

“Dedicated Airline For North East Region”



by



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Introduction

- NE comprises of eight states – Assam, Meghalaya, Nagaland, Mizoram and Arunachal Pradesh (latter four carved out of former Assam province and NEFA) alongwith erstwhile princely states of Manipur, Tripura and Sikkim.
- Area – 2.62 lakh Sq Km ; Population – 39.04 million (2001 census).
- Largely hilly and mountainous with three valleys – Brahmaputra, Imphal and Barak.
- 98 % of NE borders i.e., roughly 8000 Km long international boundary, with Bhutan, China, Myanmar and Bangladesh.

Introduction

- NE Region faces connectivity constraints.
- Connected by land to the rest of the country only through Chicken Neck Corridor of North Bengal.
- During Monsoon – Region gets cut off & on, due to submergence of both Road and Rail links.
- Presently, NE Region reasonably connected by Air with the rest of the country due to **Mandatory Route Dispersal Guidelines, 1994.**
- Intra-Regional Air Connectivity ?



Vital Role of Air Connectivity

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- **No worthwhile inland waterways except limited navigation in Brahmaputra and Barak rivers.**
- **No Railway network except in Assam.**
- **Road transportation involves heavy capital outlay and long gestation.**

Vital Role of Air Connectivity

- **Heavy Rainfall for 04 Months – Frequent Landslides & disruption in road movement.**
- **Insurgency – Frequent bandhs/blockades.**
- **Poor maintenance of the existing road network.**
- **Intra – Regional Air Connectivity : Crucial for Socio-economic development of the Region.**



Background

Background

- Improving Air Connectivity in NE Region – received Special attention of Government over the years.
- Specific studies on subject made by Ministry of Civil Aviation in 1986 and 1998.
- In early 70's, only Indian Airlines operated in NE – connecting 14

locations:

Agartala	Baghdogra	Dibrugarh	Dimapur
Guwahati	Imphal	Jorhat	Lilabari
Silchar	Tezu	Kamalpur	Kailasahar
Mohanbari	Khowai		

- Kailasahar, Kamalpur, Khowai and Mohanbari were delinked in 1974 to prune uneconomic routes.

Background

- **Vayudoot Airlines set up in 1981, pursuant to recommendations of National Transport Policy Committee.**
 - Initially operated F-27 aircraft (40+ seater Turbo-prop).
 - Fleet augmentation with Dornier aircraft (19 seater :Turbo-prop).
- **Vayudoot operations (during 1985 – 86) linked 17 locations in NER.**
- **Fast Expansion of Vayudoot – connecting 85 stations outside NE.**
 - Resulting in Management & Financial problems.
- **Became subsidiary of Indian Airlines – new incarnation – Alliance Air.**

Background

- **Alliance Air – NEC MoU of August 2002.**
 - Guwahati to be Hub.
 - 04 ATR aircraft (40+ seater Turbo-prop) – for connectivity in the Region.
 - NEC to give cash subsidy of Rs. 35 crore per annum.
- **NEC has released Rs. 175 crores without commensurate benefits.**
- **Guwahati did not materialize as a Hub.**
- **Alliance Air operations continued to emanate from Kolkata, negating the objective laid down in the MoU.**
- **Though Alliance Air has lately increased services in NE. However, only 30 % of its total operations are in NE, the remaining 70% are beyond NER.**

Background

- At present only 12 operational airports, as below :

Agartala	Aizwal	Baghdogra	Dibrugarh	Dimapur
Guwahati	Imphal	Jorhat	Lilabari	Shillong
Silchar	Tezpur			

- The above airports (except Shillong) are being operated by Boeing 737 and Airbus – 320 aircraft. Shillong with obstacle in front of the runway can handle only upto ATR-42 type of aircraft.

- Out of 11 non-operational airports in NER, following 05 can within six months become operational with limited repairs:

Kamalpur	<u>Along</u>	<u>Daporizo</u>	<u>Ziro</u>	Tura
(Tripura)	(Arunachal Pradesh)			(Meghalaya)

Background

- Another six (06) non-operational airports Rupsi (Assam), Shella (Meghalaya), Kailashahar & Khowai (Tripura), Passighat & Tezu (Arunachal Pradesh) could also become serviceable after strengthening of runways and extensive repair within a year.

- **Absence of dedicated airline, based in NER, focused operations in the region at affordable cost, having right aircraft type – main stumbling block.**

- Inter-linking capital towns of States also not materialized till now.



Present Position

Present Position

- **NEC Meeting June 2005 – The Council decided to explore possibility of establishing a dedicated airline for the North East, based on Public-Private partnership.**
- **Delhi based reputed NGO- FAST (Foundation for Aviation and Sustainable Tourism) commissioned by NEC to carry out techno-economic study with comprehensive terms of reference.**
- **Study report submitted in Apr-May 2006.**
- **Union Minister, DoNER constituted a committee on 07 October, 2006, headed by the Governor of Manipur, with following members:**
 - **DGCA**
 - **Joint Secretary / Ministry of Civil Aviation**
 - **Member Planning (AAI)**
 - **Secretary NEC**

Present position

- The Committee, in its interim Report suggested two (02) options:
 - Public Private Partnership model – a joint venture airline allowing the private operator majority share holding (74%). NEC to hold balance (26%) stake.
 - Reverse Bidding Agreement (minimum subsidy route).
- In both cases, NEC to lay down the following parameters :
 - Routes to be flown.
 - Frequencies per week.
 - Type of Aircraft.
 - Fares to be charged.
 - Liquidated damages to be paid for non performance.
 - Mechanism to resolve disputes.

Present Position

- To ensure transparency and fair play - the Committee further recommended Issue of Public Notice for Expression of Interest.
- Shortlisted entities to submit Technical and Financial Bids.
- Above proposals of the Committee were considered as agenda item, in NEC meeting held on 16th Nov, 2006.
- Meanwhile, Alliance Air requested Ministry of DoNER for Extension of Agreement with NEC (ending 31st Dec, 2007):
 - With enhanced cash subsidy of Rs 40 crore per annum in First Phase and Rs 68 crore in Second Phase.
- Proposal from ILFS (Infrastructure Leasing and Finance Services) to Ministry of DoNER:
 - To set up dedicated airline in NER with operations entirely focused in the Region.
 - One time support of Rs 33 crore as Capital Grant or Loan.

Present Position

➤ Meeting Union Minister, DoNER – 09 Apr, 2007:

- Decided to issue Public Notice calling for Expression of Interest from domestic airline operators.
- Technical and Financial Bids from shortlisted entities to be evaluated by a Committee.
- Chairman NEC to consider recommendations of the said Committee.



Way Forward



Way Forward

➤ **Priority:**

- Issue of public notice for expression of interest.
- Call for technical and Financial bids from shortlisted entities.
- Finalization of entity / operator, for dedicated operations in NER.

Way Forward

➤ **The selected entity / airline should be based in North East and its operations dedicated to the Region with following objectives:**

- Improve intra-region Air connectivity.
- Connecting 11 other airports within one year.
- Inter linkage of State Capitals on daily or alternate day (depending on traffic).
- Pathfinder for future locations.

Way Forward

➤ Operations - Hub and Spoke model:

- Guwahati to be initial Hub.
- Sub-Hub could be established at Imphal / Agartala
- Agartala has Night Landing facility, Imphal will have it by December, 2007.
- Smooth and Expanded Intra-Region Connectivity.

Way Forward

➤ Key issues:

- Type of aircraft – Short haul, Short Take Off and Landing (STOL), Turbo-prop with a seating capacity of 15 to 20.
- Eleven (11) non-operational airports of North East to be expeditiously made serviceable.
- Green – field airports at Kohima, Gangtok, Itanagar, Tawang and Kokrajar – construction to be taken up expeditiously & timebound schedule.

Thank You!