

# National Civil Aviation Policy

## National Civil Aviation Policy Background

1. The proposed new civil aviation policy was first presented in November 2014.
2. The Ministry of Civil Aviation (MoCA) has cleared the civil aviation policy for Cabinet approval after months of debates and inter-ministerial consultations.
3. This is the first time since Independence that an integrated Civil Aviation Policy has been brought out by the Ministry of Civil Aviation.

## Why in the News?

1. In an effort to give a boost to the 'Make in India' initiative in the Civil Aviation Sector, to take flying to the masses, and for enhancing ease of doing business through deregulation, simplified procedures and e-governance, the National Civil Aviation Policy 2016 assumes great importance.
2. In September 2016, India signed an open skies agreement with Greece. This agreement assumes importance as Greece has become the first country to have an open sky agreement with India under the new policy.
3. This open skies agreement with Greece will allow airlines from India to operate an unlimited number of flights to Greece, while Greek carriers have been granted unlimited traffic rights to six Indian metro cities.

## Civil Aviation Sector Importance

1. The growth in the civil aviation sector, will create a large multiplier effect in areas such as investments, tourism and employment generation, especially for unskilled and semi-skilled workers within the country.
2. As per an International Civil Aviation Organisation (ICAO) study, the output multiplier and employment multiplier are 3.25 and 6.10 respectively.
3. Currently, India has the fastest growing domestic aviation market in the world, as per the International Air Transport Association (IATA). It is important to note that India's domestic air passenger demand grew by 28.1% (July 2015) as compared to the previous year. This growth is three times, when compared to China's (10.9%) growth and five times as compared to United States' (5.9%) growth during the same period.
4. The forecasted growth for India's domestic traffic is expected to be around 15% for the current year (2016).
5. In the region of South Asia, the aviation industry in India holds around 69% of the total share of the airlines traffic.
6. It is important to note that out of 35 crore middle class people, there are only about 8 crore domestic tickets which are sold annually as of now.
7. Owing to India's favourable geographical location India has the potential to become a Maintenance, Repair and Overhaul (MRO) hub- this status currently occupied by Dubai.

## What is the 5/20 rule?

1. The **5/20 rule** implied that a domestic airline was allowed to go international only after completing five years of domestic flying and operating at least 20 aircraft.
2. Thus, the 5/20 rule was considered arbitrary as it was looked upon as a rule that protected incumbents and kept out new players from plying lucrative international operations.
3. The Civil Aviation Policy has diluted such requirements, and may thus prove far more effective at increasing competition and protecting consumer interests than frequent regulatory interventions in pricing.
4. According to the new rules, a new airline will need to deploy 20 aircraft or 20 per cent of the total fleet size, whichever is higher, on domestic routes in order to secure international flying rights. This is to ensure that the new carriers don't just deploy planes internationally, but also, deploy a considerable capacity in the domestic market, thereby giving a boost to regional connectivity.
5. The 5/20 rule has now been replaced by the **0/20 rule**– which implies that airlines don't need any **domestic age experience**, but if they have 20 aircraft, then, those airlines can fly overseas. This has been a bone of contention for quite a few years. New carriers, like AirAsia, and Vistara, which are joint venture companies, promoted by Tata Sons, have been arguing that the 5/20 rule needs to be scrapped. But the incumbent, existing carriers, like SpiceJet, Jet Airways, were in favour of continuing with the existing regime.

## Challenges Facing India's Civil Aviation Sector

1. It is believed that India has the potential to be among the top three nations in the world in terms of domestic and international passenger traffic. Her ideal geographical location- between the eastern and western hemispheres, a strong middle class of about 30 crore Indians and a rapidly growing economy, are all strengths that work in her favour. Despite these advantages, the Indian aviation sector has not achieved the position it should have and at present, is ranked 10th in the world in terms of number of passengers.
2. While it is encouraging to note that the domestic demand for air travel has increased considerably in the last few years, the Government has unfortunately done little to actually help it achieve the full measure of its true potential.
3. The Government has not reduced the prices of jet fuel in proportion to the fall in international crude oil prices. Except at a few major Indian airports, services provided at most Indian airports continue to be far below the global standards. The airport connectivity with the cities is extremely limited.
4. The growth of Civil Aviation in the country has also been plagued by the shortage of appropriate skills required in different sectors of civil aviation. This is not only in the area of trained pilots but also aircraft engineers and technicians, cabin crew, ground handling staff, cargo handling staff, administrative and sales staff, etc.
5. According to estimates, the incremental human resource requirement of the Civil Aviation Sector by 2025 would be around 3.3 lakhs. Although there are a large number of private institutions in the country providing aviation education and training, the courses and infrastructure facilities will have to be improved to meet the demands of industry.
6. It is important to note that after obtaining a Commercial Pilot Licence (CPL), it is mandatory on pilots to get **type-rated** in order to get employment in an airline. This puts an enormous financial burden on the pilot having CPL as type rating costs can be of the order of Rs. 25-30 lakhs. There are nearly

8000 pilots holding a CPL but who have not found any regular employment. This needs to be addressed on an urgent basis.

7. India's expanding aviation sector also brings with itself a number of security challenges- including among them, the prevention of terrorism.

## **National Civil Aviation Policy (CAP) 2016 – Vision, Mission and Objectives**

### **Vision**

To create an ecosystem to make flying affordable for the masses and to enable 30 crore domestic ticketing by 2022 and 50 crore by 2027, and international ticketing to increase to 20 crore by 2027.

Similarly, cargo volumes should increase to 10 million tonnes by 2027.

### **Mission**

Provide safe, secure, affordable and sustainable air travel for passengers and air transportation of cargo with access to various parts of India and the world.

### **Objectives**

1. Establish an integrated ecosystem 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.
2. Ensure safety, security and sustainability of aviation sector through the use of technology and effective monitoring.
3. Enhance regional connectivity through fiscal support and infrastructure development.
4. Enhance ease of doing business through deregulation, simplified procedures and e-governance.
5. Promote the entire aviation sector chain in a harmonised manner covering cargo, MRO, general aviation, aerospace manufacturing and skill development.

**NATIONAL CIVIL**

# Aviation Policy

**2016**



**NCAP 2016 covers the following policy areas:**



**REGIONAL CONNECTIVITY**



**AVIATION SECURITY,  
IMMIGRATION AND CUSTOMS**



**SAFETY**



**HELICOPTERS**



**AIR TRANSPORT OPERATIONS**



**CHARTERS**



**ROUTE DISPERSAL GUIDELINES**



**MAINTENANCE, REPAIR  
AND OVERHAUL**

## National Civil Aviation Policy Highlights

### 1) Bilateral traffic rights

1. According to the civil aviation policy, the Government of India will enter into an 'Open Sky' ASA (Air services agreement) on a reciprocal basis with SAARC countries and countries with territory located entirely beyond a 5000 km radius from New Delhi.
2. Unlimited flights above the existing bilateral rights will be allowed directly to and from major international airports within the country as notified by MoCA from time to time.
3. Under the present policy, India signs bilateral air services agreements (ASAs) with other countries. These agreements specify where all carriers from a particular country land in India, how many seats they can offer each week and some other similar specifications.

### 2) Regional Connectivity

1. The centerpiece of the policy is regional connectivity, and the objective of the Narendra Modi Government is to connect the unconnected- so under this new policy, the Govt. is saying that for 1 hour flights to Tier 2, Tier 3 cities, or from Tier 2/Tier 3 cities to Metro cities, there is a fare cap of Rs. 2500/- per hour of flying. This is an effort to make these sectors affordable. The Govt. also plans to develop 50 airports in the next 3 years- these airports are existing airports that will be revived at the cost of 50-100 crores. These plans were also announced by the Finance Minister during his budget presentation. The Govt's objective is to raise the domestic ticketing levels from 8 Crores in 2015 to 30 Crores, annually.
2. Now, if the airlines are plying to Tier 1 and Tier 2 cities, then they may be suffering some losses, so to cover that the Government has made it clear that it would provide these airlines a host of tax benefits. These benefits range from lower VAT, lower excise duty and Viability Gap Funding (VGF).

### 3) Safety

The focus will be on pre-empting and preventing accidents/ incidents. Safety violations will be treated with zero-tolerance.

Steps to be taken:

1. DGCA will be given administrative and financial autonomy for an effective aviation safety oversight system.
2. DGCA will strive to create a single-window system for all aviation-related transactions, queries and complaints.
3. DGCA will ensure real-time safety tracking and prompt incident reporting.
4. The Aircraft Accident and Incident Investigation Bureau (AAIIB) will be further strengthened with manpower on contract basis, if necessary, in order to undertake speedy, independent, professional and effective investigations.
5. A consultative group of industry experts will be created at DGCA level to meet once every quarter and identify areas of improvement in various aspects of Civil Aviation.

### 4) Airports Developed by State Governments, Private sector or in PPP mode

1. Ministry of Civil Aviation (MoCA) will continue to encourage the development of airports by the State Governments or the private sector or in PPP mode.
2. MoCA will also encourage the State Governments to develop new airports in their State by forming SPV with Airport Authority of India or with other interested Public Sector Undertakings/ Industry in order to create stake and ownership.
3. MoCA will endeavour that the future airport projects in India, both greenfield and brownfield, have cost-efficient functionality with no compromise on safety, security and efficiency.

## **5) Aviation Security, Immigration and Customs**

1. Government will develop performance norms for these agencies in terms of speed of passenger processing and grievance handling.
2. Global best practices in IT, passenger check-in, baggage handling, mobile phone-based boarding passes, security checking procedures, immigration and customs etc will be introduced.
3. The Government will encourage the use of private security agencies at airports for non-core security functions which will be decided in consultation with MHA.

## **6) Air Navigation Services (ANS)**

Upgradation and modernisation of ANS in India are in line with global trends. With the launch of GAGAN, India has become the fourth country in the world to use satellite-based navigation system.

1. AAI will provide a fully harmonised Air Navigation System considering ICAO's Global Air Navigation Plan.
2. ANS' training institute – CATC Allahabad – will be developed into a world-class training centre for ANS professionals for the Indian and global market.
3. All aircraft being registered in India from 1st Jan 2019 will mandatorily have to be GAGAN enabled.

## **7) Helicopters**

Helicopters play a key role in remote area connectivity, intra-city movement, tourism, law enforcement, disaster relief, search and rescue, emergency medical evacuation, etc. India currently has less than 300 civilian helicopters which is very low as compared to other developing nations. Promoting Helicopter usage will be done in the following way:

1. The government will facilitate the development of at least four heli-hubs initially, across the country to promote regional connectivity.
2. DGCA will bring out regulations exclusively for Helicopter Emergency Medical Services (HEMS). This will stipulate that helicopters under HEMS operations shall not be used for any other purpose.

## **8) Maintenance, Repair and Overhaul (MRO)**

The MRO business of Indian carriers is around Rs 5000 crore, 90% of which is currently spent outside India – in Sri Lanka, Singapore, Malaysia, UAE etc. Given our technology and skill base, the government is keen to develop India as an MRO hub in Asia, attracting business from foreign airlines.

The Civil Aviation Policy 2016 aims to give this sector a much-needed fillip. Initiatives to be taken range from

1. exempting customs duty on the tools and tool-kits used by the MRO,
2. allowing foreign aircraft brought to India for MRO work to be allowed to stay for the entire period of maintenance or up to 6 months, whichever is lesser (provided it takes no commercial flights during the stay period),
3. Prompt issue of visas to foreign MRO/OEM experts, etc.
4. Provision for adequate land for MRO service providers will be made in all future airport/heliport projects where the potential for such MRO services exists.
5. MoCA will persuade State Governments to make VAT zero-rated on MRO activities.

## 9) Ground handling

Existing Ground Handling Policy Regulations will be replaced by a new framework which aims at directing

1. airport operators to ensure that there will be three Ground Handling Agencies (GHA), including Air India's subsidiary/JV at all major airports
2. Non-major airports to be exempted from a minimum number of ground handlers
3. All domestic scheduled airline operators including helicopter operators will be free to carry out self-handling at all airports. Self-handling includes the ground handling services of its own aircraft operations, using equipment owned or taken on lease.
4. Hiring of employees through manpower suppliers will not be permitted.

## 10) Air Cargo

The promotion of both domestic and international Air cargo and express delivery services is a key objective of the government, given its importance from a 'Make in India', e-Commerce and exports perspective. Domestic Air cargo has a high employment potential, especially for semi-skilled workers.

The below framework is to be taken to ensure the growth of the air cargo business:

1. Ensuring that Cargo facilities co-located at an airport are covered under the 'Harmonised List of Infrastructure and will get the benefit of 'infrastructure' sector.
2. The government will streamline and simplify Customs procedures and ensure a shift to paper-less air-cargo processing through the use of digital signatures for transmission of messages.
3. Advance Cargo Information (ACI) system will be implemented in a phased manner.
4. The government will endeavour that all relevant central government authorities are available through a single window at the cargo terminals. These include Customs, wildlife clearance, Drug Controller, Plant and Animal Quarantine, FSSAI, Archaeological Survey of India, DGCI etc. Clearances will be given promptly and online after necessary checks through a Single Window System.
5. MoCA will encourage the development of cargo-villages near airports.
6. The Air Cargo Logistics Promotion Board (ACLPB) will propose specific action steps to promote trans-shipment at Indian airports and the same will be monitored by MoCA. Free Trade and Warehousing Zones will be set up to facilitate transshipment cargo.
7. ACLPB will promote global good practices like Free-Trade Warehousing Zones (FTWZ), Air Freight Stations, Bonded trucking, dedicated cargo airports etc.

## 11) Aviation education and skill-building

1. The Government will create the necessary ecosystem and architecture for ensuring full utilisation of the skill development capacities of institutes providing aviation education and training, which will attempt to bring down the cost of skill development on a self-sustaining basis without converting these institutes into commercial centres with a profit motive.
2. MoCA will develop a scheme for providing financial support for Type-rating of Pilots.

## **12) Miscellaneous Initiatives**

1. The Government will promote the use of seaplanes for growth of tourism and regional connectivity along India's 7,500 km coastline.
2. MOCA will promote the growth of General Aviation and Aero-sports activities.
3. The Government will issue suitable guidelines for the operation of Remotely Piloted Aircraft Systems (RPAS) and their use for civil operations.

