

In policy's implementation lies the rub

The draft aviation policy is an improvement over past versions but what parts of it make it as policy remains to be seen

By: Dr Sanat Kaul | November 11, 2015 12:04 AM

The Modi government has at last produced yet another Draft Civil Aviation Policy. The first draft was put up over a decade ago but the final policy never saw the light of day. In between a draft was put up a few months back which was very cursory and vague. This draft is a major improvement and has a comprehensive coverage. But how much of it will be converted into policy and then implemented is anyone's guess.

The draft policy covers ten items of importance namely, Aviation Safety, Regional connectivity, 5/20 rule, bilateral traffic rights, code-sharing, route dispersal guidelines, fiscal support, helicopters, scheduled commercial agreement, airports development, cargo, skills development, essential services, aero-manufacturing, offsets.

The controversial issue of 5/20 has been made more complicated by inviting suggestions from public to either keep or discard it or go in for a point system. This indecision of the government should not have been reflected in the draft policy. In the same para it states that Route Dispersal Guidelines (RDG) meant for remote areas will be retained. Although RGD amounts to cross-subsidy by airlines, this system has been functioning quite well and its

retention at this stage is, perhaps, worthwhile even as it adds to the cost of operation of domestic airline services. Significantly, no analysis has been given why domestic cost of operation for airlines is high thereby making domestic flying expensive when compared to international. For example, issues of excessively high sales tax rates in states like Mumbai and Delhi have not been discussed. The whole issue of retention of 5/20 is based on the premise that if all airlines are allowed to go abroad from the start, many will abandon domestic services. Why domestic services make less money than international services has not been analysed.

A mention has been made of Satellite based Navigation (RNSS) using our own augmentation satellite GAGAN which will be made compulsory for all Indian aircraft after 1-4-17. This is an important step in the right direction.

There is greater clarity on Ground Handler Agencies (GHA) policy. However, the policy states that there will be at least three GHAs including Air India to ensure fair competition, with no upper limit. Generally, airports restrict the number of GHAs so that the limited land available is utilised properly. A total laissez-faire policy at airports may lead to chaotic conditions. The policy also proposes to bring GHA along with catering and aircraft refueling under the Essential Services Act.

The draft policy strongly advocates regional connectivity and has introduced a Regional Connectivity Scheme (RCS). This is excellent. To ensure it, it provides for Viability Gap Funding for 'strategically important but financially unviable' Airports, 2% cess on all tickets and other financial support like no service tax, free police and fire services, no excise duty on ATF and other incentives for airlines and operators connecting remote regions. This is most welcome as it will help build a strong aviation infrastructure for the country.

The policy is favourable towards developing the nascent MRO industry in India. The issues of customs duties and taxes could not be sorted out by both Chidambram and Jaitley as FMs though both had mentioned it in their budget speeches. Similarly, bold promises have been made on air cargo (India is the only country in the world which unilaterally declared open sky for Cargo decades back but the biggest impediment to it is the deeply entrenched bureaucracy).

This draft is an improvement on the previous drafts, but it needs to be converted into final policy. At this stage one can at best say that yet another draft policy has come out. What this draft has not touched at all is the emerging sector of Unmanned Aerial Vehicles (UAV) and the important issues relating to leasing of aircraft with regard to the Cape Town Convention which need urgent attention. Otherwise, it has brought out most of the issues.

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