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By P.R. Sanjai



Policy prescription: Former RBI deputy governor Rakesh Mohan. Photo by Abhijit Bhatlekar/Mint.

Mumbai: A government committee has called for better coordination among agencies developing transport infrastructure, to enable seamless connectivity for passengers and cargo using Indian airports, thus making them more viable.

In a report released this week, the committee headed by former Reserve Bank of India deputy governor Rakesh Mohan said that road development agencies of the Centre and states as well as the railways should work together to provide connectivity to airports.

Policy prescription:

Traffic should be redistributed beyond the top 10 airports with the help of regional airlines, the report also suggested. Currently, 70% of the traffic is handled by the six metro airports of the country. The report envisaged a total investment of more than Rs 3.7 trillion crore for Indian airports to upgrade their infrastructure by 2031-32.

The Rakesh Mohan committee has recommended foreign direct investment (FDI) by foreign airlines in local carriers that have combined operational losses of Rs 26,000 crore and \$20 billion of accumulated debt. *Mint* has reviewed the report.

The group chaired by Mohan was set up in February 2010 as the National Transport Development Policy Committee (NTDPC). Its brief included assessing transport requirements in India over the next two decades, and to recommend a comprehensive and sustainable policy for meeting these requirements.

“Intermodal connectivity is only one of the parameters that needs to be considered to improve the health of the airports,” said Bharat Mahadevan, who till recently was regional manager for north-east Asia at Jet Airways (India) Ltd.

“One must understand that air travel in India is on a ‘need-to’ basis. So unless the aviation policy looks at generating air travel demand in the country with various other measures—reducing airport taxes, reducing taxes on fuel etc.—intermodal connectivity alone will have little impact,” Mahadevan said.

Another senior consultant, requesting anonymity, said many such reports have been drawn up, but no action has been taken to improve the health of Indian airlines and airports. He expected this report to meet the same fate.

The report points out that airports cannot be built in isolation, and there is a need for seamless coordination with other state agencies to develop ground support and logistics to improve connectivity.

“Appropriate access through road connectivity is an essential part of airport infrastructure. Total investment of Rs 3,77,275 crore has been estimated for airport infrastructure development work by 2031-32. This investment would result in creation of additional passenger capacity of 1,086 mppa (million passengers per annum). This additional capacity will help in catering to the forecasted passenger traffic of 1,144 mppa by 2031-32 in a seamless and safe manner,” the report said.

The committee said policies must encourage and incentivize redistribution of traffic beyond the top 10 airports. Coupled with a policy to promote regional airlines in the country, this approach could potentially help more remote areas participate in economic growth, it said. The report also said there was a pressing need to augment off-airport cargo processing facilities on the lines of Container Freight Stations/Inland Container Depots for maritime cargo, so that congestion and delays in cargo terminals at airports can be reduced.

Air cargo terminals attached to airports could at best be a transit point if availability of space is an issue, it said. Significantly, the air cargo volume of all Indian airports put together is less than that handled by individual airports such as Hong Kong, Memphis, Shanghai and Paris. The report also discussed tax rationalization for jet fuel to bring prices on a par with those in other countries.

The recent rally in airline stocks was mainly led by anticipation of FDI (by foreign carriers) and reduction in sales tax on aviation turbine fuel (ATF), wrote senior analyst Rashesh Shah at domestic brokerage ICICI Securities Ltd in a 20 June report. “The cabinet was supposed to take up this issue by May- end in this fiscal. However, nothing has come so far. Still, in our view, only allowing FDI by foreign carriers (if allowed) by itself would not help much to cure the ills of the sector over the medium term unless the sector fundamentals are set right first through policy changes with respect to taxes on ATF, free pricing, etc,” Shah wrote. The committee estimates that domestic air traffic on scheduled carriers in India in 2020-21 is set to cross 164 million passengers compared with 54 million in 2010-11. International passenger traffic by 2020-21 will be 92 million, 2.4 times higher than the traffic of 38 million in 2010-11.

“Forecast for 2030-31 reveals that domestic air passengers to be carried in India will be 438 million and that of international passengers will be 217 million,” the Rakesh Mohan report added.

pr.sanjai@livemint.com