

# Draft Civil Aviation Policy lacks serious intent and direction

IFFAAD, under the chairmanship of **Sanat Kaul, former Joint Secretary in the Ministry of Civil Aviation**, and formerly with ICAO in Montreal, has come out with a response paper to the draft policy released by government for discussion in public domain. Following are the highlights...

**M**odi Government has come out with a new draft Civil Aviation Policy after six months of forming government. Earlier governments had also produced drafts which goes back to over a decade. But no cabinet approved aviation policy has come out so far (except a policy on airports). This draft document, however, cannot be termed a policy document. It is, at best, a mere bunch of intents gathered hurriedly in a four page note. In a meeting of experts on the subject called by an aviation think tank to consider the draft similar feelings were expressed. While expectations are high from the government such cursory treatment to an important document by a ministry puts a question mark of its intent and capacity to appreciate the issues.

The draft policy has announced the intention of the government to corporatize the Airport Authority of India (AAI) and Pawan Hans helicopter corporation and also list them on the stock market. This has been welcomed by all as it will bring transparency and greater efficiency to these institutions. Difficulties in corporatization of AAI have not been brought out. However, the document is silent of hiving off the Air Traffic Management part of the AAI which has been recommended by various committees and will make Air Navigation Services more robust. This will also reduce the profitability of AAI as air navigation services is a profit centre.

On the issue of Airports the draft policy has expressed its intent to have six international hubs in India. This is more wishful but also realistic. With Mumbai airport reaching a saturation point soon and no new airport coming up as yet, Mumbai can be ruled. Only Delhi, Bangalore and Hyderabad can be considered for a hub. Of this, Delhi would qualify on grounds of being the biggest airport of India and still having capacity to expand. But in order to create a hub there is a need for a strong long haul airline of the country. At present India has none. Further, the fact that the previous government had given away bilateral air service rights in the gulf to sweeten a private deal, it has re-enforced the hub in that country instead. On top of this is the restrictive 5/20 policy of not allowing new airlines to go abroad unless they have completed five years in service and have 20 aircrafts. This imposes an artificial barrier on India's airlines to utilize India's

portion of bilateral rights to foreign countries due to shortage of aircrafts. Therefore, creation of six international hubs is an unrealistic target.

The draft states that the policy of 5/20 mentioned above will be reviewed. This is not a policy decision but an intent. After six months in office the government should have been more decisive.

Similarly, the draft policy talks about the MRO policy. India is loosing about \$ 800 million a year currently of this business as our Indian fleet of civil aircrafts have to be sent abroad for major servicing. This is so because its more expensive to do the repairs and maintenance in India mainly due to various tax issues. It also amounts to loss of potential 'skilled employment. It's a national shame and waste which the former Finance Minister also recognized in a budget speech

a couple of years ago but did nothing about it. This should have been fixed much earlier. India has the potential to get MRO business from neighbouring countries also. However, no time frame for this is proposed.

The draft policy has praised the PPP agreements in airport development as successful and has proposed more of them. However, there is a need to study the manner in which these airports concessions have been drawn up by which which they have become most expensive to operate. The role of Airport Economic Regulatory Authority (AERA) also

needs to be examined. While the Regulator is correctly not answerable to the Ministry, it should be made answerable to the Parliament like in the USA. The tender for Delhi airport has determined that 48% of the revenue of the airport will go to AAI as rent. This is a very high amount and the airport operator has to take it out of Airlines and passengers.

On the issue of Air Turbine Fuel (ATF), the policy recognizes that ATF is 40 to 45% higher than international prices. The importers of ATF, the PSU oil companies have a monopoly over it and appear to be misusing it. It's a clear case of abuse of dominant position and needs an examination by Competition Commission. High rates of custom duty and high sales tax by some states make it prohibitive. The draft policy promises to take 'steps' to rationalize it. This is a critical issue for profitability of airlines and there is a need for more proactive action by the Ministry.

On the issue of regional connectivity the policy also falls



**There is no mention of privatization of Air India even after it recovers. It was pointed out that Japan Airlines, which was in a bigger financial mess, was turned around in one and a half years. In India, Satyam Computers was revived with proper intervention. However, the case of Air India is a festering wound with the present government having no direction towards its future.**



short of expectation. It expects that regional connectivity will be provided by the national level airlines by tweaking the Route Dispersal Guidelines (RDG) further. RDG is a much abused cross subsidy system forced on private airlines to meet the needs of regional aviation. Naresh Chandra Committee and others have suggested its scrapping and replacement by a subsidy based system. Creation of an Essential Air Services Fund (EASF) has been suggested along with the method of obtaining funds for it. Draft policy has not taken this into account. To expect that tweaking RDG to provide good regional connectivity is neither good for the airlines nor for regions and is unlikely to succeed.

The draft policy has touched on the festering issue of Air India by recommending setting up of yet another committee. This is a cruel joke on the tax payers. A quick solution like the one done for Japan Airlines by their government or for Satyam by Indian government should be done in the case of Air India too.

On the issue of Air Navigation Services (ANS), the draft policy mentions raising the level to 'international standards' whatever that means. The policy is, however, totally silent on satellite based navigation and our own GAGAN augmentation satellite ready for it. There is no mention about meeting the issue of expensive receiver sets for airlines.

The policy also touches the issue of improvement in air cargo, helicopter services but is silent on ground handling which is pending for years and is now in the courts

**The draft policy states that 5/20 policy will be reviewed. The 5/20 policy was created to benefit existing airlines at that time and to put entry barriers for international operations of new airlines. It has no relevance in today's scenario. No other country has such a policy when their airline is sent to India. It was mentioned that by giving away large number of bilateral rights and keeping 5/20 policy, we are increasing our dependence on Gulf carriers for both connectivity and energy security as is evident today.**

A glaring lacuna in the draft policy is the absence of mention of Safety and Security relating to aviation. India is already suffering on safety front. ICAO has given India a poor safety report, US FAA has already downgraded India to category 2, an insult in the aviation world, and European Union may also take a stand soon. By keeping quiet on it in the policy document it appears that government is evading its responsibility. While India aviation security is quite good there is no mention of it either. However, the most glaring lapse is about

DGCA. While the draft policy mentions 'upgrading to international standards' it leaves the rest to imagination. The work on converting the existing office of DGCA into a Civil Aviation Authority with more independent powers and finances has not been mentioned at all. A lot of work had already been done in this direction and the previous cabinet had already approved it. The introduction of this bill is now a urgent need. An institutional reform is felt necessary for DGCA to meet its obligations in

India's fast growing aviation sector. By not mentioning it appears that the new government does not seem too keen for DGCA reform.

Finally, not implementing the Cape Town Convention of 2001 and not harmonizing it with our laws the international aircraft leasing companies will find it difficult to work in India in present condition, especially after the way in which they were treated in the case of Kingfisher Airline case. **CS**