



**International Foundation for Aviation, Aerospace & Development  
(India Chapter)**

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Subject: **Comments and suggestions on the draft Civil Aviation Policy**

A meeting was held by International Foundation for Aviation, Aerospace & Development (India Chapter) on 19<sup>th</sup> November, 2014 with regard to the draft Civil Aviation Policy. The following attended: -

<b>S. No.</b>	<b>Name</b>	<b>Designation/Organization</b>
1.	Mr. Satendra Singh	Secretary General, IFFAAD and former DGCA
2.	Mr. Sanjay Narayen	Former Joint Secretary, MOCA and Board Member GVK
3.	Mr. Kanu Gohain	Former DGCA
4.	Mr. Rahul Sharma	President, Transcontinental Enterprises
5.	Mr. Kapil Kaul	CEO, South – Asia, CAPA, India
6.	Mr. Pramod Sahni	Selebi
7.	Mrs. Radha Bhatia	Chairman, Bird Group of Companies
8.	Mr. Navin Berry	Chief Editor, Cross Section Media
9.	Mr. Naresh K Pande	Journalist
10.	Dr. Sanat Kaul	Chairman, IFFAAD and Former Joint Secretary, MOCA
11.	Ms. Niji Sapra	Walnut Services
12.	Mrs. Ranjana Kaul	Partner, Dua Associates
13.	Mr. Vijay Handa	Etihad Airways

**The collective comments and suggestions are as follows: -**

The general opinion was that the Draft Civil Aviation Policy is a bunch of intentions and cannot be called a 'Policy Document'. However, the discussion group thereafter went into each aspect of the draft policy and following issues were discussed: -

1. The draft policy document states that Airports Authority of India and Pawan Hans will be corporatized and followed by listing in the stock

exchanges in order to improve efficiency and transparency. While in principle it was welcomed in the meeting, it was also stated that it is not an easy job since merger of National Airport Authority and International Airport Authority into Airports Authority of India by an Act of Parliament, is still not complete as there are issues pending related to HR and also hiving of ANS from AAI. The exercise of merging the two before it is put for public shareholding will be a massive exercise. Even the documents/decisions relating to land owned by Airports Authority of India are not clear, including rentals thereof. There are differences between Airports Authority of India and State Governments on land ownership. Large areas of land are under illegal occupation. In Mumbai alone, 175 acres are under unauthorized slums. While the valuation of AAI has informally been put on as \$3.5 billion, without proper land records, corporatization and listing on stock exchanges will not be easy. The Policy needs to address the above issues before finalising the move to corporatize and listing in the Stock Exchanges.

2. It was also mentioned in the draft that four joint venture airports in Delhi, Mumbai, Bangalore and Hyderabad have been developed in PPP format with private companies successfully which today are recognised as of international standards and have significantly contributed to the growth of civil aviation as well as regional economic growth in the country. The policy document stated that government's objective is to develop more airports in PPP mode with appropriate modifications to ensure competitiveness in costs. The first phase will involve Chennai, Kolkata, Jaipur and Ahmedabad. The Policy should take into consideration the effect thereto on the revenue of AAI, the owners, who have also invested largely in the development programmes of these airports to handle international civil air operations.

It was informed during discussion that two Concession Agreements signed between the PPP operators and the government have been overturned by Airports Economic Regulatory Authority (AERA) which had stated that it does not recognize the Concession Agreements and has gone in for "single till" in spite of the Concession Agreements having the proviso of "double till". The land issue under the PPP agreement are also proving to be a problem as some state governments have gone in for non-agricultural assessment of lands. The role of AAI post PPP is not clear. While it would be publicly perceived as, it would mainly function as a rent collector, at the same time, it will continue to be a Regulator under influence of Ministry of Civil Aviation. As more PPP come, the conflict of interest needs to be considered and the role of AAI, needs to be brought out in clear terms from the experiences gained so far in the existing PPP models. It was stated that AAI makes more money out of privatized Mumbai and Delhi airports then it would have had it remained with it. The Policy with regard to develop more airports in PPP model needs to be reviewed on the above basis.

It was, therefore, felt that the current PPP model has not proved to be great success and there is a need to change it with a Regulator like AERA to take decisions. It was also pointed out that while AERA is not reporting to MOCA, it should be answerable to the Parliamentary Committee for Civil Aviation as is the practice in the United States. Further, the high cost of PPP models was deliberated. It was pointed out that while Mumbai Airport is now costing Rs.14,000/- Crores and the airport will be saturated in a few years, the Bangalore Green Field Airport has costed just around Rs.3500 Crores.

Another aspect of the existing PPP model has been the lack of coordination with the defence authorities. It was felt that a complete reassessment of the PPP model is required. It was also felt that while there has been a lot of progress on the civil-defence issues, especially with regard to use of airspace, there is a need to include in the Policy the issues on Civil Military Coordination and move forward aggressively as this will improve the viability of both airlines and airports.

3. It was also mentioned that existing airport policy of not allowing a second airport to come up within 150 KMS of an existing airport, needs a review as second airport in metro cities, especially at Bangalore and Hyderabad need to be considered. Further, the issue of Mumbai airport was discussed. It was felt that a new airport in Mumbai is not taking off due to various issues. The possibility of building an airport on the sea like Hong Kong, should be considered for Mumbai.
4. It was felt that the Policy on issue of Greenfield Airports, Concession Agreements and OMDA needs review especially with regard to non-aero revenues.
5. As leasing is becoming a more preferred option by airlines, it was felt that the case of Kingfisher Airlines has had an very adverse impact on leasing of aircrafts to Indian Airlines. The Lessors of aircrafts need legal protection. In this connection, Cape Town Convention of 2001 needs to be fully ratified and appropriate CARs need to be incorporated to give confidence to Lessors. Holding back leased aircrafts to ensure that payment of dues of airline companies is not a correct practice and is contrary to Cape Town Convention. However, our own laws i.e. Aircraft Act of 1937 and Airport Authority Act of 1994 as well as Customs Act need to be harmonized with Cape Town Convention. It was also pointed out that only in India, airports, oil companies, custom authorities gave unsecured credit to airlines. Nowhere else in the world, this happens. A policy needs to be framed on the above issue so that for development of the civil aviation industry in the country does not face difficulties in the international arena of aircraft leasing.

6. Six international hubs – The draft policy states that six metropolitan hubs of Delhi, Chennai, Kolkata, Bangalore, Mumbai and Hyderabad would be developed as major international hubs. As a hub should have about 50% transit passenger, this appears to be a tall order especially if a policy is to create six of them. India has already given away massive bilateral rights without bothering to create a single hub in India. As a result, the hubs in Gulf region have been reinforced. Even today to create a major international hub in Delhi even though the airport has nearly 50% more capacity available, would be a major challenge. The benefits accrued from the bilateral rights have enabled international operators to have hubs outside Indian shores and market developed for them outside. Airport like Mumbai, Bangalore would soon reach their peak capacity. Further, there is no policy with regard to constraint airports. We need to provide alternate airports to such airports. Policy to include about the saturating airports and proviso for alternate airports.
7. On the issue of airport concessions, the draft policy says that the policy of PPP has been successful and four major airports have been developed in PPP mode. There is a need to define what is meant by PPP as all controls remain with the government as the contract is between the AAI and the operator and AAI works as a subordinate office of MOCA. Further, with the coming of AERA in 2009, all issues of OMDA have been turned upside down, therefore there is a need for clarity on the issue of PPP and the role that AERA should play as AERA had stated clearly that they do not accept OMDA.
8. While there is a mention of improvement of Air Traffic Services, the role of GAGAN has been left out. The future role of GAGAN both in Indian aviation and its contribution to international aviation has not been mentioned in the draft policy at all, while it can be a game changer for development of Air Traffic Management Services for both large and small airports in the country. The reluctance of airlines to invest in the expensive transponders/receivers to utilize GAGAN signals is coming in the way. There is a need for clarification by the government on this issue through an appropriate policy decision. The airlines have expressed their difficulty in affording the on board equipment because of its high costs. Cheaper alternative needs to be found. It was felt that Indian manufacturers could produce much cheaper equipment but it would have to be approved by ICAO/FAA. Therefore, subject of GAGAN, which is operational, has not been touched in the draft policy.
9. Review of 5/20 guidelines for airlines to go abroad has been mentioned under the heading Regional Connectivity which is wrong. It should have been under International Connectivity, which is missing from the guidelines except for creation of hubs. 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 also pointed out that one reason for keeping the 5/20 policy was a signal from DGCA that airlines should not cut down their domestic coverage by going abroad and that the airlines, many of them those days which were newcomers did not have stability and maturity in their operations both in terms of infrastructure and management expertise. 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.

10. The policy does not mention anything about ownership and control of scheduled Indian carriers. While the permission to allow the 49% FDI in Airlines has been announced recently, the issue of control of Indian airlines adopting FDI route has not been included in the policy.
11. While the issue of enhancing regional connectivity has been mentioned in the draft guidelines, there is no mention of the recommendation of the Naresh Chandra Committee of 2004 or Rakesh Mohan Committee or Jaikishan Committee Report. There is also no mention of creating Essential Air Services Fund (EASF). The only mention the policy makes on regional connectivity is on Route Disbursal Guidelines (RDG) and states that a review will be carried out with the objective of encouraging Indian carriers to enhance regional connectivity through small aircrafts and code sharing arrangements. RDG guidelines have already been recommended to be scrapped by Naresh Chandra Committee, with a policy of creating a subsidy fund. Similar recommendations were made in the Jaikishan Committee Report for connectivity in the North East remote areas. This would be more rational than forcing airlines to go for regional destinations when many of them do not have the aircraft for it.

On the issue of regional connectivity, it was further pointed out that even worldwide small aircrafts of ten to twelve passengers capacity are not easily available meeting DGCA requirement of twin engine, except for one or two brands which also may not be viable economically. Our own manufacturing capabilities have not taken off. The draft policy is silent on indigenous aircraft manufacturing in India except for manufacture of parts and components. The Policy needs to be framed in details wherein besides review of existing RDG, proposed creation of EASF and other incentives to air operators for enhancing regional connectivity, particularly to remote areas of the country and thereby also facilitating hub and spoke arrangements in the domestic sector.

12. The draft policy has made no mention of ground-handling. It was pointed out that since the matter is sub-judice with the Supreme Court, it was perhaps the reason.

13. On the issue of development of MRO, the draft policy says effective steps will be taken. It has further stated that incentives will be provided for indigenization of manufacture of parts and components. The issue of MRO is well known and needs further elaboration with implementation within a time limit. The policy in this area need to focus on the various impediments faced by the MROs in the country with regard to hangarage, rentals - including royalties on turnover and customs duty on aircraft parts/components. The policy should also include the favourable environment needed for development of Business Aviation which will cross-feed into the development of MROs in the country.
14. On the issue of ATF, the draft policy recognizes the high rate of taxes and cost of ATF in India, which is 40-45% higher than international costs. However, it does not mention anything about the cartelization by the PSUs in supply of ATF. The case of cartelization is a fit case for Competition Commission to look into. The policy on the cost of ATF due to high taxes imposed by States which are also variable from State to State needs to be included in the policy for equalisation of taxes for aviation fuel throughout the country.
15. On the issue of cargo, the draft policy talks about developing six regional hubs at metro airports and integrating multi-model transport facilities and cold chains and other commodities specific requirements. It mentions turnaround time for cargo and freight stations. However, such issues are well known and no time limit is mentioned for its implementation.
16. For Air India they have recommended yet another expert committee for future roadmap which is unfortunate to say the least. 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.
17. Following items are totally missing from the draft Aviation Policy are as under: -
  - i) There is no mention of converting DGCA into a Civil Aviation Authority. It only mentions that DGCA would be upgraded to international standards. The work done so far on Civil Aviation Authority appears to have been dropped.
  - ii) There is no mention of manpower planning for the Civil Aviation Sector and the support training infrastructure that requires to be developed for various skill development programmes required for

the aviation sector, e.g Pilot and Engineer training, Aviation Management training, Aviation Hospitality training etc.

- iii) There is no mention of a policy toward UAV. While UAVs are being run by the defence and police forces, the DGCA website does not surprisingly allow operation of UAVs, including aeromodels as it states that ICAO has not created any SARPs for UAVs. It may be pointed out that ICAO creates SARPs only for international civil aviation and not domestic. Amazon has already started testing deliveries by UAV.
  - iv) There is no policy on seaplanes operations in the country which has a great potential. Seaplanes have already started functioning in Andaman, Maharashtra, Kerala and such operations need a proper regulation regime for its development.
18. It was also pointed out in order to create a hub, we need at least one strong Indian carrier with a long-haul capability which is missing in India. The expectation that the new airlines coming into India might be able create a strong long-haul carrier was also mentioned.
19. On the issue of bilaterals the policy is silent, except at two points at two different places in the draft. It has mentioned that while developing six metropolitan hubs, existing bilateral arrangement with foreign airlines will be reviewed on equal opportunity basis and future bilateral arrangement will be designed in such a way to facilitate hub-spoke model. At the same time, under regional connectivity it has stated 5/20 guidelines will be reviewed with a view to encourage new Indian carriers. However, the policy has not mentioned the need for strategic decisions at Bilateral Air Services Agreement as a specific item. In view to create a hub and to provide better services to passengers at competitive prices we need more direct flights to key markets in Europe and South East Asia.
20. It was also pointed out that there is no mention of MET issues related to development of Civil Aviation Sector. Since MET charges a lot of money from airports and is the single authority providing MET Services, there is a need to go into the policy of MET issues including advanced technological developments needed for serving civil aviation.

**(SANAT KAUL)**  
Chairman