

Press Briefing
27th April 2017

Regional Connectivity Scheme - UDAN (*Ude Desh ka Aam Naagrik*)

Routes awarded under Regional Connectivity Scheme- UDAN

UDAN's rationale

Ministry of Civil Aviation (MoCA or the Ministry) is committed to providing air connectivity to currently underserved and unserved airports. As more citizens join the aviation network, the national aviation market, already one of the fastest growing markets in the world, is expected to welcome many first-to-fly customers. To make air travel accessible to citizens in the regionally important cities, the Ministry launched '*Ude Deshka Aam Naagrik*' (UDAN) Regional Connectivity Scheme in October 2016.

Extensive consultations with stakeholders

UDAN was developed through extensive consideration of various issues and consultations with stakeholders. This is a first-of-its-kind scheme globally to stimulate regional connectivity through a market-based mechanism. The diversity of these proposals indicates that a variety of business models may thrive in India's aviation sector.

Key UDAN features

The airfare for a one hour journey of appx. 500 km on a fixed wing aircraft or for a 30 minute journey on a helicopter would be capped at Rs. 2,500, with proportionate pricing for routes of different stage lengths / flight duration. The selected airline operator would have to provide 50% of the flight capacity (subject to a minimum of 9 and a maximum of 40) as RCS Seats for operations through fixed wing aircraft and a minimum of 5 and a maximum of 13 RCS Seats on the RCS Flights for operations through helicopters and would be given a three years exclusivity of operations. To reduce the cost of operations of airlines on flying such routes, a financial stimulus in the form of concessions from Central and State government, airport operators and the Viability Gap Funding to the interested airlines would be provided to kick-off operations from such airports, so that the passenger fares are kept affordable. State Government will provide a certain share of VGF (20% for States other than North-East States where the ratio will be 10% of VGF determined). In this regard, till now 19 States and 3 UTs have signed MoU whereas 5 more States have given consent to sign MoU.

Bidding process

UDAN is a key component of the National Civil Aviation Policy (NCAP) which was released by the Ministry on 15th June 2016. AAI followed a transparent bidding process by inviting interested bidders/airline operators to submit their Initial Proposals under the provisions of Regional Connectivity Scheme and subsequently inviting counter proposals against such Initial Proposals. This was followed by the opening and scrutiny of technical bids, and subsequently financial bids, for Initial Proposals as well as Counter Proposals. The routes /

networks are awarded to bidders who submitted valid proposals and quoted the lowest viability gap funding(VGF) from the government for such routes / networks.

Airports Authority of India (AAI), the implementing agency, have issued Letter of Awards for 27 proposals received under RCS-UDAN. Key features of the proposals awarded by AAI include:

- **Airports to be connected:** 27 currently served airports, 12 currently underserved airports and 31 currently unserved airports (for a total of 70 airports) will be connected through these 27 proposals.
- **Geographical spread:** There is a good geographical spread in the proposals: 24 airports in the western, 17 in north, 11 in south, 12 in east and 6 in north-eastern regions are proposed to be connected. 22 states and 2 Union Territories will be connected through these 27 proposals.
- **Routes and network:** 16 awarded proposals are for single routes (connecting two cities) and 11 are for networks (connecting three or more cities). Six proposals have been bid with zero viability gap funding (VGF) reflecting the fact that there is potential latent demand.
- **VGF Outflow:** 27 proposals will required a VGF of around Rs. 200 crores and will provide around 6.5 lakh RCS seats.

Effective implementation

To ensure effective implementation of the Scheme and quick commencement of operations, MoCA and AAI, in parallel, are also undertaking a number of activities such as coordinating with various regulatory agencies like Directorate General of Civil Aviation (DGCA), Bureau of Civil Aviation Security of India (BCAS) and the State Governments for various facilitating actions.

RCS Flights take Off

On 27th April, 2017 Hon'ble PM would be flagging off the first UDAN flight under RCS on Shimla-Delhi sector. Simultaneously Hon'ble PM will also flag off the inaugural UDAN flights on Kaddapa – Hyderabad and Nanded-Hyderabad sectors.
