

CHANDIGARH INTERNATIONAL AIRPORT LIMITED

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INCENTIVE SCHEME BY CHANDIGARH INTERNATIONAL AIRPORT LIMITED FOR PROMOTION OF UNSERVED/ NEW ROUTES

1. INTRODUCTION

To foster air connectivity and promote the development of new and unserved routes, Chandigarh International Airport Limited (CHIAL) is pleased to introduce the ***Incentive Scheme for Unserved / New Routes***. This initiative is designed to support airlines both Indian and foreign carriers in launching new routes or enhancing capacity on existing unserved routes, thereby improving connectivity, increasing passenger traffic, and contributing to the economic growth of the region by offering financial support per embarking passengers and parking charges, along with relaxed Security deposit norms at Chandigarh airport.

The scheme with the broader objectives of improving accessibility and stimulating air traffic growth, offers targeted financial and marketing incentives to encourage airlines to explore routes that have significant socio-economic potential.

2. OVERVIEW OF THE PREVIOUS INCENTIVE SCHEME AND AREAS FOR IMPROVEMENT

An incentive scheme was approved during the 45th & 46th Board Meeting from the financial year 2020–21 till 26.03.2022. It was further extended until 26.03.2024 by the CHIAL Board in the 50th Board Meeting.

Based on objective to encourage and enhance new routes/unserved routes, the Airports Economic Regulatory Authority (AERA) included this scheme as part of the tariff order for the second control period i.e. April 2021 to March 2026. (AERA order Chapter 16 Annex 1 Point No- VII)

Despite the incentives offered under the earlier scheme, no airline opted to avail the benefits during its period of validity. Upon review, the following restrictive conditions were identified in the eligibility criteria of the previous incentive scheme:

1. Mandatory operation of flights at a minimum frequency of twice per week.
2. Prescribed minimum passenger load requirements.
3. Minimum number of flights per schedule.
4. Policy was offering a single incentive component.

Accordingly, the earlier incentive scheme has been critically reviewed, and necessary modifications have been introduced by relaxing certain restrictive provisions. In addition, certain additional incentives have been enhanced to further improve the attractiveness and effectiveness of the policy. These measures are intended to facilitate wider participation by airlines and to better achieve the objectives.

3. OBJECTIVES OF THE NEW SCHEME

The primary objectives of the Incentive Scheme are:

1. **Route Development:** To encourage airlines to introduce new domestic and international routes from CHIAL, especially to unserved destinations.
 2. **Traffic Growth:** To increase passenger and cargo traffic at CHIAL through the airport by making route development more financially viable for airlines.
 3. **Connectivity:** To improve air access to cities and promote balanced regional development.
 4. **Economic Boost:** To stimulate tourism, trade, and investment in the region by enhancing air connectivity.
 5. **Airline Partnership:** To build long-term, collaborative relationships with airline partners for mutual growth.
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4. USEFULNESS OF THE NEW SCHEME

- **Financial Support:** Reduces operational risk for airlines by offering incentive on per embarking passengers, waiver off Night Parking Charges & relaxed Security deposit norms.
 - **Faster commercial viability:** Helps airlines achieve commercial viability faster on new routes.
 - **Strategic Growth:** Aligns airport traffic growth strategy with airline expansion plans.
 - **Passenger Benefits:** Provides passengers with more travel options, reduced travel time, and improved connectivity.
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5. ELIGIBILITY CRITERIA FOR NEW SCHEME

To qualify for the incentive scheme, the airline must fulfil the following conditions:

i)- Unserved/New Route: Unserved/ New route is defined as a flight to a new destination that is currently unserved from CHIAL by any airline. Destination must be unserved for the previous 12 months from the start of new flight under the scheme.

ii)- Route determination from CHIAL for International Flights–

a) If an international route from Chandigarh to an airport outside India is considered as an Unserved/New Route, the airline must operate the direct flight strictly between Chandigarh and that foreign airport

b) The routes connected through hopping flights through another domestic airport shall not be entitled to claim incentives under the scheme

c) Flights operated under code-sharing arrangements shall not be eligible, even if the destination is an unserved/New route.

Illustrative Explanation for International route eligibility-

<i>Airport</i>	<i>Route Status from CHIAL(IXC)</i>	<i>Incentive Eligibility</i>
CHIAL →	Direct Unserved/New Route	✓ Eligible
CHIAL →	Served Route	✗ Not Eligible
CHIAL → Served Airport →	Unserved/New Route	✗ Not Eligible
CHIAL →	→ Unserved/New Route (code sharing basis)	✗ Not Eligible

In essence:

For international routes, only direct international flights operated by the airline itself from CHIAL to unserved/New Route qualify under the incentive scheme.

iii)- Route determination from CHIAL for Domestic Flight

a) If a route from Chandigarh to an Indian airport is considered as an Unserved/New Route, the airline must operate the flight strictly non-stop between Chandigarh and that domestic destination.

Illustrative Explanation for domestic route eligibility-

<i>Airport</i>	<i>Route Status from CHIAL (IXC)</i>	<i>Incentive Eligibility</i>
CHIAL →	Non-Stop to Unserved/New Route	✓ Eligible.
CHIAL →	Non-Stop to unserved/New Route → Served Airport	✓ Eligible. (Passengers boarded from CHIAL to unserved/New Airport only)
CHIAL →	Served Airport → Unserved/New Route	✗ Not eligible (The entire route becomes ineligible because there was a stop at another Indian airport which is already served. Domestic routes must be non-stop.)

In essence:

For domestic routes, the first point of landing after CHIAL must be the unserved/New destination.

iv)- Only scheduled passenger services operated by airlines with valid permit and regulatory clearance will be eligible.

v)- Incentives under the scheme shall be admissible to a maximum of three airlines during policy period operating on each eligible route. The incentive shall be granted on a first-come, first-served basis, determined by the commencement date of operations on the respective route. Other airlines (within total 03) can start its operations during policy period to the destination for which first airline has already started/Started & withdrawn its operations under the scheme.

vi)- Minimum Operation Commitment: The airline must commit to operating the new route for minimum 104 departure flights during a flight operation year. (365 days). However, in the case of international routes, if at least 80% of the minimum flight commitment is achieved within the flight operation year, the airline shall be eligible to receive 50% of the applicable incentive per passenger.

vii)- Once an airline discontinues its services on a route covered under the scheme without fulfilling the criteria of minimum 104 departure flights, it shall become ineligible to claim incentives for that route in future, even if the airline resumes operations on the same route at a later stage.

viii)- Airline must sign a formal Agreement with CHIAL within 30 days from the commencement date of operation under the scheme, for THREE years.

ix)- Airline must ensure strict slot adherence on laid down parameters of the airport operator.

x)- The respective airline must have no outstanding dues, whether traffic or non-traffic, including any delay interest, on the date of claiming the incentive.

xi)- Incentive (as mentioned in point number 6 below) will be applicable only to those flights which are/will be paying UDF charges to CHIAL.

xii)- Regional Connectivity scheme (RCS) / VGF will not be applicable in this scheme.

xiii)- During the terms of agreement for incentive scheme or prior to the implementation of the scheme, airline or its parent or subsidiary can't cancel the service in the existing routes at origin and destination airport. In simple words, the incentive is meant to add or improve connectivity, not to replace existing services.

For the purpose of this Scheme, the total actual numbers of departures from CHIAL during last 365 days from the date of commencement of the Scheme shall be treated as the airline's baseline departures.

During the incentive period (operational year), the airline's total actual departures shall be compared with the baseline departures. Any reduction in baseline departures shall be adjusted against the additional departures introduced on unserved/New routes, and only the net departures operated over and above the baseline shall be considered as eligible departures for the purpose of incentive calculation under this Scheme.

6. INCENTIVE STRUCTURE OF NEW SCHEME

6.1. PER PASSENGER INCENTIVE -

SL NO	PARTICULARS	INCENTIVE ON PER EMBARKING PASSENGER (EXCLUDING GST)
1-	INTERNATIONAL ROUTE	Rs.750
2-	DOMESTIC ROUTE	Rs.300

- Incentives, as specified above, shall be provided to the airline on an annual claim basis for eligible passengers travelling on the unserved/new route

6.2. Night Parking Charges –

No night parking charges (2200 hours to 0600 hours) shall be levied on the concerned flight operated by the airline (Domestic or International) under the scheme, subject to the availability of parking space.

6.3. Security Deposit-

The revised security deposit mechanism is designed to reduce upfront financial outflow for participating airlines and encourage greater participation in the scheme, thereby supporting route development and operational sustainability under the scheme.

The security deposit policy is revised as follows:

- Airline availing incentives under this scheme shall be required to furnish a Security Deposit equivalent to two (2) months' estimated billing, calculated based on the proposed route's operational plan, number of seating capacity and applicable airport charges.
- The Security Deposit shall be submitted entirely in the form of a Bank Guarantee (BG), issued by a scheduled commercial bank in India, replacing the existing requirement of 60% in cash/ cash equivalent and 40% via BG.
- The Bank Guarantee must remain valid for a minimum period of six months beyond the incentive period and shall be renewed as required during the tenure of operations.

7. DOCUMENTATION PROCESS UNDER NEW SCHEME

1. Airlines intending to avail the scheme must submit intimation to CHIAL prior to the proposed start of operations.
2. The intimation must include:
 - Route details (Destination, frequency, aircraft type)
 - Traffic forecast and load assumptions
 - Tentative Start date of operations
3. A formal Agreement will be signed between the airline and CHIAL outlining the terms of incentives.
4. Airline claiming the incentives under the scheme must submit performance reports including:
 - Flight schedule adherence

- Actual Passenger load data (number of passengers on each Unserved/new route)
 - GST Invoice for claim of incentive amount
 - Any other document as demanded by CHIAL
5. Any deviation from committed operations may result in withdrawal or suspension of the incentives.
 6. CHIAL reserves the right to verify all submitted documents.
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8. PAYMENT AND SETTLEMENT OF INCENTIVES UNDER NEW SCHEME

This mechanism ensures transparency, maintains proper accounting practices, and enables CHIAL to conduct necessary validations before disbursing incentives.

1. All payments due as per the invoices raised by CHIAL, shall be made by the airline in full and without any deductions and recovery.
 2. No set-offs or adjustments shall be made by the airline against any incentive amounts.
 3. Incentives applicable under the scheme will be settled annually on claim basis after the end of each 12-month period from the date of commencement of the eligible route.
 4. The claim for incentive scheme shall be settled by CHIAL based on tax invoices along with other supporting documents as may be required or deemed appropriate by CHIAL.
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9. GENERAL TERMS AND CONDITIONS UNDER NEW SCHEME

1. Incentives under this scheme are non-transferable and applicable only to the airline and route as approved.
2. The incentive scheme is valid for 36 months, starting from the date of circulation of this scheme.
3. CHIAL reserves the right to modify, suspend, or withdraw any terms, conditions, provisions, or categories under this incentive scheme at its sole discretion, at any time, with or without prior notice. All decisions made by CHIAL regarding the interpretation or implementation of this policy shall be final and binding.
4. The incentive scheme for additional frequencies (Flights) will be applicable from the starting date of such frequencies (Flights).
5. The Incentive Policy shall remain valid for a period of **36 (thirty-six) months** from its effective date. Airlines may submit applications under the policy at any time during the period of its validity.
If an airline submits its application within the policy validity period, it shall be eligible to operate the approved route and avail incentives under the policy for a period of 365 days from the date of commencement of operations on the eligible route, even if the policy validity expires during this period, subject to fulfilment of all other terms, conditions, and eligibility criteria stipulated under the policy.

10. EXPECTED OUTCOMES AND BENEFITS OF THE NEW INCENTIVE SCHEME

The incentive scheme is designed to encourage airline operators to initiate or expand connectivity to new and unserved destinations from Chandigarh Airport. By offering financial support and operational facilitation, the scheme aims to deliver the following key outcomes and benefits:

1. FINANCIAL IMPLICATION

- The scheme is expected to entail a financial outlay of ₹5.91 crore (estimated) per **domestic flight** over a period of three years towards airline incentives, with projected revenue generation of ₹8.37 crore for CHIAL, per flight over the same period.
- For **international flights**, the financial outlay is estimated at ₹14.79 crore per flight over the period of three years, while CHIAL is expected to generate revenue of ₹15.78 crore per flight during the same period.
- These projections are based on the assumption of daily operations (7 days a week) on routes exceeding 165 NM, with an average of 180 passengers per flight.

2. ENHANCED AIR CONNECTIVITY

- **Domestic:** Improved access to various cities, fostering regional integration and mobility.
- **International:** Direct connections to new overseas destinations, enhancing global reach and travel convenience for passengers from the region.

3. BOOST TO PASSENGER TRAFFIC

- Financial incentives will lower the cost of operations for airlines, leading to the introduction of new routes.
- Increased route options will attract more passengers, thereby improving footfall and utilization of airport infrastructure.

4. ECONOMIC GROWTH AND JOB CREATION

- Better connectivity supports local businesses, tourism, trade, and investment.
- New routes will stimulate job creation both directly (airline and airport operations) and indirectly (hospitality, logistics, ground handling, etc.).

5. STRENGTHENED POSITION OF CHANDIGARH AIRPORT AS A REGIONAL HUB

- With increased route diversity and passenger traffic, Chandigarh Airport can position itself as a key regional aviation hub in North India.
- This will enhance the airport's competitiveness and strategic importance.

6. ENCOURAGEMENT FOR AIRLINE INNOVATION AND MARKET EXPANSION

- Airlines may explore newer business models, aircraft deployment strategies and unserved markets due to the reduced financial risk enabled by the incentive.
- To improve last-mile air connectivity and easing congestion at metro airports.