000 crore. It is disheartened to note that in spite of huge benefit, the ATF prices are not made uniform across the country. Perhaps Ministry should highlight this aspect with more justification and proof to convince the Ministry of Finance to approve ATF as a 'Declared Goods' and reduce the sales tax on ATF and also frame uniform tax structure across the country.
8. APAO has already represented to the Ministry that service tax on air ticket should not be levied. We agree with Ministry that service tax on air travel in India is not conducive for the growth of the aviation sector and should be exempted from service tax net. The loss on account of removing service tax will be more than compensated by generation of economic benefit. This needs to be addressed urgently by MoCA.
9. Even though world class infrastructure has been set up in all PPP Airports, the efficiency and convenience of staff is compromised on account of involvement of external agencies and numerous activities. We request the Ministry to streamline the procedures such as issuance of transit card, screening of transfer passengers, dealing with transfer baggage etc. Transfer of passengers and their baggage should be made simple and easy so that the transit of passengers should be hassle free. Requirement of taking multiple boarding passes, multiple security check etc. must be totally eliminated. E-passport will help in a big way.

10. Setting up of high speed railway/road connectivity from airport to nearby city for feeding the airport and handling the passenger flows is very essential. This will also facilitate the infrastructure inter-linkage between road, rail and air, thus facilitate common/efficient handling of baggage. Dedicated high speed rail link must also be available to upgrade the airport into a Hub. Cargo air/rail links is also a must. Automated guide way transit system is also vital for a Hub Airport. We submit that Ministry should take urgent action to speed up this integrated connectivity to make Hub airports a successful venture.
11. India doesn't have a major home grown carrier to facilitate the development of Hub Airports. It will be difficult to implement the Hub concept in such a situation. Hub airport should have a Hub carrier to make it successful. In order to overcome this weakness of the Indian carrier, the government should facilitate the major Indian carriers to associate with alliances. The airport operator should have the prerogative to prioritize the Hub carrier to allow the usage of various infrastructure facilities, including slots
12. It is observed that there is no clear timelines for action plans designed in the proposal to develop the Hub airports in Indian scenario. We suggest that the Ministry should formulate a specific actionable points/action plans with definite timelines for development of Hub airports in India.
13. The policy note has suggested that a coordination mechanism is required for faster decision making. It has also been suggested that an executive body with representation from all the stakeholders to be set up at an appropriate level in the Government to coordinate the development of tourism and promotion of 'Brand India'. While we appreciate that this approach will help to develop tourism, we suggest that this proposal is not enough. It is a fact that the development of Hub airports is not possible only with the support of airports alone. Other stakeholders connected with air transport system such as State Government, Ministry of Railways, Ministry of Road Transport, Ministry of Environment, Ministry of Finance and most importantly Ministry of Tourism are involved. In order to coordinate the activities of all the agencies both in government and outside the government involved directly and indirectly in setting up and operation of Hub airports in India, there is a need for an inter-ministerial group as set up by the Ministry similar to the policy on Air Cargo Logistic in India with recommendatory power to oversee the Hub development. This can be chaired by Secretary, Ministry of Civil Aviation. Ministry of Civil Aviation can also liaise with the state governments in order to ensure provision of all essential services and basic facilities to the Hub airports
14. APAO has already submitted to the Ministry that Indian carrier should not be in a disadvantageous position in the bilateral agreements and negotiations. There are still restrictions for Indian carrier to become eligible for flying outside. The restrictions for e.g. minimum 5 year experience and 20 aircraft for getting an

international license, the barriers for commercial operations should be removed. There should not be a situation where our own rules and regulations are hindrance to Indian Civil Aviation growth. During ICAN conference held at Mumbai where Decisions were taken "not to grant any additional rights to Middle Eastern carriers, unless all domestic Indian carriers are able to compete by first utilizing the existing rights available" is a welcome change as the same safe guards the interest of the airlines and airport operators. At present only airlines along with MOCA are participating in bilateral air service negotiations. Airport operators are making huge investments in building the airport infrastructure therefore it is paramount to include airport operators not only in IMG meetings but also during Bilateral air service negotiations. Hence, we request MoCA to include airport operators during the bilateral air services negotiations.

15. Traffic rights allocation should not be linked to the perception of non availability of slots at respective airports as slots are available at different times of the day. Traffic rights to the Indian carriers wishing to fly international should be allocated within definitive timelines

In terms of user benefits Hub network gives a positive network externality. The Hub markets will compete with direct links and also divert passengers away from congested Hubs to less congested Hubs. As far as passengers are concerned the Hub network gives more frequency and variety of choices. Hub Airports gives easy and quick transfer facility. Lot of economic activities is possible in the Hub airports as the number of passenger transiting through Hubs will be much greater. There would be a substantial increase of commercial activities due to the transit customers utilizing the time gap between their flights of arrival and departure for meetings, sightseeing, shopping etc. When large numbers of international and domestic flights are landing in a particular HUB Airport it could be an opportunity to setup maintenance and repair centre, to undertake the overhauling/repair of aircraft (MRO). The employment opportunity for direct employment as well as indirect is expected to be manifold. Trade and Tourism industry will also get big boosting. This will drive the Airport operators to provide better and bigger capacity in the Aeronautical side. There are also a number of significant economic and social benefits on the society on account of HUB Airports. Apart from providing numerous travel options for the consumer and connecting small communities to distant markets and the global market place they generate significant revenues, jobs and FDI for the country.

There are inherent procedural bottlenecks prevalent in the system mostly of pre-liberalization era when the PPP airports were not in existence. Serious efforts are required to identify and remove such bottlenecks. A coordinated effort from all stakeholders is a must to develop Hubs in India without any further loss of time. To summarize we submit that the policy note do not have a definite action plan with fixed timelines to take the issue forward and develop major Indian Airports into International Hub Airports. We suggest that the Ministry spell out its clear action plans with specific timelines and milestones to develop major Airports in India into international Hub airports.

We hope that Ministry will take into account our submissions while finalizing the Hub Policy. We will be happy to provide any further information/clarification if required.

Yours Sincerely
For Association of Private Airport Operators



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