REGIONAL CONNECTIVITY SCHEME (RCS) BY MINISTRY OF CIVIL AVIATION

No level playing field – Ground in favour of private players

Govt assures infrastructure creation/support, free use of infrastructure, concession, assured business, tax rebate, monopoly, bearing partial cost, etc for private airliners.

National Carrier Air India not provided with these supports for operating loss making routes.

Will Govt extend these kinds of support to common man transport mode Indian Railways?

In airways Government is implementing the policy of enhancing the regional connectivity through fiscal support & infrastructure development. Government says that, every Rs.100 spent on air transport contributes Rs.325 worth of benefit and every 100 direct jobs in air transport result in 610 jobs in the economy as a whole. Objectives of RCS are supporting airline operators through concession by central & state Government and by Viability Gap funding (VGF). Distance between origin & destination air ports should not be less than 150 km not more than 500 km. For RCS Government has identified 16 underserved airports, which are having no more 7 commercial flights departures per week and 398 unserved airports which are having no scheduled commercial flight during the last two flight schedule approved by DGCA.

Central & State Governments and Airport operators mandatorily extend concession & support to make the RCS viable and profitable to private airline operators. As per the policy of RCS, concession offered by Central Government are 1) excise duty for Aviation Turbine Fuel (ATF) will be charged 2% only, upon transition to GST exemption / concession ideally be continued, 2) concession on service tax on tickets and 3) Airline operator will have the freedom to enter into code sharing with domestic as well as international airlines.

Concession / support offered by State Governments are 1) Reduction of VAT to 1% for a period of 10 years - in GST concession to be continued, 2) creation of fuelling infrastructure, 3) provision of minimum load, 4) if required free of cost development of RCS airports, 5) ensuring multimodal connectivity to RCS airports, 6) provision of security & fire services free of cost, 7) provision of electricity, water and other utility services at substantially concessional rates and 8) provision of share (20%) towards VGF. Apart from these concession & support State Governments are allowed to offer any additional concessions / incentives.

Concession offered by Airport operators to airline operators are 1) fully exempted from landing & parking charge or any other charge, 2) airline operators are allowed to undertake ground handling, 3) AAI shall not levy any terminal navigation landing charge (TNLC) and 4) Route Navigation & Facilitation Charges (RNFC) by AAI on a discounted basis of 42.5%.

Incentive offered for Cargo operation in RCS are 1) excise duty for Aviation turbine fuel 2% only, upon transition to GST exemption / concession ideally be continued, 2) No landing & parking charge or any other charge and 3) no TNLC charge & RNFC on a discounted basis of 42.5%.

Tenure of Scheme will be 10 years. Tenure of VGF support will be 3 years from the date of commencement of operations or 7 years from the date of notification of the scheme.

Furthermore concession extended, airfare will not be subjected to any levies or charges imposed by airport operators, service tax at the rate 10% of taxable value, service tax component on tickets will be reimbursed, airfare will be indexed by inflation based on CPI-IW. More importantly selected airline operators will be granted 'exclusivity period' in specified routes and no other airline operator will be allowed to operate in that route for a period of 3 years.

50% of seating capacity (minimum 9 seats, maximum 40 seats for fixed wing aircraft) has to be charged with price cap that will be compensated through VGF. Price cap on air fare will be in the range of Rs.1420 for 150 km, Rs.2500 for 500 km and Rs.3500 for 800 km. Remaining 50% of seating capacity can be charged at the rate of private airliners. Every month private air operators will be reimbursed with VGF ranges from Rs. 2350 to Rs. 5900 per seat depends on the distance travelled or time of travel and will be disbursed even to unoccupied & cancelled tickets.

Improving Air India compromised

Government has decided to develop & operate air ports at substantially lower cost to promote the regional connectivity in addition to Viability Gap Funding (VGF) and assured business for private airliners. But, at the same time it is the fact that over many years Air India/Indian Air lines operated many routes which are financially not viable till today, not only domestic routes even some of the international routes are bringing loss. Air India has accumulated loss of more than Rs 50,000 crore and it is being said that the airline is surviving on taxpayers' money, but loss making routes served by Government Airliner are not quantified and compensated.

Air India neither overstaffed nor its staff cost is high, there are about 112 employees per aircraft in Air India, Jet Airways have more than Air India ratio while Indigo the market leader have little less. Air India's employee costs is around 12 percent of its overall cost structure compared to market leader IndiGo which had 11 percent of its costs as employee costs. A professional & efficient management along with political wisdom can easily make the turnaround for Air India instead of disinvestment, which will ultimately end up in profitable activities at the hands of private players and loss making activities left with Air India further burdening the national carrier.

Indian Railways - Common man transport does not get deserved Government support

Indian Railways charges 16.4 paise/passenger km, 19.92 paise/passenger km and 45.2 paise/passenger km in suburban, second class ordinary and sleeper class (express) respectively. IR neither allowed to increase its fare in proportion to increase in fuel cost, nor allowed to index the fare based on inflation.

In the year 2015-16 IR carried 810 crore passengers & 110 crore tonnes of freight, Net social Service obligation born by Indian Railways in 2015-16 is Rs. 27,030 crore (18.2% of working expenses). Law & order cost born by Railways is Rs. 3850 crore. The main elements of Social Service Obligation are 1) Essential Commodities carried below cost; 2) Passenger and Other Coaching services; 3) Operation of Uneconomic Branch Lines; and 4) New Lines opened for Traffic during the last 15 years. Suburban services in Metro cities contribute Rs.5200 crore loss. All these costs are not compensated by Government to Railways.

Indian Railway is having its own setup of RPF with strong 76,500 staff. There are 38,000 Government Railway Police (GRP) available for the states to carry out their constitutional obligation of protecting Railway properties, law & order maintenance, etc. Railway has to bear 50% cost of GRP.

Creation of permanent way, bridges, signal & communication system, traction, stations, service buildings etc and their maintenance, manufacturing & maintenance of rolling stock & locomotives, all peripheral services like policing, catering, linen management, housekeeping etc are entirely managed by Indian Railways. So far Government has compensated the losses occurred due to the operation of strategic routes and from this financial year Railways need not to pay the dividend to central exchequer.

Through RCS Government is going to extend all possible support & subsidy to the private airline operators from tax payers' money, the policy of rob Paul & pay Peter should be stopped.

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Chennai Airport charges for domestic for FY 2014-15

1. VAT for ATF 29%. (State Governments levied VAT ranging from 16% to 29% on ATF)
2. Route Navigation Facility Charges (RNFC) Rs.4620 indexed by distance factor and weight factor.
3. Terminal Navigation Landing Charge (TNLC) for aircraft weighing below 10,000 kg Rs.1087.90 and Rs.6546.10 for aircrafts weighing above 10,000 kg
4. Civil enclaves

Weight of Aircraft	(Amount in Rs.)
Upto 10,000 kgs	Rs.9.90 per 1,000 kgs
10,001 kgs to 20,000 kgs	Rs. 99/- Plus Rs. 15.40/- per 1,000 kgs in excess of 10,000 kgs
Over 20,000 kgs	Rs. 253/- Plus Rs. 30.80 per 1,000 kgs in excess of 20,000 kgs

5. Landing charge for single landing Rs.312.50 per MT up to 100 MT and Rs.419.90 per MT in excess of 100 MT.
6. Parking charges per MT per hour is Rs.8.40 per MT upto 100 MT and Rs.11.10 per MT per hour in excess of 100 MT. Parking charge starts after first two hours.
7. Housing charges per MT per hour is Rs.16.70 per MT upto 100 MT and Rs.22.20 per MT per hour in excess of 100 MT.
8. User development fee Rs.166 per embarking passenger.
9. Fuel throughput charge per kilo liter of fuel Rs.1698.93.
10. Passenger service fee security Rs.130 per departing passenger.