

ABSTRACTECONOMIC FEASIBILITY OF SHORT-HAUL
AIR SERVICES IN INDIA

by

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The Air Corporations Act of 1953 has as one of its objectives to develop and extend air transport throughout the length and breadth of the country in view of the fact that it is a public utility. Indian Airlines as per its current operating network has not achieved this objective. Short-haul air services (100-500 kilometres) can help achieve this objective by providing air services to a larger cross-section of the country's population. Such services not only facilitate commercial and industrial activity but also feed traffic into trunk routes and disperse traffic from trunk routes.

The Third Level Air Services Committee (1978) in its report has identified 50 towns and cities that could be considered for short-haul operations; these cities are characterised by their growing tourist commercial and industrial activity, or by strategic importance for defence or by inaccessibility by other modes.

The purpose of this study is to investigate the viability of short-haul operations. For this a prior estimate of traffic is essential. The study develops a traffic forecasting model for short-haul passenger air services in India. For investigation of viability the study evolves a methodology which uses the demand model developed as well as the costs involved in operating particular aircraft. The methodology is applied to a few chosen routes formed out of the towns and cities identified by the Third Level Air Services Committee for a few aircraft suitable for short-haul operations to demonstrate the usefulness.

The traffic forecasting model developed is an econometric model which is a fusion of behavioural and gravity models and is estimated using 1970-71 aggregative data for the then existing short-haul routes on I.A. network. Important features of the model are the incorporation of value of time as a component of cost of trip and allowance for the possibility of substitution between air and rail travel. The model explains about 70% of the variation in traffic and provides forecasts that are within tolerable limits of error. Value of time is estimated at about Rs.5 per hour. Forecasts are provided for eight selected routes based on the Third Level Air Services Committee recommendations.

On the viability of short-haul operations, the methodology evolved gives the break-even price to be charged on a chosen route with a particular aircraft. The analysis has been made for two selected routes based on the Third Level Air Services Committee recommendations using two chosen types of aircraft.