

# REGIONAL CONNECTIVITY SCHEME

## Ude Desh Ka Aam Naagrik

# UDAN

## Key Features

## Significance



applicable on flights which cover between **200 km** and **800 km**

no lower limit set for hilly, remote, island and security sensitive regions.



minimum number of **UDAN** seats meaning

- seats at subsidized rates, and
- capping the fare for short distance flights

**Financial stimulus** - concessions from Central and State governments and airport operators like tax concessions, exemptions from parking and landing charges etc.



**Viability Gap Funding** - to the interested airlines to kick-off operations from such airports.



VGF to be a market-based model. Operators would submit their proposals to the implementing agencies, it would then be offered for competitive bidding through a reverse bidding mechanism.



Support would be withdrawn after a three-year period, as by that time, the route is expected to become self-sustainable.



**Regional Connectivity Fund** would be created to meet the VGF. RCF levy per departure will be applied to certain domestic flights along with 20% contribution from states



For **balanced regional growth**, allocations to be equitably spread across the five geographical regions viz. North, West, South, East and Northeast



Selection of airports to be done in consultation with State Government



It envisages providing connectivity to **un-served** and **under-served** airports of the country through **revival of existing airstrips and airports**



The scheme would be in operation for a period of **10 years**

About **UDAN**

an innovative scheme to develop the regional aviation market.

objective "**Ude Desh Ka Aam Naagrik**".

**VISION IAS**  
INSPIRING INNOVATION

### OBJECTIVES

The scheme would **ensure affordability, connectivity, growth and development**.

### EMPLOYMENT JOBS

**Generate Employment.** As per the **International Civil Aviation Organisation** that every rupee invested in civil aviation adds ₹ 3.5 to the economy and every job created directly generates **6.1 jobs** indirectly.

### INDUSTRY BUSINESS

**Additional Business Opportunity** potential for moving existing perishable cargo, fragile goods and high-value export-oriented products by air.

### EXPLORE TRAVEL

The **State Governments** would reap the benefit of development of remote areas, enhance trade and commerce and more **tourism**.

### AIRLINE OPPORTUNITIES

For **incumbent airlines**, new routes and more passengers for **start-up airlines** opportunity of new, scalable business.

### DEVELOPMENT COMMERCIAL

Commercialising the '**unserved**' and '**underserved**' airports (416 in total)

**"democratise"** publicly-owned sites which have hitherto been reserved for elite use.

## CRITICISMS

### REPRESENT LUXURY

Governments and passengers have to bear the cost of additional subsidies to connect regional air routes.

### AIR COST DYNAMICS

The assumption that three years would be enough to make a route sustainable might be misplaced. Various other factors impact cost e.g. fuel price etc.

### AVIATION MARKET

India is the fastest-growing aviation market in terms of passenger traffic. Between January and September 2016, passenger traffic within India grew 23.17%. Aviation regulator's data showed that all the licensed airlines flew more than what is mandated by regulations. It suggests that market dynamics may drive regional connectivity. State subsidies, therefore, are best used elsewhere.

The environment for airlines to operate is already highly taxed (taxes on ATF is among the highest in the world). So another levy to fund the regional connectivity scheme is annoying airlines further.