सत्यमेव जयते

भारतीय विमानपत्तन प्राधिकरण
AIRPORTS AUTHORITY OF INDIA

REGIONAL CONNECTIVITY SCHEME - UDAN

उड़े देश का आम नागरिक

UDAN

Ude Desh ka Aam Naagrik

MINISTRY OF CIVIL AVIATION, GOVERNMENT OF INDIA

OCTOBER, 2016

Regional Connectivity Scheme (RCS or the Scheme) Ministry of Civil Aviation, Government of India

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List of Abbreviations

i. AAI: ..... Airports Authority of India
ii. AOP: ..... Air Operator Permit
iii. ATF: ..... Aviation Turbine Fuel
iv. CPI: ..... Consumer Price Index
v. DF: ..... Development Fee
vi. DGCA: ..... Directorate General of Civil Aviation
vii. GDP: ..... Gross Domestic Product
viii. GST ..... Goods and Service Tax
ix. ICAO: ..... International Civil Aviation Organization
x. INR: ..... Indian Rupees
xi. IT: ..... Information Technology
xii. MoCA: ..... Ministry of Civil Aviation
xiii. NCAP: ..... National Civil Aviation Policy
xiv. PLF: ..... Passenger Load Factor
xv. PSF: ..... Passenger Service Fee
xvi. PSU ..... Public Sector Undertaking
xvii. RCF: ..... Regional Connectivity Fund
xviii. RCS: ..... Regional Connectivity Scheme
xix. RDG: ..... Route Dispersal Guidelines
xx. RNFC: ..... Route Navigation Facility Charges
xxi. RTM: ..... Right To Match
xxii. TNLC: ..... Terminal Navigation Landing Charges
xxiii. UDF: ..... User Development Fee
xxiv. VAT: ..... Value Added Tax
xxv. VGF: ..... Viability Gap Funding

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1. Scheme Objectives and Guiding Principles[1]

1.1 Background

1.1.1 The Ministry of Civil Aviation (MoCA), Government of India released the National Civil Aviation Policy 2016 (NCAP 2016). One of the objectives of NCAP 2016 is to "enhance regional connectivity through fiscal support and infrastructure development".

1.1.2 As per an ICAO study - "Economic benefits of civil aviation: ripples of prosperity", the output and employment multipliers of aviation are 3.25 and 6.10 respectively. This implies that every 100 Rupees spent on air transport contributes to 325 Rupees worth of benefits, and every 100 direct jobs in air transport result in 610 jobs in the economy as a whole. In fact, the study attributes over 4.5% of the global Gross Domestic Product (GDP) to civil air transport.

1.1.3 As the Indian economy grows, consumption-led growth in populated metros is expected to spill over to hinterland areas. This is also expected to be on account of factors of production (land, labor, etc.) becoming costlier in the densely populated metro cities. In this scenario, air connectivity can provide required impetus to the economic growth of regional centers (towns / cities).

1.1.4 In this context, one of the key objectives of NCAP 2016 is to "establish an integrated eco-system which will lead to significant growth of civil aviation sector, which in turn would promote tourism, increase employment and lead to a balanced regional growth".

1.1.5 NCAP 2016 also seeks to sustain and nurture a competitive market environment in the civil aviation sector. While it would be best for growth in the sector and establishment of regional air connectivity to materialize through open market mechanisms in terms of airlines assessing demand on various routes, developing networks through deployment of appropriate capacities & technologies, infrastructure developing in sync with demand, etc. it was felt that facilitating / stimulating regional air connectivity would be desirable from a public policy perspective and may need financial support, at least in the initial period, to trigger participation of players. It is in this context that NCAP 2016 provides for a Regional Air Connectivity Scheme (RCS or the Scheme).

1.1.6 The operation of the Scheme is proposed to be through a market mechanism where operators will assess demand on routes; submit proposals for operating / providing connectivity on such route(s); seek VGF, if any, while committing to certain minimum operating conditions; and the same shall be finalized in interaction with other market participants as provided for in this Scheme.

1.1.7 MoCA acknowledges that different / same aircraft operated by different operators for the same stage lengths can have different cost of operations on account of differences in inherent economics of aircraft types for various stage lengths, cost of operations specific to operators in terms of various business parameters such as business models, fleet utilization, scale of operations, etc. Specification of (normative) VGF Caps upfront has, therefore been considered important to ensure transparent operation of a market based mechanism under this Scheme rather than through determination subsequent to receipt of varied proposals.

[1] This document is not a contract and does not create any enforceable rights and obligations. Terms and conditions of operations under the scheme would be contained in a suitable contract to be signed between the Implementing Agency and the Selected Airline Operator.

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1.1.8 While, it is the intent and focus of the Scheme that operation of a market based mechanism facilitates discovery of the optimum VGF requirements within specified VGF Caps, MoCA recognizes that in certain cases it is possible that a market based discovery of optimum VGF requirements may not happen due to lack of competition / uncertainty in market conditions and ex-post, the specified (normative) VGF Caps may end up seeming to be higher than the actual VGF requirement in future on account of factors like higher airfares for Non-RCS Seats, higher load factors, etc. Given that the focus of the Scheme is to provide air connectivity where it does not exist, the quantum or probability of such eventualities / outcomes in future cannot be ascertained by MoCA and potentially even the market ex-ante on account of the multiplicity of unascertainable factors. Further, the Scheme is premised on and continuing to encourage an open market mechanism where operators will be assessing demand on routes, developing networks through deployment of appropriate capacities & technologies, and take risks on account of factors like marketing of capacities, realizable demand, effect of ATF prices on costs / fares for Non-RCS Seats, etc. Accordingly, in consultation with stakeholders, MoCA recognizes that the risks retained with the operators have to be seen in their entirety.

1.2 Scheme Objective

1.2.1 The primary objective of RCS is to facilitate / stimulate regional air connectivity by making it affordable.

1.2.1.1 Promoting affordability of regional air connectivity is envisioned under RCS by supporting airline operators through (1) concessions by Central Government, State Governments (reference deemed to include Union Territories as well, unless explicitly specified otherwise) and airport operators to reduce the cost of airline operations on regional routes / other support measures and (2) financial (viability gap funding or VGF) support to meet the gap, if any, between the cost of airline operations and expected revenues on such routes.

1.3 Guiding Principles of the Scheme

1.3.1 Given the focus and objectives of NCAP 2016, the key guiding principles for RCS would be:

1.3.1.1 **State Governments' buy-in and support to determine eligibility**: In view of the fact that (1) NCAP 2016 is seeking to make regional air connectivity affordable and (2) limited financial (VGF) support is being generated from within the sector, it is important that cost of operations are minimized for air transport operators to the extent possible through concessions from State Governments - especially in view of economic benefits (regional development as well as output & employment related) to the local catchments / economies through provision of such air transport services.

1.3.1.2 RCS is accordingly to be made operational only in States and at airports/helipads (irrespective of ownership by AAI / State Governments / private entities / Ministry of Defence, Government of India) which demonstrate their commitment and support to regional air transport operations by providing concessions / support as required under the Scheme.

1.3.1.3 **Rationale of Regional Connectivity Fund (RCF)**: RCS is one of the key elements of NCAP 2016, which envisions domestic ticketing of 30 crores by 2022 and 50 crores by 2027. RCS as well as NCAP 2016 would eventually promote growth of the entire civil aviation sector.

1.3.1.4 RCS would lead to creation of regional air connectivity / services that would have spin-off benefits within the sector in terms of passengers taking other flights (not under RCS) and using airports / airport services that are not at concessional rates

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under RCS. Accordingly, the Regional Connectivity Fund (RCF) is to be funded by a levy or fee per departure on all domestic flights other than the ones on Category II / Category IIA routes under RDG, RCS Routes and flights using small aircraft below 80 passenger seats irrespective of routes as provided under NCAP 2016 at rates to be notified by the MoCA. The RCF would thus channel funds generated from the sector to stimulate further growth and development of the sector and the operators (/ passengers) providing (/ using) services on domestic routes where such fee per departure is levied would be eligible to avail benefits under the Scheme for providing (/ using) services pursuant to this Scheme.

1.3.1.5 **Demand driven mechanism:** The MoCA would like to see airlines operating in a competitive environment and accordingly development of regional air connectivity routes is proposed to be left to market forces such that airlines undertake assessment of demand and nature of supply required on particular routes and lead the process under RCS.

1.3.1.6 **Sustainability of operations:** A key guiding principle would be to encourage sustainability of operations under RCS in the long term – such that the connectivity established is not dependent on VGF in perpetuity. Accordingly, under RCS, VGF is proposed to be provided for a limited period to facilitate / stimulate regional air connectivity to un-served / under-served areas. However, it is recognized that for select areas, funding may need to be provided for longer periods of time to support provision of air transport services to such areas.

1.3.1.7 **Periodic review of RCS**: Acknowledging the fact that market dynamics will change over time, MoCA may review the Scheme provisions as and when necessary for efficacy in accomplishment of objectives and undertake a review at least once every 3 years.

1.4 Definitions

1.4.1 In line with NCAP 2016 and in order to operationalize the Scheme, unless the context requires otherwise, following terms under the Scheme shall have the meanings ascribed below:

1.4.1.1 **'Additional Performance Guarantee'** shall mean a security in the form of an unconditional and irrevocable bank guarantee for an amount of INR 1 crore to be submitted by the Selected Airline Operator to the Implementing Agency pursuant to Section 3.15.3, provided that for helicopter operations under the Scheme, Additional Performance Guarantee shall not be applicable.

1.4.1.2 **'Airfare Cap'** shall mean the all-inclusive maximum permissible airfare for an RCS Seat as specified under the Scheme.

1.4.1.3 **'Financial Quarter'** shall mean a continuous period of three (3) calendar months ending on 30th June, 30th September, 31st December and 31st March, as the case may be.

1.4.1.4 **'Implementing Agency'** shall be as defined under Section 2.1.1.

1.4.1.5 **'Minimum Performance Specifications'** shall mean the service conditions mentioned in Section 3.3 which must be met by a Selected Airline Operator for operation of RCS Flights.

1.4.1.6 **'Non-RCS Route'** shall mean a route which is not an RCS Route.

1.4.1.7 **'Non-RCS Seat(s)'** shall mean passenger seat(s) on an RCS Flight which are not RCS Seats within the RCS Flight Capacity.

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1.4.1.8 **'Performance Guarantee'** shall mean a security in the form of an unconditional and irrevocable bank guarantee to be submitted by the Selected Airline Operator to the Implementing Agency pursuant to Section 3.15.2.

1.4.1.9 **'Regional Connectivity Fund (RCF)'** shall mean the fund / corpus created through application of a levy or fee per departure on all domestic flights other than the ones on Category II / Category IIA routes under RDG, RCS Routes and flights using small aircraft below 80 passenger seats irrespective of routes, from the date notified by the MoCA under relevant provisions of the Aircraft Act 1934. The premium realized, if any, from the allotment of additional capacity entitlements on international routes will also fund the RCF, as provided under NCAP 2016.

1.4.1.10 **'RCS Airport'** shall mean any airport (whether under the ownership of the AAI, State Governments, private entities or the Ministry of Defence, Government of India) licensed / approved by DGCA, for which the State Government and airport owner / operator have extended concessions / support measures as specified under NCAP 2016 and presented under Section 2.1.2 of this Scheme.

1.4.1.11 **'RCS Flight'** shall mean a domestic flight using a fixed wing aircraft or a helicopter, operated by a Selected Airline Operator pursuant to this Scheme on an RCS Route and satisfying the conditions specified in Section 3.3.

1.4.1.12 **'RCS Flight Capacity'** shall mean the number of passenger seats per RCS Flight offered and subsequently deployed on an RCS Route.

1.4.1.13 **'RCS Helipad'** shall mean a designated area for landing and take-off of helicopter(s) (whether under the ownership of the AAI, State Governments, private entities or the Ministry of Defence, Government of India) where scheduled commercial helicopter operations can be permitted as per DGCA regulations, and for which the State Government and helipad operator have extended concessions / support as specified under NCAP 2016 and presented under Section 2.1.2 of this Scheme.

1.4.1.14 '**RCS Route'** shall mean an air service connection (also referred to as a 'route') between an identified pair of origin and destination airports / helipads within India proposed / operated pursuant to the Scheme, satisfying all of the following conditions:

a) at least one of the origin or destination points is either (a) an RCS Airport satisfying the definition of Underserved Airport or Unserved Airport on the first day of each proposal window in which an application is made pursuant to this Scheme; or (b) an RCS Helipad;

b) for fixed wing aircraft there have been no scheduled commercial flights on such a route for the last two (2) flight schedules as approved by the DGCA, OR in case of operations through helicopters, there have not been more than 50 commercial operations, whether scheduled or otherwise, on such a route for the last 1 year as certified by the Airports Authority of India as provider of the Air Navigation Services – such time periods to be reckoned with respect to the first day of each proposal window in which an application is made pursuant to this Scheme; and

c) the stage length (as per the flight path approved by DGCA) between the origin and destination airports is not less than 150 km for operations through fixed wing aircraft.

1.4.1.15 **'RCS Seat(s)'** shall mean the number of passenger seats to be sold at or below the applicable Airfare Cap by the Selected Airline Operator within the RCS Flight Capacity.

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1.4.1.16 **'Selected Airline Operator'** shall mean the fixed wing aircraft or helicopter operator selected pursuant to the mechanism specified under the Scheme for operation of an RCS Flight.

1.4.1.17 **'Underserved Airport'** shall mean any airport which is not an Unserved Airport and at which, there are no more than 7 scheduled commercial flight departures per week as per the latest flight schedule approved by the DGCA.

1.4.1.18 **'Unserved Airport'** shall mean any airport at which, there have been no scheduled commercial flights during the last two (2) flight schedules approved by the DGCA.

1.4.1.19 **'Viability Gap Funding or VGF'** shall mean the financial support provided to the Selected Airline Operator for operation of RCS Flight(s) from the Regional Connectivity Fund pursuant to this Scheme.

1.4.1.20 **'Tenure of VGF Support'** shall have the meaning as ascribed in Section 2.1.5 of this Scheme.

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2. Features of the Scheme

2.1 Key Constructs

2.1.1 Designation of Implementing Agency and its responsibilities

2.1.1.1 The Ministry of Civil Aviation may designate any entity as the Implementation Agency under this Scheme and such entity shall be responsible for undertaking tasks and activities for implementation of the Scheme. As provided in NCAP 2016, the Implementation Agency shall be provided appropriate administrative charges for implementing the Scheme, as may be determined by MoCA from time to time.

2.1.1.2 Responsibilities of the Implementing Agency shall include inter alia:

a) Receiving proposals submitted by the Applicants and taking necessary administrative actions for identification of Selected Airline Operator pursuant to the Scheme;

b) Acting for and on behalf of MoCA for collection and disbursement of funds - In order to facilitate the collection and disbursement of funds under the Scheme, an escrow account shall be established for this purpose with an identified bank. The Implementing Agency shall be authorized to act as the escrow agent with authority to deposit funds into, and withdraw funds from, the escrow account for disbursement of VGF to Selected Airline Operators in accordance with this Scheme;

c) As provided in NCAP 2016, payment of VGF will be made to the Selected Airline Operator from the RCF and the State Governments will be asked to reimburse the applicable share (20% for states other than for North-Eastern States and Union Territories of India, where the ratio will be 10%) towards VGF for respective RCS Routes. The Implementing Agency shall be responsible for managing accounts / statements with respect to RCF collections, payments to Selected Airline Operators and reimbursements from State Governments including, inter alia, any required communications seeking payments, reimbursements, reconciliation of accounts, etc.; and

d) Any other tasks and activities required for implementation of the Scheme.

2.1.1.3 The Airports Authority of India (AAI) is being designated as the Implementing Agency under this Scheme.

2.1.2 Mechanism for Provision of Financial Support

2.1.2.1 Under this Scheme, support shall be provided to Selected Airline Operator(s) in the form of VGF and other concessions / support offered by the Central Government, State Governments and airport operators as detailed below.

2.1.2.2 Concessions offered by the Central Government shall be as follows:

a) Excise Duty at the rate of 2% shall be levied on Aviation Turbine Fuel (ATF) drawn by Selected Airline Operators at RCS Airports for RCS Flights for a period of three (3) years from the date of notification of this Scheme. Upon transition to GST, rates will be applicable as determined under GST and exemptions/ concessions shall be given as permissible so that such a reduced level of taxation could ideally be continued.

b) Selected Airline Operators will have the freedom to enter into code sharing arrangements with domestic as well as international airlines pursuant to applicable regulations and prevailing air service agreements. For avoidance of doubt, the concessions and VGF under the Scheme shall be available only

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to the Selected Airline Operator for the RCS Route and shall continue as finalized pursuant to the mechanism outlined under the Scheme.

c) Concession on Service Tax on tickets will be as mentioned in Section 2.3.3.

2.1.2.3 Concessions / support offered by the respective State Governments at RCS Airports within their States shall be as follows:

a) Reduction of VAT to 1% or less on ATF at RCS Airports located within the State for a period of ten (10) years from the date of notification of this Scheme. Upon transition to GST, rates will be applicable as determined under GST and exemptions/ concessions shall be given as permissible so that such a reduced level of taxation could ideally be continued.

b) Coordinating with oil marketing companies for provision of fueling infrastructure on best effort basis.

c) Provision of minimum land, if required, free of cost and free from all encumbrances for development of RCS Airports and also provide multi-modal hinterland connectivity (road, rail, metro, waterways, etc.) as required;

d) Provision of security and fire services free of cost at RCS Airports through appropriately trained personnel and appropriate equipment as per applicable standards and guidelines by relevant agencies;

e) Provision of, directly or through appropriate means, electricity, water and other utility services at substantially concessional rates at RCS Airports; and

f) Provision of a certain share (20%) towards VGF for respective RCS Routes (pertaining to the State), provided the share of States in the North-Eastern region of India and Union Territories would be (10%).

2.1.2.4 State Governments are encouraged to also consider extending any additional incentives like underwriting of passenger seats to encourage operators / additionally support Selected Airline Operators in undertaking operations under this Scheme. For avoidance of doubt, the Selected Airline Operators shall not be debarred under the Scheme from getting any additional concessions/incentives as may be offered by the State Governments from time to time.

2.1.2.5 Concessions offered by the airport operators shall be as follows:

a) Airport operators (whether under the ownership of the AAI, State Governments, private entities or the Ministry of Defence, Government of India) shall not levy Landing Charges and Parking Charges or any other charge subsuming a charge for such aspects in future on RCS Flights.

b) Selected Airline Operators shall be allowed to undertake ground handling for their RCS Flights at all airports.

c) AAI shall not levy any Terminal Navigation Landing Charges (TNLC) on RCS Flights.

d) Route Navigation and Facilitation Charges (RNFC) will be levied by AAI on a discounted basis @ 42.50% of Normal Rates on RCS Flights. Normal Rates refer to applicable rates specified by the AAI on its website from time to time without any discounts or concessions.

2.1.3 Incentives for Cargo Operations under this Scheme shall be as follows:

2.1.3.1 As provided for in NCAP 2016, air freighter operations at RCS Airports shall be entitled to the following under the Scheme for a period of up to 10 years from the date of notification of this Scheme:

a) Excise Duty at the rate of 2% shall be levied on ATF drawn for air freighter operations at RCS Airports for a period of three (3) years from the date of notification of this Scheme. Upon transition to GST, rates will be applicable as determined under GST and exemptions/ concessions shall be given as

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permissible so that such a reduced level of taxation could ideally be continued.

b) Airport operators (whether under the ownership of the AAI, State Governments, private entities or the Ministry of Defence, Government of India) shall not levy Landing Charges and Parking Charges or any other charge subsuming a charge for such aspects in future;

c) AAI shall not levy any Terminal Navigation Landing Charges (TNLC);

d) Route Navigation and Facilitation Charges (RNFC) will be levied by AAI on a discounted basis @ 42.50% of Normal Rates. Normal Rates refer to applicable rates specified by the AAI on its website from time to time without any discounts or concessions.

2.1.3.2 Under this Scheme, VGF support shall not be provided for cargo operations.

2.1.4 Tenure of the Scheme

2.1.4.1 In line with NCAP 2016, the Scheme will be applicable, subject to periodic review, for a period of 10 years from the date of its notification by the MoCA.

2.1.4.2 Consistent with the objectives of the Scheme, it is the intent of the MoCA and the Implementing Agency to continue with the Scheme for the period specified in 2.1.4.1 above unless unforeseen or exceptional circumstances - such as a court order or other factors beyond the control of the MoCA, constrain the ability of the MoCA and/or the Implementing Agency to continue with the Scheme. In the aforesaid circumstances, the Implementing Agency shall endeavour to honour contracts already entered into with Selected Airline Operators for the remaining term of such contracts.

If however, the MoCA and / or the Implementing Agency is required to immediately withdraw the Scheme and / or suspend or cancel contracts entered into pursuant to the Scheme, in such an event, notwithstanding anything mentioned in this Scheme, the MoCA, the Implementing Agency, concerned State Governments, concerned airport operators, or any other agency supporting any of these entities shall not be liable for any loss or damage suffered by the Selected Airline Operator, save and except for the obligation of the Implementing Agency to disburse the applicable VGF amount for RCS Flight operations already undertaken prior to withdrawal / discontinuation of the Scheme.

2.1.5 Tenure of VGF Support

2.1.5.1 Subject to Section 2.1.4.2 above, VGF will be provided for RCS Flights for a period of three (3) years from the date of commencement of operations of such RCS Flights (Tenure of VGF Support). Accordingly, proposals for provision of VGF under the Scheme will be considered until the end of 7 years from the date of notification of this Scheme such that financial support as mentioned in Section 2.1.2 is available for the Tenure of VGF Support to all Selected Airline Operators.

2.1.5.2 Even if during such period of three (3) years, an RCS Route ceases to satisfy any of the conditions for an RCS Route as specified under this Scheme, VGF to the Selected Airline Operator under an existing contract shall continue to be provided till the expiry of such period of three (3) years. Subsequent to the completion of such period of three (3) years, VGF payments to the Selected Airline Operator shall be discontinued.

2.1.5.3 If subsequent to the completion of such period of three (3) years, the route ceases to have any scheduled commercial flights of fixed wing aircraft or commercial flights of helicopters, as the case maybe, further provision of VGF on such route shall be considered pursuant to provisions of this Scheme after a period of one (1) year from the date the route ceases to have such operations, i.e., the date of the last

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scheduled commercial flight for fixed-wing aircraft / helicopter operation, as the case maybe. For avoidance of doubt, such period of one year as mentioned above shall be applicable even for an RCS Route where the Selected Airline Operator had quoted a zero (0) VGF at the time of bidding.

2.2 Airports / heliports to be covered under the Scheme

2.2.1 The Scheme will be applicable with respect to RCS Airports / RCS Helipads.

2.2.2 The list of RCS Airports / RCS Helipads as finalized in consultation with the State Governments, will be published for information of stakeholders from time to time.

2.2.3 In case any airline operator wishes to connect an airport / helipad that is not an RCS Airport / RCS Helipad, it may approach the Implementing Agency and submit an expression of interest based on which the Implementing Agency will coordinate with the concerned agencies for extending the relevant concessions specified under the Scheme. In case any such airport is a defence airport, approval from the Ministry of Defence, Government of India will need to be obtained for permitting joint use / civil operations under the Scheme.

2.2.4 In case any rehabilitation / upgradation of infrastructure is required at airports to make them operational / suitable for proposed RCS Flight operations, the same can be undertaken by AAI upon payment of appropriate costs of such rehabilitation / upgradation works from respective State Government/airport operator. In such cases, the ownership and operatorship of such airport(s) will continue with the State Government / existing airport operator. Such airports shall be operationalized subject to extant laws and after obtaining any No Objection Certificate, if required, from existing airport operators pursuant to existing contracts awarded by Central Government / State Government / PSUs or any other stipulations in this regard.

2.2.5 An indicative list of Underserved Airports and Unserved Airports in India is placed at Annexure – 1A and Annexure – 1B respectively.

2.3 Airfare Caps

2.3.1 In line with NCAP 2016, Airfare Caps will be applicable for operations under the Scheme.

2.3.2 Airfare for all passenger seats on an RCS Flight will not be subject to any levies or charges imposed by the airport operators (whether under the ownership of the AAI, State Governments, private entities or the Ministry of Defence, Government of India) including charges such as PSF, DF and UDF.

2.3.3 Service Tax will be levied on 10% of the taxable value (abatement of 90%) of tickets for all passenger seats on an RCS Flight, without any input credit, for an initial period of 1 year from the date of notification of the Scheme by MoCA. Subsequently, this will be reviewed and notified. Upon transition to GST, rates will be applicable as determined under GST and exemptions/ concessions shall be given as permissible so that such a reduced level of taxation could ideally be continued.

2.3.4 The Airfare Caps specified for various stage lengths in this Scheme, as may be indexed pursuant to provisions herein, would be considered inclusive of applicable Service Tax, provided that the Service Tax component on tickets on an RCS Flight will be reimbursed to the Selected Airline Operator at actuals from the RCF, upon submission of appropriate evidence of payment of such Service Tax.

2.3.5 Considering that operating costs for a flight vary with stage length, Airfare Caps have been specified for various stage lengths for fixed wing aircraft / flight durations for

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helicopters, and placed at Annexure-2 to this Scheme. As mentioned above, Airfare Caps specified for various stage lengths are inclusive of Service Tax.

2.3.6 MoCA recognizes that changes in ATF prices and inflation have a bearing on cost of operations of airlines and in a market-based pricing scenario airlines can vary airfares in response to changes in these parameters. In the context of RCS and specification of Airfare Cap, it was considered important to the operation of RCS that changes to Airfare Caps in future are also specified. Given the volatility in ATF prices, linking the Airfare Cap to changes in ATF prices could introduce volatility in fares for RCS Seats potentially impacting the primary objective of the RCS to make regional air connectivity more affordable. Accordingly, as provided for in NCAP 2016, Airfare Cap(s) have been specified in terms of indexation only to inflation, i.e., Consumer Price Index – Industrial Workers (CPI-IW), such indexation to be reviewed on a quarterly basis.

2.3.7 MoCA also recognizes that airlines will need advance notice for effecting changes in their systems for revision in fares and has considered a one (1) month notice period for revision of Airfare Caps under the Scheme. The Airfare Caps applicable for a Financial Quarter will be published by the Implementing Agency one (1) month in advance (i.e. on 01st March for the Financial Quarter starting 1st April).

2.3.8 It may be noted that currently CPI-IW data is released by the Government of India with a lag of one (1) month (e.g. CPI-IW for the month of October is released on 30th November), it being recognized that such lag period may vary over time. Considering the notice period of one (1) month mentioned above and lag of 1 month in publishing of CPI-IW data currently, it may be noted that the three (3) month period for which CPI-IW data will be considered for review of indexation will not correspond to the three (3) months of that Financial Quarter. However, on account of the review being undertaken on a rolling basis for every quarter, CPI-IW data for almost all months will eventually get considered. Such revision will be applicable prospectively and no adjustments will be made for the past period.

To illustrate, Airfare Cap for the Financial Quarter from 1st April to 30th June will be announced on 1st March. CPI-IW data to be considered for reviewing indexation of Airfare Cap will be the CPI-IW data for the months of November, December and January.

2.3.9 Indexation of Airfare Cap(s) will be based on the formula provided at Annexure – 4: Airfare Cap Indexation Formula.

2.4 Aircraft Categories

2.4.1 Different aircraft, based on their seating capacity, have been classified into the following three (3) categories for the purpose of this Scheme.

S.No.	Category	Seating Capacity
1.	Category 1	<= 20
2.	Category 2	21 – 80
3.	Category 3	> 80

2.5 VGF Cap

2.5.1 The MoCA acknowledges that different / same aircraft operated by different operators for the same stage lengths can have different cost of operations on account of differences in inherent economics of aircraft types for stage lengths, cost of operations specific to operators in terms of various business parameters such as business models, fleet utilization, scale of operations, etc. Specification of (normative) VGF Caps upfront has therefore been considered important to ensure transparent operation of a market

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based mechanism under this Scheme rather than through determination subsequent to receipt of varied proposals.

2.5.2 Specifying VGF Caps that satisfy all players would inevitably end up being high and therefore uneconomical from the perspective of Scheme outcome. Accordingly, VGF Caps have been specified with reference to a broad representative data set / typical cost of operations and estimated revenue potential for operations on a typical RCS Route for a particular stage length.

2.5.3 VGF to be provided for each RCS Seat under the Scheme will be capped for:

2.5.3.1 different stage lengths for fixed wing aircraft; and

2.5.3.2 different flight duration for helicopters.

2.5.4 The applicable caps for a particular stage length or flight duration ("VGF Cap") have been specified at Annexure - 3 to this Scheme. For an RCS Route connecting two RCS Airports where both are either an Underserved Airport or an Unserved Airport, the applicable VGF Cap shall be ten percent (10%) higher than the VGF Cap for a particular stage length or flight duration as specified at Annexure - 3 to this Scheme.

2.5.5 Airline operators must refer to VGF Cap(s) before submitting proposals, as support requirement in excess of such cap for a particular stage length or flight duration will not be considered under the Scheme. Any proposal not complying with this aspect will be disqualified.

2.5.6 As mentioned earlier, VGF is proposed to be provided for a limited period to facilitate / stimulate regional air connectivity to un-served / under-served areas such that the connectivity established is not dependent on VGF in perpetuity.

2.5.7 It is expected that competition between players and differences in expectations on business parameters like airfares on Non-RCS Seats, load factors, etc. could lead to variations in proposals by different players. While, it is the intent and focus of the Scheme that operation of a market based mechanism facilitates discovery of the optimum VGF requirements within specified VGF Caps, MoCA recognizes that in certain cases it is possible that a market based discovery of optimum VGF requirements may not happen due to lack of competition / uncertainty in market conditions and ex-post, the specified (normative) VGF Caps may end up seeming to be higher than the actual VGF requirement in future on account of factors like higher airfares for Non-RCS Seats, higher load factors etc. Given that the focus of the Scheme is to provide air connectivity where it does not exist, the quantum or probability of such eventualities / outcomes in future cannot be ascertained by MoCA and potentially even the market ex-ante on account of the multiplicity of unascertainable factors. Further, the Scheme is premised on and continuing to encourage an open market mechanism where operators will be assessing demand on routes, developing networks through deployment of appropriate capacities & technologies, and take risks on account of factors like marketing of capacities, realizable demand, effect of ATF prices on costs / fares for Non-RCS Seats, etc. Accordingly, in consultation with stakeholders, MoCA recognizes that the risks retained with the operators have to be seen in their entirety.

2.5.8 MoCA also recognizes that Selected Airline Operators may sometimes choose to sell tickets for Non-RCS Seats at prices below the Airfare Caps applicable for RCS Seats on account of a number of business considerations like marketing / promotion of a route, responding to demand in certain lean periods of the year, as a strategy to recover a small proportion of fixed costs (as opposed to operating idle capacity), etc. Provision of VGF may facilitate / promote such outturns, and in such a scenario, the VGF amount for specified number of RCS Seats shall be deemed to have been applied or distributed over all such passenger seats (including non-RCS Seats) for which airfares were at or below the Airfare Caps.

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2.5.9 Moreover, as per NCAP 2016 and considering various factors that impact the cost of operations of an airline, the VGF Caps as well as VGF amounts determined for specific routes will be indexed to inflation, ATF prices and exchange rate of INR vis-à-vis United States Dollar to offset changes in uncontrollable cost of operations of players in future. Such revision will be applicable prospectively and no adjustments will be made for the past period.

2.5.10 The indexation of VGF to inflation, ATF prices and exchange rate of INR vis-à-vis United States Dollar will be based on the formula specified in Annexure – 5: VGF Cap Indexation Formula and determined for every Financial Quarter. The proportions in the formula have been determined with reference to a broad representative data set / typical cost of operations for airline operators.

2.6 RCF Allocation

2.6.1 Regions-wise allocation of RCF

2.6.1.1 It is proposed that RCF allocation to regions will be made in a manner that promotes balanced growth / regional connectivity in different parts of the country in line with the objective and provisions of NCAP 2016.

2.6.1.2 Accordingly, to have an equitable distribution of RCF and enhanced air connectivity across the country, the country will be divided into five (5) regions based on Flight Information Regions (Regions) as currently defined by the DGCA.

2.6.1.3 From the date of notification of the Scheme, proposals in a particular Region can be approved such that up to 25% of the estimated annual inflows in the RCF can be committed to such proposals. In absence of any proposals with respect to certain Region(s), MoCA may consider revising such limit from the second year of the Scheme or pursuant to subsequent reviews of this Scheme and this provision.

2.6.1.4 Where a particular RCS Route connects airports / helipads in two (2) different Regions, the VGF for such RCS Route will be divided equally between the two (2) Regions for the purpose of the above determination.

2.6.2 RCF Allocation for Underserved Airports

2.6.2.1 To promote connectivity to Unserved Airports, proposals connecting Underserved Airports will be approved such that only up to 30% of the estimated annual inflows in the RCF can be committed to such proposals. For the purpose of the above determination, a proposal for an RCS Route connecting an Unserved Airport to an Underserved Airport or a helipad shall be considered as a proposal connecting Unserved Airports, and a proposal for an RCS Route connecting an Underserved Airport to another Underserved Airport or a helipad or any other airport, which is not an Unserved Airport, shall be considered as a proposal connecting Underserved Airports.

2.6.2.2 This allocation shall be applicable for a period of one (1) year from the date of notification of the Scheme. MoCA may consider revising such limit from the second year of the Scheme or pursuant to subsequent reviews of this Scheme and this provision.

2.6.3 RCF Allocation Cap for Airline operators

2.6.3.1 To limit large systemic exposure to any single airline operator, the total VGF approved for a particular airline operator under the Scheme will be capped to an annual limit.

2.6.3.2 Accordingly, the total VGF approved for a particular airline operator under the Scheme will be capped to an annual limit corresponding to 25% of the estimated

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annual inflows in the RCF, provided further that the VGF payment to such airline operator in any given Region does not exceed 50% of the allocation cap for such Region (refer Section 2.6.1.3 above). MoCA may consider revising such limit from the second year of the Scheme or pursuant to subsequent reviews of this Scheme and this provision.

2.7 ASKMs on RCS Flights

2.7.1 The Selected Airline Operators shall be permitted to set-off / trade their Available Seat Kilometers (ASKMs) generated on Non-RCS Seats under RDG guidelines as per the existing DGCA rules. For avoidance of doubt, Available Seat Kilometers (ASKMs) generated on RCS Seats will not be allowed for set-off / trading under RDG guidelines.

2.8 Exclusivity of operations

2.8.1 As mentioned earlier, sustainability of operations is one of the key guiding principles for RCS. The MoCA recognizes that traffic demand on RCS Route(s) will be uncertain, and with most of such routes being untested/non-operational, the market risk for Selected Airline Operator(s) could be significant. Such market risk would tend to be accentuated on account of possible competition from other airline operators – especially in the early stages of route development. Such competition in the early stages of development of such routes, especially given the demand uncertainty, could ultimately impact achievement of Scheme objectives.

2.8.2 Accordingly, to encourage development of such routes by airline operators, Selected Airline Operators shall, subject to Section 3.13, be granted exclusivity for operating air transport services / flights for a period of three (3) years from commencement of operations on an RCS Route (hereinafter referred to as "Exclusivity Period") under the Scheme. During such Exclusivity Period, no other airline operator would be allowed to operate flights on the specific RCS Route. In case of a Network Proposal, exclusivity of operations shall only be provided on RCS Routes as part of the network.

For avoidance of doubt, the exclusivity of operations shall be granted to a Selected Airline Operator only for the specific RCS Route for which the bidding has been undertaken and such operator has been selected as the Selected Airline Operator. For instance, if an airline operator has been designated as the Selected Airline Operator for an RCS Route connecting point A to point B and another RCS Route connecting point B to point C, the exclusivity of operations shall be granted to such Selected Airline Operator only on RCS Routes A-B and B-C and not for a direct (non-stop) route connecting point A to point C.

2.8.3 Subsequent to expiry of the Exclusivity Period, other airline operators shall be allowed to freely operate flights on the specific RCS Route subject to applicable rules and regulations.

2.9 Miscellaneous

2.9.1 The MoCA may, from time to time, issue such directions as may be necessary for smooth implementation of the Scheme.

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3. Operating Mechanism of the Scheme

3.1 Introduction

3.1.1 The Scheme envisages a market based mechanism for selection of an airline operator to operate on an RCS Route or a network, wherein the Initial Proposal and counter proposal(s) will be evaluated as per the mechanism presented herein. Pursuant to such evaluation of proposals, a Selected Airline Operator will be identified and the Implementing Agency will enter into a three (3) year contract with the Selected Airline Operator for operations on the RCS Route.

3.2 Eligibility Criteria for Proposals

3.2.1 In order to be eligible for support under this Scheme:

3.2.1.1 A proposal shall either be for an individual RCS Route ("Individual Route Proposal") or for a set of connected routes ("Network Proposal");

3.2.1.2 Operations under the Scheme will be permitted through fixed wing aircraft (including sea planes) and helicopters,

provided that operations through helicopters will be permitted only among the States of Jammu and Kashmir, Himachal Pradesh & Uttarakhand, North Eastern Region of India, Andaman and Nicobar Islands and Lakshadweep Islands;

3.2.1.3 Operations under the Scheme shall be permitted by airline operators having valid Air Operator Permit (AOP) issued by DGCA. DGCA may also examine, from time to time, permitting operations under the Scheme using foreign registered aircraft and may issue appropriate guidelines / directions in this regard.

3.3 Minimum Performance Specifications for an RCS Flight

3.3.1 Under the Scheme, a Selected Airline Operator will be required to meet the following Minimum Performance Specifications with respect to its RCS Flight operations.

3.3.1.1 For fixed wing aircraft, a Selected Airline Operator shall be required to provide fifty percent (50%) of RCS Flight Capacity as RCS Seats,

provided that where fifty percent (50%) of RCS Flight Capacity exceeds forty (40) passenger seats, the RCS Seats shall be capped at forty (40) passenger seats,

provided further that where fifty percent (50%) of RCS Flight Capacity is less than nine (9) passenger seats, the minimum number of RCS Seats shall not be less than nine (9). For avoidance of doubt, an airline operator can operate an RCF Flight with a fixed wing aircraft with 9 passenger seats only when all passenger seats of the aircraft are proposed as RCS Seats;

3.3.1.2 For helicopters, a Selected Airline Operator shall be required to provide fifty percent (50%) of RCS Flight Capacity as RCS Seats,

provided that where fifty percent (50%) of RCS Flight Capacity exceeds thirteen (13) passenger seats, the RCS Seats shall be capped at thirteen (13) passenger seats,

provided further that where fifty percent (50%) of RCS Flight Capacity is less than five (5) passenger seats, the minimum number of RCS Seats shall not be less than five (5) passenger seats. For avoidance of doubt, a helicopter operator can operate an RCF Flight with a helicopter with 5 passenger seats only when all passenger seats of the helicopter are proposed as RCS Seats.

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3.3.2 Number of RCS Flights to be operated in a week with VGF shall be a minimum of three (3) and a maximum of seven (7) departures per week from the same RCS Airport. An Applicant may submit an Initial Proposal for either one-way connectivity (a route) or to-and-fro connectivity (two routes) between two airports.

By way of an illustration, an RCS Flight operating from point A (say an RCS Airport) to point B and returning to point A (to and fro operation) shall be considered as one departure from an RCS Airport but two routes for the purpose of VGF provision such that for both the routes (i.e. from point A to point B and from point B to point A), the Selected Airline Operator shall be required to satisfy the conditions provided in Section 3.3.1 and be eligible for payment of corresponding VGF.

3.4 Submission of Initial Proposals

3.4.1 An airline / helicopter operator (hereinafter called an "Applicant") can submit proposals satisfying the eligibility conditions provided in Section 3.2 ("Initial Proposal") to the Implementing Agency in the form and manner specified in Section 3.6 hereto and would need to have reference to specified Airfare Caps and VGF Caps.

3.4.2 Upon notification of the Scheme by MoCA, prospective Applicant(s) can submit Initial Proposals ("First Round of Bidding") as per the timelines indicated by the Implementing Agency. Subsequently, the Implementing Agency will follow two (2) half-yearly cycles for inviting & evaluating proposals and identifying the Selected Airline Operators.

3.4.3 Applicants are advised to undertake their own due diligence, market assessment, investigations and analyses including the suitability of the airports for RCS Flight operations being proposed by them and would bear full responsibility for the accuracy, adequacy, correctness, reliability and completeness of the assumptions, data & information considered by them. The MoCA, Implementing Agency, concerned State Governments, concerned airport operators, or any other agency supporting any of these entities shall not bear any responsibility for any inaccuracy or lack of data / information for the proposed RCS Flight operations by the Applicants.

3.4.4 Applicants alone shall bear all costs associated with or relating to the preparation and submission of their proposals or any other costs incurred in connection with or relating to their proposals. All such costs and expenses will remain with the Applicants and the MoCA and/or the Implementing Agency or any other agency shall not be liable in any manner whatsoever to bear or reimburse any costs or other expenses incurred by the Applicants in preparation or submission of proposals, regardless of the conduct or outcome of the selection process specified under the Scheme.

3.4.5 Initial Proposals received till the respective specified deadlines shall be sent to the evaluation committee constituted by the Implementing Agency ("**Evaluation Committee**") for in-principle approval and for proceeding with further steps.

3.4.6 The Evaluation Committee will invite counter proposals from other airline operators against an eligible Initial Proposal with reference to a prioritization framework specified in Section 3.17.

3.5 Network Proposal

3.5.1 An Applicant may submit an Initial Proposal which is a Network Proposal wherein it proposes to connect a minimum of three (3) and up to a maximum of seven (7) distinct airports, through a network, as part of the same proposal.

3.5.2 A Network Proposal shall have more than one (1) route and can be a combination of RCS Routes and Non-RCS Routes such that at least one of such routes is an RCS Route. The Applicants shall be required to ensure that all routes in a Network Proposal, including the Non-RCS Routes, are connected using the same aircraft (type) through

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the same frequency (number of flights) per week. For avoidance of doubt, a Selected Airline Operator shall not be restricted from operating additional flights on Non-RCS Routes, if it so desires, provided the schedule of network as submitted as part of its Network Proposal and other conditions under the Scheme are adhered to.

3.5.3 In case of a Network Proposal, all benefits and conditions under the Scheme such as VGF support, exclusivity of operations, Airfare Cap etc. shall be applicable only on the RCS Routes forming part of the Network Proposal.

For further clarity, a Selected Airline Operator for a particular Network Proposal will not get any exclusivity of operations or VGF support or other benefits for the Non-RCS Route(s) proposed in its network and its operations on such Non-RCS Routes will not be subject to any Airfare Caps.

3.5.4 The Airfare Cap for every RCS Route in a Network Proposal shall be based on the respective stage length / flight duration of such RCS Route and Airfare Caps specified under this Scheme. Further VGF per RCS Seat for each RCS Route in a Network Proposal shall be based on the respective stage length / flight duration of such RCS Route & corresponding VGF Caps specified under this Scheme and the VGF per RCS Seat bid / quoted by the Selected Airline Operator.

3.5.5 After scrutiny of Initial Proposal(s), the Implementing Agency with reference to the mechanism specified in Section 3.8, shall release the RCS Route(s) to be connected as part of a Network Proposal, for inviting counter proposals.

3.6 Proposal submission requirements

3.6.1 As part of the proposal submission, an Applicant shall be required to submit information under following categories:

3.6.1.1 Information about the Applicant

3.6.1.2 Technical Proposal

3.6.1.3 Financial Proposal

3.6.2 Applicant Information - An Applicant shall provide the following information:

3.6.2.1 Registered name of the Applicant

3.6.2.2 Name of the airline

3.6.2.3 Date of incorporation

3.6.2.4 Certificate of incorporation

3.6.2.5 Airline Operator Permit

3.6.2.6 Memorandum of Association and Articles of Association

3.6.2.7 Names of shareholders and percentage of shareholding and names of Directors on the Board except in case of publically listed companies, names of public shareholders are not required.

3.6.3 **Technical Proposal** - As part of the technical proposal, an Applicant shall submit the following information about a proposed RCS Route:

3.6.3.1 Proposed RCS Route on which the Applicant would want to operate i.e. the origin and destination airports proposed to be connected through the RCS Route

3.6.3.2 Proposed Date of commencement of operations

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3.6.3.3 Stage length / flight duration of the proposed RCS Route based on flying path designed by AAI / approved by DGCA.

3.6.3.4 Proposed aircraft type to be deployed on the RCS route

3.6.3.5 Seating capacity of the proposed aircraft type

3.6.3.6 RCS Flight Capacity proposed to be deployed on the RCS Route with breakdown of number of RCS Seats per RCS Flight and number of Non-RCS Seats per RCS Flight

3.6.3.7 Number of RCS Flights per week

3.6.4 In case of a Network Proposal, the Applicant shall submit the above information for each of the proposed RCS Routes in the Network Proposal along with the proposed network path.

Additional information requirement for Initial Proposals with no VGF requirement

3.6.5 In the event that an Applicant does not require any VGF support under the Scheme for undertaking RCS Flight operations as part of its Individual Route Proposal or Network Proposal (i.e. for all RCS Routes proposed under the network), such an Applicant will be required to mention the same as part of its Technical Proposal.

For avoidance of doubt, the Technical Proposal as part of an Initial Proposal would otherwise not be required to share any details on the VGF amount requested (which is to be submitted as part of the Financial Proposal). Only in cases where there is no VGF requirement, the same should be mentioned as part of the Technical Proposal by the Applicant.

Financial Proposal Information

3.6.6 As part of the Financial Proposal when VGF is sought, the Applicant shall submit the following information.

3.6.6.1 VGF per RCS Seat sought under the Scheme for RCS Flight;

3.6.6.2 All-inclusive maximum airfare for an RCS Seat that the operator, if selected under RCS, will charge for RCS Seats on an RCS Flight ("Maximum Airfare");

3.6.7 As part of the Financial Proposal when no VGF is sought, the Applicant shall submit the following information.

3.6.7.1 All-inclusive maximum airfare for an RCS Seat that the operator, if selected under RCS, will charge for RCS Seats on an RCS Flight ("Maximum Airfare");

such that in 3.6.6 and 3.6.7, the VGF per RCS Seat or maximum airfare proposed by an Applicant is not more than the VGF Cap and the Airfare Cap respectively, as indicated in the Scheme for the applicable stage length /flight duration of the proposed RCS Route.

3.6.8 In case of a Network Proposal, the Applicant shall submit the above information for each of the proposed RCS Route(s) in the Network Proposal.

3.7 Scrutiny of Initial Proposal(s)

3.7.1 The Evaluation Committee shall acknowledge receipt of Initial Proposal(s) after the deadline for submission of Initial Proposal(s).

3.7.2 The Evaluation Committee shall undertake a preliminary assessment of the documents containing Applicant Information and Technical Proposal and advise the Applicant whether the proposal is complete or incomplete within a specified period from the

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deadline for submission of Initial Proposal(s). The Financial Proposal as part of the Initial Proposal shall not be opened at this stage.

3.7.3 If incomplete, the Evaluation Committee may seek clarifications from the Applicant indicating the incorrect / missing information.

3.7.4 Initial Proposals will be subject to a screening process in order to establish their eligibility with respect to conditions mentioned under Section 3.2 and compliance with other conditions specified herein.

3.7.5 The Evaluation Committee shall finalise and declare the list of Initial Proposals against which counter proposals shall be invited. Decision of the Evaluation Committee in this regard shall be final and binding on all parties.

3.8 Selection of proposals for counter bidding

3.8.1 Individual Route Proposals

3.8.1.1 All Individual Route Proposals, found eligible as per Section 3.7, shall be put up for inviting counter proposals along with the details mentioned in Section 3.8.3 below.

3.8.2 Network Proposals

3.8.2.1 MoCA notes that there can be instances, where in a particular bidding cycle, the Initial Proposals pertaining to Network Proposals are received such that:

a) Only one Network Proposal is received for a particular set and sequence of RCS Routes such that there is no overlap of any of the RCS Routes with any other Initial Proposal.

b) More than one Network Proposals are received having exactly the same set and sequence of RCS Routes in their networks and there is no partial overlap of RCS Routes with any other Initial Proposal. Such Network Proposals shall be considered identical ("Identical Networks") and such set and sequence of RCS Routes shall be bid out as one network.

c) More than one Network Proposals are received which have one or more but not all common RCS Route(s). Such Network proposals shall be considered non-identical ("Non-Identical Networks") and all such networks shall be bid out as separate proposals.

3.8.2.2 As mentioned in Section 3.5, a Network Proposal may be a combination of both RCS Routes as well as Non-RCS Routes. For the purpose of inviting counter proposals, the Implementing Agency shall only consider the RCS Routes proposed to be connected as part of the network and their proposed sequence / network path. The Non-RCS Route(s) in a Network Proposal shall not be considered by the Implementing Agency. A counter proposal to such Network Proposal shall have the same RCS Routes for its network as are there in the Initial Proposal and published by the Implementing Agency. However, there shall be no restriction on the Non-RCS Routes as part of such counter proposal.

By way of an illustration, for a network proposed as A-B-C-D-E (where A,B,C,D and E are airports), having B-C and C-D as Non-RCS Routes and A-B and D-E as RCS Routes, the Implementing Agency will consider the RCS Routes A-B and D-E for the purpose of inviting counter proposals and publish the same. The counter-bids to such Network Proposal shall have only A-B and D-E as RCS Routes in the network, but will be allowed to have any set and sequence of Non-RCS Routes. For instance, a bidder can submit a counter proposal as a network of A-B-F-G-D-E, where B-F, F-G and G-D are Non-RCS Routes. Provided that, once A-B-F-G-D-E is proposed as the network, the conditions of aircraft type and number of RCS Flights per week as

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provided in Section 3.5 shall apply to the entire network i.e. both RCS Routes (A-B & D-E) and Non-RCS Routes (B-F, F-G and G-D).

3.8.3 In publishing the list of Individual Route Proposals / Network Proposals for which counter proposals would be invited, the Implementing Agency will publish details such as the following:

Sl. No.	Individual Route / Network	Details	VGF Requested	Applicable VGF and Airfare Caps	Proposed date of commencement of operations
1	*Individual Route*	*RCS Route A - B*	*Yes / No*		
2	*Network*	*RCS Routes in the following sequence A – B, C – D and so on..*	*Yes / No*		
…	….	…	…		…

3.9 Invitation of Counter Proposals

3.9.1 The procedure defined in Section 3.8, shall be followed for selecting Initial Proposals for inviting counter proposals. No changes shall be proposed to the routes offered as part of the Initial Proposal.

3.9.2 From the date of release of invitation for counter proposals, the Implementing Agency will provide a defined period (to be specified separately) to all other interested airline operators to submit counter proposals against an Initial Proposal provided that after receiving Initial Proposal(s), the Implementing Agency may, for administrative exigencies, provide a separate schedule for invitation of counter proposals.

3.9.3 All counter proposals shall include information as required under Section 3.6 and shall be subject to the Minimum Performance Specifications as specified in Section 3.3.

3.9.4 VGF Cap and Airfare Cap to be considered for submission of counter proposals should be the same as that applicable during the Financial Quarter in which the Initial Proposal was submitted.

3.9.5 For inviting counter proposals against a Network Proposal received as an Initial Proposal, the Evaluation Committee shall only release the set and sequence of RCS Routes proposed as part of the Initial Proposal, as mentioned in Section 3.8.3 and airline operators shall be required to submit their counter proposals for such network of RCS Routes subject to the following conditions:

3.9.5.1 Any counter Network Proposal shall not be allowed to add/ delete/ propose any new RCS Route(s) other than the RCS Route(s) proposed as part of the Initial Proposal and released by the Evaluation Committee;

3.9.5.2 Any counter Network Proposal must connect exactly the same set of RCS Routes in the same sequence proposed as part of the Initial Proposal and released by the Evaluation Committee and shall satisfy conditions mentioned under Section 3.5.

3.10 Evaluation of proposals and Applicant selection

3.10.1 In the event that there is no counter proposal against an Initial Proposal, the Evaluation Committee shall open the Financial Proposal submitted as part of the Initial Proposal.

3.10.1.1 In such an event, if the Financial Proposal of an Applicant satisfies the conditions as specified in Section 3.6.6 and Section 3.6.7, the Applicant who has submitted the

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Initial Proposal shall be identified as the "Selected Airline Operator". In case of more than one Initial Proposal for the same RCS Route, the procedure specified in Section 3.11 shall be followed to evaluate such Initial Proposals.

3.10.1.2 In case of a Network Proposal, the conditions as specified in Section 3.5.4 shall need to be satisfied for each of the RCS Routes in the Network.

3.10.2 In the event, the Implementing Agency receives one or more than one counter proposals against an Initial Proposal, the Evaluation Committee shall undertake scrutiny of Application Information and Technical Proposals submitted as part of such counter proposals.

3.10.2.1 The Evaluation Committee shall undertake a preliminary assessment of the documents containing Applicant Information and Technical Proposal and advise the Applicant whether the proposal is complete or incomplete within a defined period (to be specified separately). The Financial Proposal as part of the counter proposals shall not be opened at this stage.

3.10.2.2 If incomplete, the Evaluation Committee may seek clarifications from the Applicant indicating the incorrect / missing information.

3.10.2.3 The counter proposals will be subject to a screening process in order to establish their eligibility with respect to conditions mentioned under Section 3.2 and compliance with other conditions specified herein.

3.10.3 For all eligible counter proposals and the corresponding Initial Proposal, the Evaluation Committee shall undertake opening of the Financial Proposal at a pre-specified date in the presence of Applicants who choose to be present, and for all Financial Proposal(s) that satisfy the conditions as specified in Section 3.6.6, Section 3.6.7 or Section 3.5.4 as may be applicable, the preferred applicant shall be determined based on the mechanism specified in Section 3.11 and Section 3.12.

3.11 Evaluation of Financial Proposal for an Individual Route Proposal

3.11.1 For Initial Proposals where the Applicant(s) have not requested any VGF as part of the bid, the evaluation of a counter proposal vis-à-vis the Initial Proposal shall be done on the basis of number of RCS Seats per week quoted by the Applicants. The Applicant quoting the maximum number of RCS Seats per week shall be declared as the "Preferred Individual Route Applicant".

3.11.1.1 In the event that two or more Applicants are determined as the Preferred Individual Route Applicants, (the "**Tied Preferred Route Applicants**"), the evaluation of Tied Preferred Route Applicants shall be done on the basis of lowest Maximum Airfare for each RCS Seat to be quoted by the Applicants. The Applicant quoting the lowest Maximum Airfare for each RCS Seat shall be declared as the "Preferred Individual Route Applicant".

3.11.1.2 In the event that such Tied Preferred Route Applicants have quoted the same Maximum Airfare, the Implementing Agency shall specify a separate procedure for breaking the tie at that stage.

3.11.2 For Initial Proposals, where the Applicant(s) have requested VGF, the evaluation will be done on the basis of VGF per RCS Seat ("hereinafter referred to as Bidding Parameter") such that the Applicant who has quoted the lowest VGF per RCS Seat for the proposed RCS Route shall be selected as the "Preferred Individual Route Applicant" for such RCS Route.

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3.11.2.1 In the event that two or more Applicants are determined as the Preferred Individual Route Applicants, (the "**Tied Preferred Route Applicants**"), identification of the Preferred Individual Route Applicant will be as per the process mentioned in Section 3.11.1.1.

3.11.3 The Applicant submitting the Initial Proposal for a particular RCS Route shall have the option of Right to Match as per Section 3.14. Provided that in the event of Tied Preferred Route Applicants as explained above, the Applicant who has submitted the Initial Proposal for a particular RCS Route shall be given the Right to Match option through participation in the tie breaker process if its proposal is within a range of 10% of the financial proposal submitted by such Tied Preferred Route Applicants. During the tie-breaker process, the Applicant which submits the best proposal at end of the process, shall be identified as the Preferred Individual Route Applicant. For avoidance of doubt, in the event of Tied Preferred Route Applicants, no further RTM Option shall be available to the Applicant who has submitted the Initial Proposal for a particular RCS Route after the commencement of tie breaker process.

3.12 Evaluation of Financial Proposals for a Network Proposals

3.12.1 For Initial Proposals pertaining to Network Proposals where the Applicant(s) (or atleast one of the Applicant in case of Identical Networks) have not requested any VGF as part of the bid, the evaluation of a counter proposal vis-à-vis the Initial Proposal shall be done using the process specified in Section 3.11.1 above based on the total number of RCS Seats per week across all RCS Routes in the network or the lowest total of Maximum Airfares for all RCS Routes as quoted by the Applicant, as the case may be. The identified preferred applicant based on such process shall be declared as the "Preferred Network Applicant".

3.12.2 For Initial Proposals pertaining to Network Proposals satisfying the conditions given in Section 3.8.2.1a) and Section 3.8.2.1b), where the Applicant(s) have requested VGF, the evaluation of counter proposal(s) vis-à-vis the initial Network Proposal shall be done on the basis of total of VGF per RCS Seat for all RCS Routes proposed in the network such that the Applicant who has quoted the lowest total of VGF per RCS Seat for all RCS Routes proposed in the network shall be selected as the "Preferred Network Applicant" for such Network Proposal.

3.12.2.1 In the event that two or more Applicants are determined as the Preferred Network Applicants, (the "**Tied Preferred Network Applicants**"), identification of the Preferred Network Applicant will be as per the process mentioned in Section 3.11.1.1.

3.12.2.2 The Applicant submitting the Initial Proposal pertaining to such Network Proposal will have the option of Right to Match as per Section 3.14. Provided that in the event of Tied Preferred Network Applicants as explained above, the Applicant who has submitted the Initial Proposal pertaining to such Network Proposal shall be given the Right to Match option through participation in the tie breaker process if its proposal is within a range of 10% of the financial proposal submitted by such Tied Preferred Network Applicants. During the tie-breaker process, the Applicant which submits the best proposal at end of the process, shall be identified as the Preferred Network Applicant. For avoidance of doubt, in the event of Tied Preferred Network Applicants, no further RTM Option shall be available to the Applicant who has submitted the Initial Proposal pertaining to such Network Proposal after the commencement of tie breaker process.

3.12.3 The total of VGF per RCS Seat for all RCS Routes proposed in the network for an Applicant shall be calculated as:

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$$\sum_{i=1}^{m} V_i$$

Where:

m is the number of RCS Routes in the Network Proposal of the Applicant

V_i is the VGF per RCS Seat quoted by the Applicant for RCS Route i

3.13 Evaluation of Financial Proposals for Simultaneous Proposals

3.13.1 In case of Initial Proposals which are Non-Identical Proposals as defined in Section 3.8.2.1c) or where an RCS Route proposed as part of an Individual Route Proposal is common with an RCS Route proposed as part of a Network Proposal (such proposals being hereafter referred as "Simultaneous Proposals"), the evaluation of financial proposals shall be undertaken in the manner as specified below.

3.13.2 Implementing Agency shall evaluate respective counter proposals vis-à-vis the Initial Proposals for such Simultaneous Proposals as per the process specified in Section 3.11 and Section 3.12 above and shall identify Preferred Individual Route Applicant and Preferred Network Applicant for such Simultaneous Proposals, as the case may be.

3.13.3 Subsequent to the identification of the Preferred Individual Route Applicant (if any) and Preferred Network Applicant(s), their respective proposals shall be compared to identify the Applicant(s) with lowest VGF per RCS Seat for such common RCS Route(s).

3.13.4 In the event that a Preferred Individual Route Applicant (if any) has submitted the lowest VGF per RCS Seat for a common RCS Route, all other identified Preferred Network Applicant(s) shall be provided the opportunity to match the lowest VGF per RCS Seat for such common RCS Route.

3.13.5 However, in the event that a Preferred Network Applicant has submitted the lowest VGF per RCS Seat for a common RCS Route, only the other identified Preferred Network Applicant(s) shall be provided the opportunity to match the lowest VGF per RCS Seat for such common RCS Route. In such an event, if there is a Preferred Individual Route Applicant for such common RCS Route, its proposal shall not be considered further for award.

3.13.6 In both the above scenarios, all Applicants who match the lowest VGF per RCS Seat shall be selected for operating such common RCS Routes(s) and shall be identified as the Selected Airline Operator for their respective Network Proposal(s) / Individual Route Proposal. Proposals of Applicants who decide not to match the VGF per RCS Seat for such common RCS Routes(s) shall not be considered further for award. For avoidance of doubt, all such Applicants who match the lowest VGF per Seat for such common RCS Route shall have the right to undertake operations on that common RCS Route and will be provided VGF on such common RCS Route.

By way of an illustration, say the Implementing Agency receives Initial Proposals (Simultaneous Proposals) for the following Individual Route Proposal / Network Proposals: A-B, A-B-C-D and A-B-E-F, where all the proposed routes are RCS Routes. The following steps will be undertaken by the Implementing Agency for evaluation of such proposals:

Step 1 – All proposals shall be scrutinized as per the eligibility conditions.

Step 2 - After initial scrutiny, respective counter proposals shall be invited against the proposed Individual Route Proposal for A-B and Networks Proposals for A-B-C-D and A-B-E-F.

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Step 3 - On the basis of procedure mentioned in Section 3.11 and Section 3.12 above, the Preferred Individual Route Applicant for the route A-B and the Preferred Network Applicants for the networks A-B-C-D and A-B-E-F shall be selected. It is to be noted that while making this selection, the RTM Option as per Section 3.14 shall be provided to the bidders who have submitted respective Initial Proposals for A-B, A-B-C-D and A-B-E-F.

Step 4 - Subsequently, the Applicant with the lowest VGF per RCS Seat for the common RCS Route, i.e., A-B shall be identified.

Step 5 – Assuming the Preferred Individual Route Applicant (i.e. the Applicant with Individual Route Proposal for A-B) has quoted the lowest VGF per RCS Seat for A-B, the Preferred Network Applicants for the networks A-B-C-D and A-B-E-F shall be asked to match the VGF per Seat quoted by the Preferred Individual Route Applicant.

Step 6 – Assuming the Preferred Network Applicant for the network A-B-C-D decides to match the lowest VGF per RCS Seat for A-B and the Preferred Network Applicant for the network A-B-E-F decides not to match the lowest VGF per RCS Seat for A-B, the Preferred Individual Route Applicant and the Preferred Network Applicant for the network A-B-C-D shall be identified as the Selected Airline Operators for A-B and the network A-B-C-D respectively. The proposal for network A-B-E-F shall not be considered further.

In the above illustration, the Selected Airline Operator for the network A-B-C-D shall have the exclusivity of operations on the network A-B-C-D except for the RCS Route A-B for which the other Selected Airline Operator for the Individual Route Proposal shall also be permitted to operate.

In the above illustration, if say the Preferred Network Applicant for the networks A-B-C-D has quoted the lowest VGF per RCS Seat for A-B, only the Preferred Network Applicant for the networks A-B-E-F shall be asked to match the lowest VGF per Seat for A-B. The proposal submitted by the Preferred Individual Route Applicant shall not be considered further.

3.13.7 MoCA recognizes that such award of Simultaneous Proposals to more than one bidder will result in loss of exclusivity of operations on the common RCS Routes for an individual operator. However, the Selected Airline Operators will jointly have exclusivity of operations vis-à-vis any other operator.

3.13.8 For the purposes of this Section 3.13.8, in the event an Applicant has submitted an Individual Route Proposal for an RCS Route with only a one-way connectivity proposed between two airports and there is another Individual Route Proposal for the same RCS Route with a to-and-fro connectivity proposed between such airports such that the two proposals are Simultaneous Proposals, for the purpose of evaluation, the Individual Route Proposal providing a to-and-fro connectivity shall be treated as a Network Proposal.

3.14 Right to Match

3.14.1 MoCA recognizes that given the present lack of adequate regional connectivity and uncertainty in market conditions, incentivizing operators to invest efforts & resources in exploring the market potential on various routes, undertaking associated due diligence and submitting Initial Proposals for RCS Routes may be necessary to encourage market participation. In this context, a Right to Match is proposed to be provided to the Applicant submitting an Initial Proposal if its proposal is within a certain range of the preferred proposal. Such a mechanism would continue to incentivise the operators to quote an optimal value even as part of their Initial Proposals since if their value is

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beyond the specified range of the preferred proposal, they will not be able to exercise such a right and not be able to derive benefits for their initial efforts.

3.14.2 The Applicant submitting an Initial Proposal shall be given a Right to Match (RTM) against the respective Preferred Individual Route Applicant or Preferred Network Applicant, as the case may be. In the event that the Applicant which submitted an Initial Proposal is not the Preferred Individual Route Applicant / Preferred Network Applicant, but whose financial proposal is within a range of 10% of the financial proposal submitted by such Preferred Individual Route Applicant or Preferred Network Applicant, as the case may be, the Applicant will have the option of matching such preferred applicant in terms of its financial proposal (RTM Option). If the Applicant exercises its RTM Option, it will be declared as the Preferred Individual Route Applicant / Preferred Network Applicant, as the case may be.

3.14.3 In the event that the Applicant that submitted the Initial Proposal does not exercise its RTM Option, the Preferred Individual Route Applicant / Preferred Network Applicant shall continue to be declared as the Preferred Individual Route Applicant / Preferred Network Applicant as the case may be.

3.14.4 In case of more than one Initial Proposal for the same RCS Route or a Network Proposal, the Applicant which has submitted the best financial proposal amongst such Initial Proposals and whose financial proposal is within a range of 10% of the financial proposal submitted by a preferred applicant will have the RTM Option. If such Applicant does not exercise its RTM Option, the Preferred Individual Route Applicant / Preferred Network Applicant shall continue to be declared as the Preferred Individual Route Applicant / Preferred Network Applicant as the case may be.

3.14.5 For Initial Proposals pertaining to an individual RCS Route or Network Proposals satisfying the conditions given in Section 3.8.2.1a) and Section 3.8.2.1b), the Preferred Individual Route Applicant / Preferred Network Applicant identified above shall be declared as the Selected Airline Operator.

3.14.6 In case of Simultaneous Proposals, subsequent to the identification of Preferred Individual Route Applicant / Preferred Network Applicant after the above mentioned process, the Selected Airline Operator shall be identified through the process specified in Sections 3.13.

3.14.7 After identification of a Selected Airline Operator for an RCS Route / Network Proposal, the Implementing Agency will aim to provide / publish details such as the following in respect of each identified Selected Airline Operator.

Sl. No.	Composition of Route / Network	Selected Operator	RCS Seats to be deployed per flight	RCS flights to be operated per week	Airfare Cap for RCS Seats	Proposed date of commencement of operations
1						
2						
..						

3.15 Performance Guarantee

3.15.1 As mentioned earlier, the Selected Airline Operator will enter into a three year contract with the Implementing Agency for operating RCS Flights under this Scheme. The Selected Airline Operator shall be required to comply with all applicable regulations for such operations under this Scheme including of the DGCA.

3.15.2 At the time of signing the contract, the Selected Airline Operator will be required to submit a Performance Guarantee to the Implementing Agency for an amount equivalent to five percent (5%) of the total VGF amount to be provided to such Selected Airline

Operator in the first year of its operations, subject to a minimum of Rs. Five lakhs (Rs. 5,00,000/-) per RCS Route.

3.15.3 In addition to the above, in the event that an RCS Airport is non-operational and / or requires investment of INR 5 Crores or more for rehabilitation / upgradation of infrastructure (airside or the terminal building) by the respective airport owner/operator to make such RCS Airport operational / suitable for proposed RCS Flight operations, the Selected Airline Operator shall be required to submit an Additional Performance Guarantee for an amount of INR One Crore (INR 1,00,00,000/-) to the Implementing Agency. For helicopter operations under the Scheme, Additional Performance Guarantee shall not be applicable.

3.15.4 In addition to the provisions mentioned under Section 3.18, the Performance Guarantee and the Additional Performance Guarantee, if any, will be dealt with by the Implementing Agency as follows:

3.15.4.1 Performance Guarantee submitted by the Selected Airline Operator shall be liable to encashment as per the terms and conditions of the contract, if the Selected Airline Operator fails to:

a) Ensure integrity of the scheduled flights on routes proposed under the contract signed with the Implementing Agency, i.e. it fails to operate at least 70% of the scheduled flights on routes proposed under the contract signed with the Implementing Agency in a specified period; or

b) Adhere to any other terms and conditions of the contract signed with the Implementing Agency.

Upon such encashment, the Selected Airline Operator will be required to replenish the Performance Guarantee within a specified period, failing which the Implementing Agency will be entitled to terminate the contract and proceed as per provisions of the contract.

3.15.4.2 Performance Guarantee will be returned by the Implementing Agency to the Selected Airline Operator upon completion of one (1) year from commencement of RCS Flight operations as per the terms and conditions of the contract;

3.15.4.3 Additional Performance Guarantee, if any, will be returned by the Implementing Agency to the Selected Airline Operator as per the terms and conditions of the contract:

a) If the required rehabilitation / upgradation of infrastructure to make such RCS Airport operational / suitable for the proposed RCS Flight operations is not completed by the end of two (2) years from the date of submission of such Additional Performance Guarantee; or

b) Upon completion of one (1) year from commencement of RCS Flight operations to / from the concerned RCS Airport.

3.16 Change in deployed capacity

3.16.1 A Selected Airline Operator for an RCS Route may decide to change the capacity deployed on an RCS Route.

3.16.2 In the event that a Selected Airline Operator for an RCS Route intends to increase the capacity deployed on an RCS Route, it shall be required to inform the Implementing Agency in this regard such that:

3.16.2.1 The Selected Airline Operator shall be allowed to change the aircraft type (size) operating on an RCS Route (applicable both for an individual RCS Route or an RCS Route as part of a network) under the Scheme or to increase the number of RCS Flights up to a maximum of 7 departures per week such that, the total VGF per week

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(i.e. a product of number of RCS Seats per RCS Flight, VGF per RCS Seat and number of RCS Flights in a week) as available to the Selected Airline Operator after increase in capacity deployed shall remain the same as permitted at the time of contracting. In the event that a Selected Airline Operator changes the aircraft type (size) operating on an RCS Route under the Scheme, the number of RCS Seats to be provided shall have reference to Section 3.3.1.

3.16.2.2 The total VGF per week shall be equally spread over the revised number of RCS Seats in a week (i.e. revised number of RCS Seats per RCS Flight multiplied by the revised number of RCS Flights in a week). The VGF per RCS Seat shall be adjusted accordingly to arrive at the same total VGF per week.

3.16.3 In the event that a Selected Airline Operator for an RCS Route intends to decrease the capacity deployed on an RCS Route, it shall be required to inform the same to the Implementing Agency. Such decrease in capacity deployed on an RCS Route shall only be permitted if (a) such reduction is on account of change in aircraft type and (b) all minimum conditions (such as number of RCS Seats per RCS Flight, number of RCS Flights in a week etc.) as submitted by such Selected Airline Operator at the time of its selection are continued to be met. No reduction in the number of RCS Flights per week or in number of RCS Seats per RCS Flight shall be considered by the Implementing Agency.

3.16.4 The Selected Airline Operator shall be allowed to operate charter flights as per the regulations of DGCA, provided that the proposed schedule and service levels or any other conditions under the Scheme are not impacted.

3.17 Prioritisation Framework

3.17.1 The Evaluation Committee shall have reference to the Scheme objectives at all points of time and prioritize proposals for being supported under the Scheme.

3.17.2 Prioritisation of proposals received under the Scheme shall be based on:

3.17.2.1 Number of airports proposed to be connected – Priority shall be given to a Network Proposal against an Individual Route Proposal. The implementation mechanism of this prioritisation will be as follows:

a) At the end of every half-yearly cycle, an assessment will be made with respect to VGF required to be committed for all Network Proposals and all Individual Route Proposals based on final evaluation of financial proposals. Such requirement will be divided into the five Regions;

b) Requirement for an individual Region will be compared against RCF available for supporting new proposals in that Region to estimate an excess or a shortfall of RCF with respect to requirements;

c) In case of an excess, prioritisation of Network Proposals against an Individual Route Proposal will not be required;

d) In case of a shortfall, Network Proposals will be considered on priority;

e) In case the shortfall is such that while all Network Proposals can be considered, only some of the Individual Route Proposals can be considered, prioritisation based on nature of connectivity (remote / unserved regions) will be applied.

3.17.2.2 Nature of connectivity - In line with Section 2.6.2, allocation of RCF to Individual Route Proposals connecting Underserved Airports will be capped. In case of shortfall as presented in Section 3.17.2.1e), priority shall be given to Individual Route Proposals connecting remote / unserved regions.

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3.17.3 In case any proposal is not considered by the Implementing Agency on account of a shortfall of RCF for a particular half-yearly cycle, the proposal will be considered in the next half-yearly cycle subject to availability of RCF and pursuant to application of the prioritisation mechanism as above.

3.18 Exit from the Scheme

3.18.1 A Selected Airline Operator may cease RCS Flight operations for any reason any time after one (1) year from commencement of such RCS Flight operations. In the event of such cessation of RCS Flight operations, provided there is no default by the Selected Airline Operator under the contract, the Performance Guarantee and the Additional Performance Guarantee, if any, shall be returned to the Selected Airline Operator.

3.18.2 If however, a Selected Airline Operator ceases RCS Flight operations before completion of one (1) year from commencement of such RCS Flight operations, the Performance Guarantee and the Additional Performance Guarantee, if any, shall be liable to be encashed and retained as per the terms and conditions of the contract.

3.18.3 If, pursuant to Section 2.1.4.2 of this Scheme, the Scheme is withdrawn at any time, the Performance Guarantee and the Additional Performance Guarantee, if any, shall be returned to the Selected Airline Operator.

3.18.4 Notwithstanding other provisions under this Scheme, a Selected Airline Operator shall be permitted, as per terms and conditions to be specified under the contract, to assign its rights / contracts under the Scheme to another airline operator having a valid AOP for a similar type of aircraft as required under the Implementing Agency's contract with the Selected Airline Operator.

3.19 Reporting Obligations for a Selected Airline Operator

3.19.1 The VGF payment will be made to the Selected Airline Operator from the Regional Connectivity Fund (RCF) on the completion of every month.

3.19.2 Additionally, this fund will be used to provide appropriate administrative charges to the Implementing Agency for implementing the Scheme.

3.19.3 For the sanction of monthly VGF payment, the Selected Airline Operator on an RCS Route will be required to submit information on specified parameters, which will be used by the Implementing Agency to monitor adherence to the agreed contract terms and conditions.

3.19.3.1 The Selected Airline Operator shall be required to submit the Flight Manifest as per Aeronautical Information Publication (AIP) requirements.

3.19.3.2 In addition to this, the Selected Airline Operator will need to submit RCS specific information to be specified under the contract.

3.20 Disbursement of Funds

3.20.1 The VGF shall be disbursed to the Selected Airline Operator only for RCS Flights that have been operated in a month.

3.20.2 The Selected Airline Operator(s) will be required to submit to the Implementing Agency, all information pertaining to RCS Flights operated during a month as required in Section 3.19 on or before the seventh (7^{th}) date of the following month.

3.20.3 The Implementing Agency will scrutinize the information received from the Selected Airline Operator(s) for compliance with the contract conditions.

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3.20.4 The VGF shall be disbursed by the Implementing Agency to the Selected Airline Operator for all committed RCS Seats, irrespective of the occupancy, for every RCS Flight operated on the RCS Route during the reporting period, after adjustments for any defaults by the Selected Airline Operator under the contract.

3.20.5 The incentives / support provided under the Scheme is based on the premise that a Selected Airline Operator shall sell RCS Seats first before selling Non-RCS Seats on an RCS Flight. The Implementing Agency may undertake a review / audit of the performance of a Selected Airline Operator including *inter alia* on this aspect from time to time through independent auditors. The penalties for breach of such principle shall be specified in the contract between the Implementing Agency and the Selected Airline Operator. A Selected Airline Operator shall be required to maintain relevant records for a period of atleast 3 years after the expiry of its contract to facilitate such monitoring.

3.20.5.1 MoCA recognizes that cancellation of tickets is a normal business phenomenon in aviation industry and certain passengers may cancel their RCS Seats before the flight departure which may not provide sufficient time to a Selected Airline Operator to resell such RCS Seats. In such an event any RCS Seat, which does not get sold due to cancellation by a passenger, shall be considered as sold for the purpose of Sections 3.20.5 above. However, the obligation of proving such cancellation in terms of relevant details (passenger identification, etc.) shall be on the Selected Airline Operator.

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Annexure – 1A: List of Underserved Airports / Airstrips in the country

Presented below is a tentative list of Underserved Airports. Applicants are expected to undertake their own due diligence vis-à-vis suitability of these airports for their proposals.

In case any such airport is a defence airport, the approval from Ministry of Defence, Government of India will need to be obtained for permitting joint use / civil operations under the Scheme.

It may be noted that this list does not include RCS Heliports. Applicants interested to submit proposals for helicopter operations will be required to ascertain eligible RCS Heliports from DGCA.

S.No.	Name of Airport / Airstrip	State (where the Airport / Airstrip is located)
1.	Car Nicobar	Andaman island
2.	Jorhat	Assam
3.	North Lakhimpur (Lilabari)	Assam
4.	Tezpur	Assam
5.	Jamnagar	Gujarat
6.	Bhavnagar	Gujarat
7.	Kullu (Bhuntar)	Himachal Pradesh
8.	Thoise	Jammu and Kashmir
9.	Agatti	Lakshadweep Islands
10.	Shillong (Barapani)	Meghalaya
11.	Diu	Daman and Diu (U.T.)
12.	Agra	Uttar Pradesh
13.	Allahabad	Uttar Pradesh
14.	Gwalior	Madhya Pradesh
15.	Pantnagar	Uttarakhand
16.	Andal (Durgapur)	West Bengal

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Annexure – 1B: List of Unserved Airports / Airstrips in the country

Presented below is a tentative list of Unserved Airports. Applicants are expected to undertake their own due diligence vis-à-vis suitability of these airports for their proposals.

In case any such airport is a defence airport, the approval from Ministry of Defence, Government of India will need to be obtained for permitting joint use / civil operations under the Scheme.

It may be noted that this list does not include RCS Heliports. Applicants interested to submit proposals for helicopter operations will be required to ascertain eligible RCS Heliports from DGCA.

S.No.	Name of Airport / Airstrip	State (where the Airport / Airstrip is located)
1.	Campbell Bay	Andaman Nicobar
2.	Shibpur	Andaman Nicobar
3.	Bobbili	Andhra Pradesh
4.	Donakonda	Andhra Pradesh
5.	Ellore	Andhra Pradesh
6.	Sri SathyaSaiPuttapurthy (Pransanthinilyam)	Andhra Pradesh
7.	Alinya	Arunachal Pradesh
8.	Along	Arunachal Pradesh
9.	Daparizo	Arunachal Pradesh
10.	Mechuka	Arunachal Pradesh
11.	Passighat	Arunachal Pradesh
12.	Tezu	Arunachal Pradesh
13.	Tuting	Arunachal Pradesh
14.	Yinghiong	Arunachal Pradesh
15.	Zero	Arunachal Pradesh
16.	Bograjeng	Assam
17.	Borengajuli	Assam
18.	Chabua	Assam
19.	Darrang	Assam
20.	Dinjan	Assam
21.	DoomurDullang	Assam
22.	Kokrajhar	Assam
23.	Kolapni	Assam
24.	Lakhipur	Assam
25.	Ledo	Assam
26.	Mackebpur	Assam
27.	Misa	Assam
28.	Misa Mari	Assam
29.	Mornai	Assam
30.	Nazira	Assam
31.	Panneri	Assam
32.	Rupsi	Assam
33.	Sadiya	Assam
34.	Sorbhog	Assam
35.	Sukerating (Dum Duma)	Assam
36.	Arrah	Bihar
37.	Begusarai	Bihar

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S.No.	Name of Airport / Airstrip	State (where the Airport / Airstrip is located)
38.	Bettiah	Bihar
39.	Bhabua	Bihar
40.	Bhagalpur	Bihar
41.	Bhowrah	Bihar
42.	Bihar Shariff	Bihar
43.	Bihita	Bihar
44.	Birpur	Bihar
45.	Buxur	Bihar
46.	Chhapra	Bihar
47.	Dalbhundarh	Bihar
48.	Darbhaga	Bihar
49.	Dehri	Bihar
50.	Giridhi	Bihar
51.	Hathwa	Bihar
52.	Jehanabad	Bihar
53.	Jogbani	Bihar
54.	Katihar	Bihar
55.	Kishangang	Bihar
56.	Kursela	Bihar
57.	Madhubani	Bihar
58.	Monghyr	Bihar
59.	Motihari	Bihar
60.	Munger	Bihar
61.	Muzzafarpur	Bihar
62.	Naria	Bihar
63.	Panchanpur	Bihar
64.	Purnea	Bihar
65.	Raxaul	Bihar
66.	Safiabad	Bihar
67.	Saharsa	Bihar
68.	Ambikapur	Chattisgarh
69.	Bhilai	Chattisgarh
70.	Bilaspur	Chattisgarh
71.	Durg	Chattisgarh
72.	Jagdalpur	Chattisgarh
73.	Jashpurnagar	Chattisgarh
74.	Kargid	Chattisgarh
75.	Korba	Chattisgarh
76.	Raigarh (Jindal)	Chattisgarh
77.	Raigarh (Kondatarai)	Chattisgarh
78.	Raigarh (Sariya)	Chattisgarh
79.	Raipur (Baikunth)	Chattisgarh
80.	Tilda (Kohaka)	Chattisgarh
81.	Amreli (Amroli)	Gujarat
82.	Chela	Gujarat
83.	Chhand Bet	Gujarat
84.	Drangadhara	Gujarat
85.	Deesa (Palanpur)	Gujarat
86.	Kandla	Gujarat
87.	Keshod	Gujarat
88.	Khambalia	Gujarat
89.	Khavada	Gujarat

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S.No.	Name of Airport / Airstrip	State (where the Airport / Airstrip is located)
90.	Limbdi	Gujarat
91.	Mandvi	Gujarat
92.	Mehsana	Gujarat
93.	Mithapur (Dwarka)	Gujarat
94.	Morvi	Gujarat
95.	Mundra	Gujarat
96.	Naliya	Gujarat
97.	Parsoli	Gujarat
98.	Porbandar	Gujarat
99.	Radhanpur	Gujarat
100.	Wadhwan	Gujarat
101.	Wankaner	Gujarat
102.	Ambala	Haryana
103.	Bhiwani	Haryana
104.	Gurgaon	Haryana
105.	Hissar	Haryana
106.	Karnal	Haryana
107.	Narnaul	Haryana
108.	Pinjore	Haryana
109.	Sirsa	Haryana
110.	Shimla	Himachal Pradesh
111.	Akhnur	Jammu and Kashmir
112.	Awantipur	Jammu and Kashmir
113.	Chamb	Jammu and Kashmir
114.	Chushal	Jammu and Kashmir
115.	Fukche	Jammu and Kashmir
116.	Gurex	Jammu and Kashmir
117.	Jhangar	Jammu and Kashmir
118.	Kargil	Jammu and Kashmir
119.	Kishtwar	Jammu and Kashmir
120.	Mantalai	Jammu and Kashmir
121.	Miran Sahib	Jammu and Kashmir
122.	Panzgam	Jammu and Kashmir
123.	Poonch	Jammu and Kashmir
124.	Rajouri	Jammu and Kashmir
125.	Udhampur	Jammu and Kashmir
126.	Bokaro	Jharkhand
127.	Chaibasa	Jharkhand
128.	Chakulia	Jharkhand
129.	Daltonganj	Jharkhand
130.	Deoghar	Jharkhand
131.	Dhanbad	Jharkhand
132.	Dumka	Jharkhand
133.	Hazaribagh	Jharkhand
134.	Jamshedpur	Jharkhand
135.	Ammasandra	Karnataka
136.	Baldota/Koppal	Karnataka
137.	Bangalore (Iis)	Karnataka
138.	Bellary	Karnataka
139.	Bidar	Karnataka
140.	Ginigera (Hospet)	Karnataka
141.	Hassan	Karnataka

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S.No.	Name of Airport / Airstrip	State (where the Airport / Airstrip is located)
142.	Jakkur	Karnataka
143.	Kolar	Karnataka
144.	Mysore (Mandacally)	Karnataka
145.	Raichur	Karnataka
146.	Shahbad	Karnataka
147.	Vidyanagar	Karnataka
148.	Yadgiri	Karnataka
149.	Yehlanka	Karnataka
150.	Chillari	Kerala
151.	Amla	Madhya Pradesh
152.	Betul	Madhya Pradesh
153.	Birlagram (Nagda)	Madhya Pradesh
154.	Birwa	Madhya Pradesh
155.	Burhar (Shahdol)	Madhya Pradesh
156.	Chhindwara	Madhya Pradesh
157.	Damoh	Madhya Pradesh
158.	Dhana	Madhya Pradesh
159.	Gandhisagar	Madhya Pradesh
160.	Guna	Madhya Pradesh
161.	Jhabua	Madhya Pradesh
162.	Jhabua (Ranpet)	Madhya Pradesh
163.	Kanha	Madhya Pradesh
164.	Khandwa	Madhya Pradesh
165.	Khargone	Madhya Pradesh
166.	Lalpur	Madhya Pradesh
167.	Nagda	Madhya Pradesh
168.	Neemuch	Madhya Pradesh
169.	Nowgong	Madhya Pradesh
170.	Pachmarhi	Madhya Pradesh
171.	Panna	Madhya Pradesh
172.	Raisen (Chiklod)	Madhya Pradesh
173.	Rajhara (Dhalli)	Madhya Pradesh
174.	Rakhikol	Madhya Pradesh
175.	Ratlam	Madhya Pradesh
176.	Rewa	Madhya Pradesh
177.	Sagar	Madhya Pradesh
178.	Sarangarh	Madhya Pradesh
179.	Sarani	Madhya Pradesh
180.	Satna	Madhya Pradesh
181.	Shahdol	Madhya Pradesh
182.	Shivpuri	Madhya Pradesh
183.	Sidhi	Madhya Pradesh
184.	Sitamanu (Sitamaw, Mandasore)	Madhya Pradesh
185.	Tekanpur	Madhya Pradesh
186.	Ujjain	Madhya Pradesh
187.	Ahemad Nagar	Maharashtra
188.	Akola	Maharashtra
189.	Amravati	Maharashtra
190.	Baramati	Maharashtra
191.	Chandrapur	Maharashtra
192.	Darna Camp	Maharashtra
193.	Deolali	Maharashtra

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S.No.	Name of Airport / Airstrip	State (where the Airport / Airstrip is located)
194.	Dhulia	Maharashtra
195.	Gondia	Maharashtra
196.	Hadapsar, Pune	Maharashtra
197.	Jalgaon	Maharashtra
198.	Jath	Maharashtra
199.	Kalyan	Maharashtra
200.	Karad	Maharashtra
201.	Kawalpur	Maharashtra
202.	Kolhapur	Maharashtra
203.	Kudal	Maharashtra
204.	Latur (MADC)	Maharashtra
205.	LonavalaAmby Valley	Maharashtra
206.	Mumbai (Juhu)	Maharashtra
207.	Nanded	Maharashtra
208.	Nasik Road	Maharashtra
209.	Osmanabad	Maharashtra
210.	Ozar (Nasik)	Maharashtra
211.	Phaltan	Maharashtra
212.	Ratnagiri	Maharashtra
213.	Shirpur	Maharashtra
214.	Sholapur	Maharashtra
215.	Waluj	Maharashtra
216.	Imphal (Korangee)	Manipur
217.	Palel	Manipur
218.	Dwara	Meghalaya
219.	Shella	Meghalaya
220.	Tura	Meghalaya
221.	Aizawl	Mizoram
222.	Kohima	Nagaland
223.	Amarda Road	Orissa
224.	Angul	Orissa
225.	Barbil	Orissa
226.	Baripada	Orissa
227.	Birasal	Orissa
228.	Cuttack	Orissa
229.	Gonapur	Orissa
230.	Gopalpur	Orissa
231.	Gudari	Orissa
232.	Hirakund	Orissa
233.	Jayakpur	Orissa
234.	Jeypore	Orissa
235.	Jharsuguda	Orissa
236.	Keonjhar	Orissa
237.	Khandpara	Orissa
238.	Konarak	Orissa
239.	Lanjigarh	Orissa
240.	Nawapara	Orissa
241.	Padampur	Orissa
242.	Rairangpur	Orissa
243.	Raisuan	Orissa
244.	Rangeilunda	Orissa
245.	Rourkela (Sail)	Orissa

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S.No.	Name of Airport / Airstrip	State (where the Airport / Airstrip is located)
246.	Sarlake	Orissa
247.	Theruboli	Orissa
248.	Tushra	Orissa
249.	Utkela	Orissa
250.	Adampur	Punjab
251.	Bakshiwala	Punjab
252.	Beas	Punjab
253.	Bhatinda	Punjab
254.	Dablan	Punjab
255.	Faridkot	Punjab
256.	Ferozpur	Punjab
257.	Gurdaspur	Punjab
258.	Halwara	Punjab
259.	Jawalapur	Punjab
260.	Jullandhar	Punjab
261.	Khemkaran	Punjab
262.	Ludhiana	Punjab
263.	Nabha	Punjab
264.	Nanak Sar	Punjab
265.	Pathankot	Punjab
266.	Patiala	Punjab
267.	Abu Road	Rajasthan
268.	Ajmer	Rajasthan
269.	Alwar	Rajasthan
270.	Banar	Rajasthan
271.	Banasthali	Rajasthan
272.	Banswara (Tilwara)	Rajasthan
273.	Bharatpur	Rajasthan
274.	Bhawi	Rajasthan
275.	Bikaner (Nal)	Rajasthan
276.	Bundi	Rajasthan
277.	Dholpur	Rajasthan
278.	Falna Road (Pali)	Rajasthan
279.	Gadra Road	Rajasthan
280.	Hamirgarh	Rajasthan
281.	Isarda	Rajasthan
282.	Jaisalmer	Rajasthan
283.	Jawai	Rajasthan
284.	Jhalawar (Brijnagar)	Rajasthan
285.	Jhunjhunu	Rajasthan
286.	Kankoroli	Rajasthan
287.	Kishangarh	Rajasthan
288.	Kota	Rajasthan
289.	Lalgarh	Rajasthan
290.	Malapura	Rajasthan
291.	Mathania	Rajasthan
292.	Merta Road	Rajasthan
293.	Nagaur	Rajasthan
294.	Pilani	Rajasthan
295.	Salawas	Rajasthan
296.	SawaiMadhopur	Rajasthan
297.	Shahpur	Rajasthan

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S.No.	Name of Airport / Airstrip	State (where the Airport / Airstrip is located)
298.	Sheo	Rajasthan
299.	Sirohi	Rajasthan
300.	Suratgarh	Rajasthan
301.	Uterlai	Rajasthan
302.	Arkonam	Tamil Nadu
303.	Chetinad	Tamil Nadu
304.	Cholavaram	Tamil Nadu
305.	Hosur	Tamil Nadu
306.	Kayattar	Tamil Nadu
307.	Neyveli	Tamil Nadu
308.	Ramnad	Tamil Nadu
309.	Salem	Tamil Nadu
310.	Sulur	Tamil Nadu
311.	Tambaram	Tamil Nadu
312.	Tanjore	Tamil Nadu
313.	Ulundurpet	Tamil Nadu
314.	Vellore	Tamil Nadu
315.	Adilabad	Telengana
316.	Aleru	Telengana
317.	Basant Nagar	Telengana
318.	Hyderabad (Dundigal)	Telengana
319.	Hyderabad (Hakimpet)	Telengana
320.	Kagazpur (Sirpur)	Telengana
321.	Nadirgul	Telengana
322.	NagarjunaSagar	Telengana
323.	Nalgonda	Telengana
324.	Waranagal	Telengana
325.	Kailashahar	Tripura
326.	Kamalpur	Tripura
327.	Khowai	Tripura
328.	Daman	Daman and Diu (U.T.)
329.	Pondicherry	Pondicherry (U.T.)
330.	Akbarpur	Uttar Pradesh
331.	Aligarh	Uttar Pradesh
332.	BakshiKaTalab	Uttar Pradesh
333.	Bareilly	Uttar Pradesh
334.	Etawah	Uttar Pradesh
335.	Faizabad	Uttar Pradesh
336.	Fursatganj (Igrua)	Uttar Pradesh
337.	Ghazipur	Uttar Pradesh
338.	Hindan	Uttar Pradesh
339.	Iradatganj	Uttar Pradesh
340.	Jagatpur	Uttar Pradesh
341.	Jhansi	Uttar Pradesh
342.	Jhingura	Uttar Pradesh
343.	Kanpur (Chakeri)	Uttar Pradesh
344.	Kanpur (Civil)	Uttar Pradesh
345.	Kanpur (Kalyanpur)	Uttar Pradesh
346.	Kasia	Uttar Pradesh
347.	Lalitpur	Uttar Pradesh
348.	Madhosingh	Uttar Pradesh
349.	Meerut	Uttar Pradesh

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S.No.	Name of Airport / Airstrip	State (where the Airport / Airstrip is located)
350.	Muirpur (Korba)	Uttar Pradesh
351.	Phaphamau	Uttar Pradesh
352.	Pirthiganj	Uttar Pradesh
353.	Rajwari	Uttar Pradesh
354.	Saharanpur (Sarsawa)	Uttar Pradesh
355.	Sah-baj-quli	Uttar Pradesh
356.	Sardarnagar	Uttar Pradesh
357.	Shravasti	Uttar Pradesh
358.	Sultanpur (Amhai)	Uttar Pradesh
359.	Chinyalisaur	Uttarakhand
360.	Gaucher	Uttarakhand
361.	Hardwar	Uttarakhand
362.	Pithoragarh (Naini-saini)	Uttarakhand
363.	Uttarkashi	Uttarakhand
364.	Ambari	West Bengal
365.	Asansol	West Bengal
366.	Balurghat	West Bengal
367.	Barrackpore	West Bengal
368.	Behala	West Bengal
369.	Behrampur	West Bengal
370.	Bhatpara	West Bengal
371.	Bishnupur	West Bengal
372.	Burnpur	West Bengal
373.	Cooch Behar	West Bengal
374.	Dhubalia	West Bengal
375.	Digri	West Bengal
376.	Dudhkundi	West Bengal
377.	Grassmore	West Bengal
378.	Guskhara	West Bengal
379.	Hashimara	West Bengal
380.	Kadambini	West Bengal
381.	Kalaikunda	West Bengal
382.	Kanchrapara	West Bengal
383.	Kharagpur	West Bengal
384.	Kohinoor	West Bengal
385.	Madhaiganj	West Bengal
386.	Maheshganj	West Bengal
387.	Malda	West Bengal
388.	New lands	West Bengal
389.	New Teli Para	West Bengal
390.	Panagarh	West Bengal
391.	Pandeveswar	West Bengal
392.	Panga	West Bengal
393.	Piardora	West Bengal
394.	Prasadpur (Ganga Sagar)	West Bengal
395.	Rampur hat	West Bengal
396.	Sal Bani	West Bengal
397.	Saugaon	West Bengal
398.	Sindri	West Bengal

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Annexure – 2: Airfare Cap under RCS

Airfare Cap to be considered for respective stage lengths / flight duration are as follows (Refer Section 2.3 above):

Airfare Cap for Fixed-wing aircraft

S.No.	Stage Length (in km)	Airfare Cap per RCS Seat (in INR)
1.	151 – 175	1,420
2.	176 – 200	1,500
3.	201 – 225	1,580
4.	226 – 250	1,670
5.	251 – 275	1,750
6.	276 – 300	1,830
7.	301 – 325	1,920
8.	326 – 350	2,000
9.	351 – 375	2,080
10.	376 – 400	2,170
11.	401 – 425	2,250
12.	426 – 450	2,330
13.	451 – 475	2,420
14.	476 – 500	2,500
15.	501 – 525	2,500
16.	526 – 550	2,590
17.	551 – 575	2,680
18.	576 – 600	2,770
19.	601 – 625	2,860
20.	626 – 650	2,950
21.	651 – 675	3,050
22.	676 – 700	3,140
23.	701 – 725	3,230
24.	726 – 750	3,320
25.	751 – 775	3,410
26.	776 – 800	3,500
27.	>800	3,500

Airfare Cap for Helicopters

S.No.	Flight Duration (in minutes)	Airfare Cap per RCS Seat (in INR)
1.	00 – 30	2,500
2.	31 – 35	2,900
3.	36 – 40	3,350
4.	41 – 45	3,750
5.	46 – 50	4,150
6.	51 – 55	4,600
7.	56 – 60	5,000
8.	> 60	5,000

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Annexure – 3: VGF Cap under RCS

VGF Cap to be considered for respective stage lengths / flight duration are as follows (Refer Section 2.5 above).

VGF Cap for Fixed-wing aircraft

S.No.	Stage Length (in km)	VGF Cap per RCS Seat (in INR)	For RCS Route connecting two RCS Airports where both origin and destination points are Underserved Airport or Unserved Airport
1.	151 – 175	2,350	2,590
2.	176 – 200	2,600	2,860
3.	201 – 225	2,840	3,120
4.	226 – 250	3,070	3,380
5.	251 – 275	3,270	3,600
6.	276 – 300	3,360	3,700
7.	301 – 325	3,440	3,780
8.	326 – 350	3,530	3,880
9.	351 – 375	3,620	3,980
10.	376 – 400	3,700	4,070
11.	401 – 425	3,790	4,170
12.	426 – 450	3,880	4,270
13.	451 – 475	3,960	4,360
14.	476 – 500	4,050	4,460
15.	501 – 525	4,220	4,640
16.	526 – 550	4,300	4,730
17.	551 – 575	4,380	4,820
18.	576 – 600	4,460	4,910
19.	601 – 625	4,540	4,990
20.	626 – 650	4,620	5,080
21.	651 – 675	4,690	5,160
22.	676 – 700	4,770	5,250
23.	701 – 725	4,860	5,350
24.	726 – 750	4,940	5,430
25.	751 – 775	5,020	5,520
26.	776 – 800	5,100	5,610
27.	>800	5,100	5,610

VGF Cap for Helicopters

S.No.	Flight Duration (in minutes)	VGF Cap per RCS Seat (in INR)
1.	00 – 10	0
2.	11 – 15	700
3.	16 – 20	1,800
4.	21 – 25	2,900
5.	26 – 30	3,900
6.	31 – 35	4,600
7.	36 – 40	5,200
8.	41 – 45	5,900
9.	46 – 50	5,900
10.	51 – 55	5,900
11.	56 – 60	5,900
12.	> 60	5,900

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Annexure – 4: Airfare Cap Indexation Formula

Indexation of Airfare Cap(s) will be based on the following formula:

$$Airfare\ Cap(Q2) = Airfare\ Cap(Q1) * (1 + \Delta CPI)$$

Where,

Airfare Cap (Q2) is the Airfare Cap for the present Financial Quarter

Airfare Cap (Q1) is the Airfare Cap for the previous Financial Quarter

ΔCPI is the change in Consumer Price Index – Industrial Workers (in percentage) based on figures published by the Government of India to be considered for determination of Airfare Cap for the present Financial Quarter. It will be calculated as follows:

$$\Delta CPI\ (in\ \%) = \left[\left\{ \left\{ \left(\sum_{i=4}^{6} (CPI - IW)_i \right) / 3 \right\} - \left\{ \left(\sum_{i=1}^{3} (CPI - IW)_i \right) / 3 \right\} \right\} \Big/ \left\{ \left(\sum_{i=1}^{3} (CPI - IW)_i \right) / 3 \right\} \right] \times 100$$

Where,

$(CPI - IW)_i$ *is the CPI-IW published by Government of India for month i*

i = 6 for the latest month for which CPI-IW has been published by Government of India at the time of review of indexation

i = 5 for the month prior to the latest month for which CPI-IW has been published by Government of India at the time of review of indexation

and so on..

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Annexure – 5: VGF Cap Indexation Formula

Indexation of VGF Cap(s) will be based on the following formula:

For Fixed-wing aircraft;

$$VGF(Q2) = [VGF(Q1) + Airfare\ Cap(Q1)] * [1 + \Delta CPI * 50\% + \Delta ATF * 25\% + \Delta XCH * 25\%\ ] - Airfare\ Cap(Q2)$$

For helicopters;

$$VGF(Q2) = [VGF(Q1) + Airfare\ Cap(Q1)] * [1 + \Delta CPI * 15\% + \Delta ATF * 15\%] - Airfare\ Cap(Q2)$$

Where,

- *VGF (Q2) is the VGF Cap or VGF amount, as the case may be, applicable for the present Financial Quarter*
- *VGF (Q1) is the VGF Cap or VGF amount, as the case may be, applicable for the previous Financial Quarter*
- *Airfare Cap (Q2) is the Airfare Cap for the present Financial Quarter calculated in accordance with Section 2.3.9*
- *Airfare Cap (Q1) is the Airfare Cap for the previous Financial Quarter*
- *ΔCPI is the change in Consumer Price Index – Industrial Workers (in percentage) based on figures published by the Government of India to be considered for determination of VGF Cap for the present Financial Quarter, calculated based on the formula provided in Section 2.3.9. For avoidance of doubt, ΔCPI to be considered for determination of VGF Cap for a Financial Quarter will be same as ΔCPI to be considered for determination of Airfare Cap for that Financial Quarter.*
- *ΔATF is the change (in percentage) in aviation turbine fuel prices measured as per the formula below:*

$$\Delta ATF(in\ \%) = \frac{\left[\left\{\left(\sum_{j=1}^{m} ATF_j\right)/m\right\} - \left\{\left(\sum_{i=1}^{n} ATF_i\right)/n\right\}\right]}{\left\{\left(\sum_{i=1}^{n} ATF_i\right)/n\right\}} \times 100$$

Where,

m = No. of days in the period of three months corresponding to months 4, 5 and 6 in the formula for ΔCPI as given in Annexure – 4: Airfare Cap Indexation Formula

ATF_j = ATF price for the j^{th} day in the period of three months corresponding to months 4, 5 and 6 in the formula for ΔCPI as given in Annexure – 4: Airfare Cap Indexation Formula

n = No. of days in the period of three months corresponding to months 1, 2 and 3 in the formula for ΔCPI as given in Annexure – 4: Airfare Cap Indexation Formula

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ATF_i = *ATF price for the* i^{th} *day in the period of three months corresponding to months 1, 2 and 3 in the formula for* ΔCPI *as given in Annexure – 4: Airfare Cap Indexation Formula*

For the purpose of above estimation, ATF prices (for Domestic airlines) prevailing across four stations (Delhi, Mumbai, Kolkata and Chennai) of oil marketing companies – IOCL, BPCL and HPCL - as published on their respective websites[2] will be considered. In case the ATF price for a particular date is not available on the website of oil marketing companies, the ATF price for the previous available date shall be considered.

- *ΔXCH is the change (in percentage) in the exchange rate between Indian Rupees and United States Dollar, as per the formula below:*

$$\Delta XCH(in\ \%) = \frac{\left[\left\{\left(\Sigma_{b=1}^{y} XCH_b\right)/y\right\} - \left\{\left(\Sigma_{a=1}^{x} XCH_a\right)/x\right\}\right]}{\left\{\left(\Sigma_{a=1}^{x} XCH_a\right)/x\right\}} \times 100$$

Where,

XCH = Exchange rate at which 1 USD can be converted into INR, i.e., XCH = Number of INR in 1 USD

y = No of days in the period of three months corresponding to months 4, 5 and 6 in the formula for ΔCPI *as given in Annexure – 4: Airfare Cap Indexation Formula*

XCH_b = *XCH for the* b^{th} *day in the period of three months corresponding to months 4, 5 and 6 in the formula for* ΔCPI *as given in Annexure – 4: Airfare Cap Indexation Formula*

x = No of days in the period of three months corresponding to months 1, 2 and 3 in the formula for ΔCPI *as given in Annexure – 4: Airfare Cap Indexation Formula*

XCH_a = *XCH for the* a^{th} *day in the period of three months corresponding to months 1, 2 and 3 in the formula for* ΔCPI *as given in Annexure – 4: Airfare Cap Indexation Formula*

For the purpose of above estimation, Exchange Rates as published by Reserve Bank of India[3] (RBI) shall be taken into account. In case the exchange rate for a particular date is not available on the RBI website, the exchange rate for the previous available date shall be considered.

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IOCL - https://www.iocl.com/products/aviationturbinefuel.aspx
BPCL - https://bharatpetroleum.com/Our-Businesses/Aviation.aspx
HPCL - http://www.hindustanpetroleum.com/hp-aviation-ATF-pricing-india-type2
3 https://www.rbi.org.in/Home.aspx