

Response to Pre-Bid Queries for UDAN 5.0

S. No.	Related Document & Clause	Description of Para	Clarification/ Change sought by perspective bidder	Response of the Authority
1.	Scheme Clause 1.3.1.2 Clause 2.1.2.4	<p>Clause 1.3.1.2: RCS is accordingly to be made operational only in States and at airports/ Water Aerodromes / 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.</p> <p>Clause 2.1.2.4: State Governments, at their discretion, may consider extending any additional support (such as marketing support) for promotion of RCS Flights.</p>	Commitment made by State Govt, either in the form of MoU with Central Govt. or otherwise, should be disclosed upfront and made part of the RCS scheme 5.0 for review by all prospective bidders Similarly, the airport operator should be required to provide a firm commitment for the respective concessions to be provided by them in terms of RCS. In case, no commitment is provided by the State Govt/airport operator and/or any concession terms/benefits are modified/withdrawn from the RCS.	MoUs are available on the MSTC e-bid portal. Consequently, bidders are requested to refer MSTC portal.
2.	Scheme Clause: 1.4.1.17(b)	Any State RCS Routes, defined in 1.4.1.23.	The State RCS is defined under 1.4.1.22. Accordingly, the Authority may kindly rectify clause 1.4.1.17 (b).	Noted. Bidders are requested to refer to the revised uploaded Scheme document for changes.
3.	Scheme Clause - 2.1.2.2 (a)	Excise Duty at the rate of 2% shall be levied on Aviation Turbine Fuel (ATF), drawn by Selected Airline Operators at RCS Airport(s) 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.	Reduced Excise Duty Tenure should start from Date of Commencement of a Route. Currently mentioned from date of notification of this scheme.	<p>The clause is modified as below:</p> <p><i>“Excise Duty at the rate of 2% shall be levied on Aviation Turbine Fuel (ATF), as per the notification 07/2019-Central Excise dated 22nd August, 2019 of Department of Revenue, Ministry of Finance. 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.”</i></p> <p>Bidders are requested to refer to the revised uploaded Scheme document for changes.</p>

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4.	Scheme Clause: 2.1.2.3a.	Reduction of VAT to 1% or less on ATF at RCS Concession 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.	Suggested amendments -Relevant extract: Reduction of VAT to 1 percent or less on ATF at RCS concession Airport located within the state for a period of 10 years from the date of notification of this Scheme. The reduction of VAT to 1 percent or less should be extended to airports at both end of an RCS route.	No change is contemplated.
5.	Scheme Clause - 2.8.5	If at any time after the commencement date for an RCS Route, the average quarterly passenger load factor for the RCS Route for four continuous quarters exceeds seventy-five percent (75%), the Implementing Agency reserves the right to conclude the Exclusivity Period prior to the expiry of three (3) years from the date of commencement of RCS Flight operations. For the avoidance of doubt, the quarterly passenger load factor shall be calculated by dividing the number of passengers flown with the total number of seats offered in the quarter.	Taking away Exclusivity of a Route which has reached 75 percent PLF is against the principles of the scheme. An operator is working very hard to get higher occupancy. The scheme when launched was designed to protect an operator from Predatory Competition. This point goes against the interest of New Entrants and Smaller aircraft operators as 75 percent very low number. The SAOA Holder may be allowed to issue an NOC to any other interested operator. LF of mini. 85 percent is required for any route to be operationally stable.	The clause is modified as below: <i>"If at any time after the commencement date for an RCS Route, the average quarterly passenger load factor for the RCS Route for four continuous quarters exceeds eighty-five percent (85%), the Implementing Agency reserves the right to conclude the Exclusivity Period prior to the expiry of three (3) years from the date of commencement of RCS Flight operations. For the avoidance of doubt, the quarterly passenger load factor shall be calculated by dividing the number of passengers flown with the total number of seats offered in the quarter."</i> Bidders are requested to refer to the revised uploaded Scheme document for changes.
6.	Scheme Clause: 2.8.5	If at any time after the commencement date for an RCS Route, the average quarterly passenger load factor for the RCS Route for four continuous quarters exceeds seventy-five percent (75%), the Implementing Agency reserves the right to	Whenever the exclusivity ends for any particular route, for any reason, viz. Completion of 3 years of service, more than 75 percent of average LF for 4 consecutive quarters, what would be the mechanism for dissemination of this information?	The information of conclusion of exclusivity on a particular route will be disseminated to all stakeholders viz MoCA, DGCA, scheduled airline

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		conclude the Exclusivity Period prior to the expiry of three (3) years from the date of commencement of RCS Flight operations. For the avoidance of doubt, the quarterly passenger load factor shall be calculated by dividing the number of passengers flown with the total number of seats offered in the quarter.	Ambiguity on the exclusivity status of the routes might result in a carrier not pursuing the opportunity to operate a route for which the exclusivity has ended. This might defy the intent of route sustainability which is one of the primary objectives of the Scheme.	operators, State Govt, airports of routes etc.
7.	Scheme Clause: 2.8.5	If at any time after the commencement date for an RCS Route, the average quarterly passenger load factor for the RCS Route for four continuous quarters exceeds seventy-five percent (75%), the Implementing Agency reserves the right to conclude the Exclusivity Period prior to the expiry of three (3) years from the date of commencement of RCS Flight operations. For the avoidance of doubt, the quarterly passenger load factor shall be calculated by dividing the number of passengers flown with the total number of seats offered in the quarter.	We strongly oppose the curtailment of 3-year exclusivity basis the passenger load factor of 75 percent for four continuous quarter. As far as SpiceJet is concerned our overall load factor of all RCS routes is close to 80 percent (Pls refer to our weekly accumulative report). Airlines takes financial exposure by choosing an unserved /underserved market. Modification in this clause will definitely lead to dissatisfaction for the operator. We would recommend to remove this clause or the change the PLF criteria from 75 percent to 90-95 percent.	Please refer reply as per S.No. 5 above.
8.	Scheme Clause: 3.2.1.7	Failure by a Selected Airline Operator (SAO) to commence flights within four (4) months from the date of issuance of Letter of Award (LOA) or any extension as granted by the Implementing Agency, would be an event of default which entitles the Implementing Agency to terminate the Selected Airline Operator Agreement (SAOA). In such an event, the Implementing Agency may consider identifying Selected Airline Operator(s) for such routes through a separate process, which shall be notified later by MoCA.	Recommend to keep commencement of flight to be within 6 months from issuance of LOA.	No change is contemplated.
9.	Scheme Clause: 3.2.1.7	Failure by a Selected Airline Operator (SAO) to commence flights within four (4) months from the date of issuance of Letter of Award (LOA) or any extension as granted by the Implementing Agency,	In case the delay to commence the flights is due to: Any withdrawal or dilution of concessions under RCS; or Any airport declaring its unwillingness; or Any airport intimating its state of unreadiness to	No change is contemplated.

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		would be an event of default which entitles the Implementing Agency to terminate the Selected Airline Operator Agreement (SAOA). In such an event, the Implementing Agency may consider identifying Selected Airline Operator(s) for such routes through a separate process, which shall be notified later by MoCA.	allow the commencement or the airport Development Date notified by Authority/DGCA is after the proposed commencement date; or Any event which impacts the commencement of operations of RCS Flights, that is outside the control of SAO. Occurrence of above event shall not be deemed to an Event of Default.	
10.	Scheme - Clause 3.7.3	The Implementing Agency shall finalize and declare the list of RCS Route(s) as part of Individual Route Proposal(s) or Network Proposal(s) against which Counter Proposals shall be invited. Such assessment shall be based on various parameters such as the availability of funds, readiness of the airport, priority of routes etc. Decision of the Implementing Agency in this regard shall be final and binding on all parties. At the time of inviting Counter Proposals, the Implementing Agency shall consider an airport / Water Aerodrome / Helipad proposed as part of Initial Proposal as RCS Concession Airport even if the respective State Government has not extended the concessions required under the Scheme, provided such airport / Water Aerodrome / Helipad satisfies all other requirements under the Scheme to be qualified as an RCS Concession Airport. Based on the Initial Proposal, MoCA shall approach the respective State Government for providing benefits/concessions specified under the Scheme. In the event that the respective State Government does not notify the benefits/ concessions specified under the Scheme, the proposed RCS Route shall not be considered for further stages of bidding process.	It is recommended that airlines should be consulted to assess the readiness of the airports from operational perspective.	Please refer to Clause 3.4.3. Operators are advised to proactively engage with the relevant stakeholders to conduct their own operational readiness assessments.
11.	Scheme	If however, a Selected Airline Operator ceases RCS Flight operations before completion of one (1) year	SAO should be allowed to cease the RCS Flight Operations prior to expiry of 1 year from the date	No change is contemplated.

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	Clause: 3.18.2	from the date of commencement of such RCS Flight operations on any RCS Route, the Performance Guarantee shall be liable to be partially or fully forfeited as per the terms and conditions of the Selected Airline Operator Agreement.	of Commencement, in case of any change/withdrawal/dilution of concessions/benefits available to SAO under the RCS. In such case, SAO shall be allowed to terminate SAOA without any liabilities/levies/penalties and the Implementing Agency shall forthwith return the Performance Guarantee and further make any and all payments to SAO for the RCS Flights operated accrued till the date of termination.	
12.	Scheme Annexure 1B	List of unserved airports/ airstrips in the country	Please confirm if Faizabad (Ayodhya) falls in 3C category.	Faizabad (Ayodhya) is being developed for 3C category.
13.	Scheme Annexure 2	Airfare Cap to be considered upto 600 kms stage lengths	Air Fare Caps at 600 km is very low. It is requested to increase the Airfare Caps to 1000 km.	Airfare Cap to be considered upto 800 kms stage lengths. Bidders are requested to refer to the revised uploaded Scheme document for changes.
14.	Scheme Annexure 2		Airlines can operate flights for any stage length and the airfare cap applicable on these flights would be same as 576-600 Km. Suggest-air fare cap should have more slabs for stage length more than 600 Km. costs incurred is directly proportional to the stage length. For longer stage-length flights eg. HBX CCU which is ~1600 Km, the cost of ops would be much higher than that of a HBX MAA ~ 600 km, same fare cap for both the routes would make these ops commercially unviable.	Please refer reply as per S.No. 13 above.
15.	Scheme Annexure 2	Airfare Cap to be considered for 1 to 600 kms stage lengths	Air far capping as discussed in the pre bid meeting, we also recommend to increase the fare cap basis the increase in the stage length of route. This will affect the commercial viability of the longer routes	Please refer reply as per S.No. 13 above.

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			as half of the inventory is required to sell at capped price.	
16.	Scheme Annexure 6	List of airports under prioritization framework	List of airports may be ready beyond 6 months of operations for ATR42/72/ Airbus/B737; Will Hashimara be considered under the category of NE Region routes in lines of Bagdogra airport for Route Dispersal Guidelines purpose and under Priority RCS in RCS 5.0?	Hashimara, like Bagdogra, is in West Bengal and therefore is in a non-priority area. Consequently, applicable scheme provisions would apply.
17.	SAOA Clause: 4.4	The Performance Guarantee submitted by the Selected Airline Operator may be forfeited and appropriated by the Authority in full or in part, upon occurrence of the events specified in Clause 15. In the event that the Selected Airline Operator does not commence operations within four (4) months from the date of the Letter of Award, twenty five percent (25%) of the Performance Guarantee for that RCS Route will be forfeited for each month of delay. For avoidance of doubt, in such cases of delay, the penalty in each month will be same for the entire month irrespective of the number of days of delay in that month, which will be assessed at the completion of the month. In case there are extraneous circumstances, the Authority shall waive this penalty. Additionally, in case the Selected Airline Operator assigns its rights to an RCS Route within the 5th month from the date of issue of Letter of Award to another airline operator as per Clause 18.1, the Authority shall waive the delayed commencement penalty of twenty five percent (25%) of the Performance Guarantee.	Suggestion: The Performance Guarantee submitted by the SAO may be forfeited and appropriated by the Authority in full or in part, upon occurrence of the events specified in Clause 15. In the event that the SAO does not commence operations within Six (6) months from the date of the LOA, or airport Development Date, whichever is later and subject to Force Majeure under Clause 14 of this Agreement. 25 percent of the Performance Guarantee for that RCS Route will be forfeited for each month of delay.	No change is contemplated.
18.	SAOA Clause: 10	The Selected Airline Operator shall indemnify, defend, save and hold harmless the Authority and its officers, servants, agents, Government Agencies and Authority owned and/or controlled	Add 10.2: The Authority shall indemnify, defend, save and hold harmless the SAO and its directors, officers, employees, affiliates and agents against any and all direct, indirect or consequential suits,	No change is contemplated.

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		<p>entities/enterprises, (the “Government Indemnified Persons”) against any and all suits, proceedings, actions, demands and claims from third parties for any loss, damage, cost and expense of whatever kind and nature, whether arising out of any breach by the Selected Airline Operator of any of its obligations under this Agreement or of any defect or deficiency in the provision of services by the Selected Airline Operator or from any negligence of the Selected Airline Operator under contract or tort, or on any other ground whatsoever, except to the extent that any such suits, proceedings, actions, demands and claims have arisen due to any negligent act or omission, or breach or default of this Agreement on the part of the Government Indemnified Persons.</p>	<p>proceedings, actions, demands, claims, losses, liabilities, damages, expenses and costs (including attorneys fees and court costs) arising out of or resulting from or relating from third parties for any loss, damage, cost and expense of whatever kind and nature (Indemnity), whether arising out of (1) any breach by the Authority of any of its obligations under this Agreement and/or (2) of any defect or from any negligence of the Authority under contract or tort, or on any other ground whatsoever and (3) delay in any approvals provided by airport operators with regards to its readiness of Airports</p> <p>Add 10.3: It is hereby clarified that the maximum liability of the Selected Airline Operator towards the Authority under this Agreement shall be limited to one month of VGF to be payable to airlines under this Agreement.</p>	
19.	SAOA Clause: 14.3 (i)	<p>After the Commencement Date, if any airport on the [RCS Network] becomes unusable for flight operations by the Selected Airline Operator, provided that the non-completion of the Airport Development until the Airport Development Date shall not be construed as a Force Majeure Event.</p>	<p>We request the following revision in the section: After the Commencement Date, if any airport on the [RCS Network] becomes unusable for flight operations by the Selected Airline Operator.</p>	No change is contemplated.
20.	SAOA Clause: 15.2	<p>In the event that the Selected Airline Operator commits the default set out in Clause 15.1 (b) above, the Authority shall, without prejudice to its other rights and remedies hereunder or in law, be entitled to not make payment of the VGF to the Selected Airline Operator for the RCS Flight in respect of which the default occurred or to levy a penalty of twenty-five thousand rupees (INR 25,000) per seat</p>	<p>Request revision-The Authority shall, without prejudice to its other rights and remedies hereunder or in law, be entitled to levy a penalty of NR 25000 per seat which may be deducted from the VGF payable to the SAO. It may be amended by addition of failure to commence operations from the Commencement Date and/or the relevant airport Development Date, whichever is later.</p>	No change is contemplated.

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		which may be deducted from the VGF payable to the Selected Airline Operator.		
21.	SAOA Clause: 15.2	In the event that the Selected Airline Operator commits the default set out in Clause 15.1 (b) above, the Authority shall, without prejudice to its other rights and remedies hereunder or in law, be entitled to not make payment of the VGF to the Selected Airline Operator for the RCS Flight in respect of which the default occurred or to levy a penalty of twenty-five thousand rupees (INR 25,000) per seat which may be deducted from the VGF payable to the Selected Airline Operator.	Penalty for breach of Air fare cap. The penalty proposed under the clause breach of Air fare cap is exuberantly high. We strongly feel that all airlines are following air fare capping and sell the required number of RCS seats at fixed RCS price. Airlines are also giving this information to concerned authority as and when it is required. We propose to kindly remove this penalty clause form he scheme.	No change is contemplated.