

Draft aviation policy is very much work-in-progress

A draft policy, by its very nature, is something upon which comments are invited and, in the case of the one on aviation, the ministry has said 6 to 7 groups of experts would be constituted to interact with stakeholders after inputs are received over the next 3 weeks. Involving experts and detailed interaction with stakeholders is to be welcomed, but it would have been better if the draft aviation policy had been accompanied by a discussion paper to help guide comments. The government has reiterated its commitment to enhancing regional connectivity and reviewing the route dispersal guidelines (RDG)—which state the share of non-trunk routes that have to be flown today—but some facts on how the RDG has fared would have helped. In the past, the aviation ministry had proposed a points system to fly on regional routes using smaller aircraft, and especially to 87 ‘incentive destinations’. The proposal was slammed by most airlines since the government wanted the share of regional routes to be increased from the 33% or so level right now to 50% by 2016, but one possibility would have been to use the points system more imaginatively. One solution would be to use this points system as an incentive instead of as a penalty—so, instead of forcing airlines to fly half their capacity on regional routes (with extra weights being given if smaller aircraft are used or if the destination towns are flown to), a better idea would be to link this with allowing airlines to fly abroad. So, while relaxing the 5/20 rule, allow young airlines to fly more overseas if they fly more on the regional routes.

Another possibility would be to go back to the Essential Air Services Fund (EASF) suggested by the Naresh Chandra committee more than a decade ago. Charge a cess on all aviation travel and use this fund to incentivise airlines to fly on non-trunk routes. The fund could be used in a variety of ways. With various state governments reducing their ATF taxes—one of the avowed aims of the draft aviation policy—if airlines fly to smaller towns, there has been a surge in such flights. SpiceJet, for instance, has launched a Kolkata-Bagdogra-Kathmandu flight in place of a Kolkata-Kathmandu one in order to take advantage of the zero-VAT ATF regime in Bagdogra. So, apart from encouraging states to follow suit—and putting out data on the response to such moves by some states—the EASF could be used to defray ATF levies in regional centres.

The draft policy does well to talk of corporatising and listing Airports Authority of India as this increases the ability of AAI to access more funds from equity markets and to use this to finance more PPP airports – the level of transparency listing demands will also help. It is unfortunate that yet another expert committee is to be set up to develop a future roadmap for Air India since, ideally speaking, it should be part of the list of sick PSUs finance minister Arun Jaitley has said he is open to privatising. Hopefully, by the time the consultations are over, a more practical aviation policy will emerge.

Still circling in the sky

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