



UDAN: Regional Connectivity Scheme

Civil Aviation in India has grown significantly over the last two decades. However, the growth is largely concentrated on select routes and sectors. As a result, parts of the country are devoid of market-generated supply of Air Services. Fostering air connectivity and developing the regional aviation market would enable regional passengers move to the national aviation market and contribute to a more equitable growth in economic activity. This would enhance economic development and nurture a networked economy. Such services increase efficiency of business and trade, increase employment opportunities, unlock India's tourism potential, enable fast medical services in remote areas and benefit the country as a whole.

The National Civil Aviation Policy (NCAP), 2016 laid down a target of 30 crore domestic ticketing by the year 2022. The extrapolated growth at that time showed that only 17 crore could be achieved. Regional connectivity scheme



was formulated by Ministry of Civil Aviation in October 2016 with to fill this gap. RCS-UDAN [Regional Connectivity Scheme-Ude Desh ka Aam Nagrik] was conceptualized by Ministry of Civil Aviation (MoCA) to enhance regional connectivity in an affordable and economically sustainable manner.

Introduction and implementation took time. Routes were operationalised in a staggered manner and a significant impact could be created from April, 2018. The extrapolation of ticketing figures till FY 2019 showed that 22.5 crore ticketing could be achieved by FY-2022, which is still short of the 30 crore target. RCS is geared to fill this gap, by bringing new areas on the aviation map of the country.

UDAN involves an yearly bidding process wherein airlines bid for routes connecting underserved and unserved airports. To incentivize operations on these routes, airlines are provided viability gap funding (VGF) support on some of the seats. Other concessions, such as reduced VAT and excise duty on Aviation Turbine Fuel (ATF), waivers on airport charges, etc. are provided to rationalize their costs through voluntary collaboration among Central, State and UT governments and airport operators.

To make air travel affordable, there is a cap on airfare on seats for which VGF support is provided. Primary guiding principles of UDAN include:

- a) **Self-financing & sustainable:** Funded through a nominal levy charged on certain domestic routes, it creates a circular economy wherein funds from the sector are used to benefit the sector itself. The airlines are willing participants as they recognize the larger benefits of regional connectivity.
- b) **State Government buy-in and cooperative federalism:** The State/UT Governments have voluntarily extended support to reap the benefits of UDAN.
- c) **Market driven mechanism:** Airlines are allowed to bid for routes and form their own networks so that it is amenable to their existing operations and assessments of demand.
- d) **Sustainability in operations:** VGF support is only for a 3-year period (sunset clause). Airlines are encouraged to experiment with market determined airfares on some of the seats so that routes can commercially take-off after the support period.

A robust institutional mechanism was formed to implement the scheme. A Steering Committee having representatives of Ministry of Tourism, Ministry of DONER and State Governments reviews the scheme from time to time and suggests course correction. An RCS Cell has been created for overall implementation and day to day monitoring of the Scheme. Regional Air Connectivity Fund Trust (RACFT) has been created to manage the funds. It oversees the receipt of RCS levy from airlines, States share of VGF and its disbursement to airlines.

A transparent online platform has been established for operationalizing the Scheme. This platform facilitates timely information sharing, enables levy collection and real time data monitoring, expedites reporting processes and provides airlines with a platform for undertaking a transparent two-stage e-bidding process.

Technological integration supports effective execution. Periodic monitoring of airport infrastructure and training of security personnel for smooth implementation of UDAN is done through regular interactions with State Governments. Airport management information system (AMIS) generates operating data for the airlines. It facilitates timely and accurate billing by the airlines.

To ensure robust internal governance standard operating procedures (SoPs) have been developed. Financial management of RACFT funds is transparent. For smooth implementation, a Manual capturing various processes is being developed.

