

# CAP: 'Work in progress' — again?

The Civil Aviation Ministry's attempt to engage aviation stakeholders in the formulation of the Civil Aviation Policy — after almost 15 years — must be complimented. The draft policy that was released, however, has raised more questions. CRUISING HEIGHTS met stakeholders and aviation experts to find out what was so different with this version of the Civil Aviation Policy



**AGAIN ON THE BACKBURNER:** Air India fleet at one of the Indian airports. Draft Civil Aviation Policy refrained from any suggestions on the privatisation of Air India only suggesting of setting up an 'Air Expert Committee' to develop a future roadmap for the airline



teen wasted years. For a nation, 15 summers may not be a long time in its life but for India's civil aviation sector they were the most important. The country could have flown ahead — perhaps, ahead of Dubai, for example or even be successful in establishing the much-hyped international multi-modal hub at Nagpur — if our planners had the foresight to craft out a Civil Aviation Policy (CAP).

Let's forget those wasted years. The present dispensation wants to start anew and the recent release of the Draft Civil Aviation Policy can be seen as the first step in the race to build an aviation infrastructure that will be worthy of a nation that will, according to the International Air Transport Association (IATA) see it moving from its present ninth largest market position to the third largest around 2031 (the country will see a total of 367 million passengers by 2034, an extra 266 million annual passengers compared to today).

It is in such an environment that the draft CAP was prepared. What, however, has emerged has left more questions than answers leading aviation watchers and pundits to comment — rather harshly — that it had nothing of a policy and that it was “high on intent and low on details”. It is hoped that the final policy — once consultations with stakeholders are over — would ensure that the details are taken care of and the civil aviation sector is in the Narendra Modi government's priority spotlight. As Civil Aviation Minister Ashok Gajapathi Raju pointed out: “If a policy existed (during UPA rule), it was opaque. We want to develop a transparent policy because opaqueness leads itself to allegations. This government wants to work in a transparent manner.”

First, a look at the intent. “It is a step towards making civil aviation a vibrant sector in our country, to rise to its full potential,” according to Gajapathi Raju. He went on to emphasise that the CAP would aim “to develop a transparent policy in which regulations for the Civil Aviation sector would be more meaningful”.

It was with the right intent in mind that draft CAP noted: “Airports are to be designed as integrated multi-modal hubs, so that they provide the best possible service levels as well as potential for growth. An integrated multi-modal hub should include rail, metro, bus and truck connectivity as well as accommodation and other services”. Added to that came the rider that while developing airports, it would be equally essential to ensure that related sectors such as access to manufacture, business, tourism and pilgrim centres were developed. This had to be done in association with other Central Government Departments as well as the State Government/Union Territory.

The six metropolitan airports at Delhi, Mumbai, Chennai, Kolkata, Bengaluru and Hyderabad, the draft mentioned would be developed as major international hubs and would in future be the main access points for international travel to and from India. In future a “hub-and-spoke” model would be followed, which would also facilitate the development of regional networks and air connectivity as a whole. The existing bilateral agreements with foreign bilateral agreements will be designed in such a way as to facilitate the hub-and-spoke model.

The draft also emphasized on rationalizing the cost of Aviation Turbine Fuel (ATF). Due to the high taxes, ATF in India was 40 to 45 per cent higher than international costs. Steps would be taken in association with the Ministry of Finance and State Governments to rationalise the rate of taxes so that Indian costs became competitive.



**Jitender Bhargava**  
Former Executive  
Director,  
Air India

**“The draft can only be described as a damp squib of monumental proportions. The policy should also emphatically aver that the civil aviation ministry will henceforth be manned by professionals, conversant with the aviation industry, and not bureaucrats.”**

Pushing ahead the government’s objective to provide optimum air connectivity to all regions, subject to commercial viability, the draft pointed out that a special package would be developed for the North-Eastern Region to improve air connectivity and provide linkages to remote locations. In addition, the Route Dispersal Guidelines would be reviewed to encourage Indian carriers to enhance regional connectivity through deployment of small aircraft and code sharing arrangements. Lastly, the 5/20 guidelines would be reviewed with a view to encouraging the entry of new Indian carriers.

And in a move that can only augur well, the draft mentioned helicopter aviation as a segment that had considerable potential for growth in areas such as reducing congestion in big cities, medical evacuation, relief operations, law and order, oil exploration

**LONG PENDING:** An inside view of a terminal of Mumbai Airport. Draft Civil Aviation Policy suggested that six airports including Mumbai would be developed as major international hubs



IMIAL

etc. Heliports and helipads would be developed in locations with sufficient potential. The policy has proposed to provide suitable incentives to helicopter operators in respect of operational costs in the airports.

Regarding development of the cargo sector and with an eye to the potential, the Government has planned to develop the six metro airports as regional cargo hubs, integrating multi-modal transport facilities, cold chain and other commodity specific requirements. The turnaround time for cargo would be upgraded to international standards while Air Freight Stations (AFS) will be developed in different parts of the country to streamline Customs clearance and reduce congestion in the airports.

The country’s newest airline Vistara in an email comment to Cruising Heights, pointed out that the government was fully aware of the pressing concerns of the industry and had “certainly shown the right intention as they want to introduce a more accountable and responsible system within the industry and we are in complete support of the plan. We welcome the reformist approach especially around development of airport infrastructure and facilities for customers”. The carrier said it was looking forward to the government setting actionable goals for achieving the desired milestones set in the policy related to the hub concept, ATF pricing, MRO and the removal of the discriminatory rule for domestic airlines to fly international.

Airport operator GMR was in agree-

The policy demonstrates the government’s commitment to tackle key roadblocks hurting the growth of aviation

ment with Vistara and mentioned that “the policy document clearly demonstrates the government’s commitment to tackle key roadblocks hurting the growth of aviation sector”. The policy, said GMR, “has multiple positives, viz., the focus on creating the six metro airports as international hubs – something that India lacks despite being one of the largest aviation markets in the world, the government’s willingness to proceed with privatisation of four more airports as well as rationalising ATF which will significantly reduce the cost of air travel and boost traffic growth”.

The airport operator, however, cautioned that the “key going forward is how soon the government can implement these steps”. It also mentioned that though the draft policy covered almost all major issues that were hurting the aviation sector, one aspect that the policy did not address was “the regulatory till that will be adopted for future private airport projects. Certainty about the till and returns will boost investment and help attract global investors, thus hastening the pace of infrastructure development”.

The Association of Private Airport Operators (APAO), an industry voice of all the major PPP airports in the country, that has been demanding with the Ministry to notify a well-structured National Civil Aviation policy, said that “one of the best aspects of the policy is the Government’s intention to develop the six Metropolitan Airports (including the four PPP Airports) as major International Hubs both for passengers and cargo, with intermodal connectivity”. Speaking on behalf of APAO, Satyan Nayar, Secretary General said that these hubs would “in future, be the main access



**Kanu Gohain**  
Former Director  
General of  
Civil Aviation

**“There was need for development of Business Aviation in the country that today operated as NSOP. There are many handicaps in the business aviation sector both from cost and import procedures coupled with non-friendly regulatory provisos.”**



**Satyan Nayar**  
Secretary General,  
APAO

**“With respect to airport infrastructure, the draft policy should clearly spell out a Hybrid or Dual Till tariff philosophy that would not warrant 100 per cent cross subsidisation of non-aeronautical revenue. This will ensure reasonable returns to investors...”**

points for international travel to and from India and would follow a ‘Hub and Spoke model’ which would facilitate the development of regional networks and air connectivity as a whole. We feel that the Ministry should implement this policy without further loss of time,” emphasised Nayar.



HC TIVARI

**BLUEPRINT FOR FUTURE:** (L-R) Prabhat Kumar, DG, Civil Aviation; Rohit Nandan, CMD, Air India; V Somasundaran, Secretary, Civil Aviation; Ashok Gajapati Raju, Civil Aviation Minister and Sudhir Raheja, Chairman, AAI unveiling Draft Civil Aviation Policy at the press conference held in November

The draft CAP’s focus on regional connectivity prompted former DGCA Kanu Gohain to comment on the review of the existing Route Dispersal Guidelines (RDG). “In the Indian scenario the RDG are applicable to Scheduled Operators with

their fleet of commercial aircraft that may not be able to connect the far-flung areas of the country due to paucity of aerodrome infrastructure coupled with air traffic potential in the initial stages. Even though the policy has envisaged development of

## Been there, done that

The Draft Civil Aviation Policy has come at the right time – now that the government is going ahead to ramp up infrastructure. However, the proposals in the policy are nothing new. In the past, stakeholders and think-tanks have put forward similar recommendations. Cruising Heights has, for example, aviation consultancy CAPA’s recommendations regarding civil aviation that was released soon after the new Modi-led government came to power. Titled CAPA’s Civil Aviation Agenda for India, and released in May this year, it suggested:

- The new policy should be developed in the context of a realistic long term vision for Indian aviation in 2050
- Notifying ATF as a declared good is possible and would be the single biggest confidence booster the government could provide to the industry
- The proposed new Route Dispersal Guidelines should be put on hold pending a thorough review of the policy on remote and regional connectivity
- MoCA must signal a clear intent to work with the industry within a collaborative and equitable

framework

- The industry remains overregulated with no clear desire at the Ministry level for enabling reforms and liberalization
- It is time to develop a new Civil Aviation Policy which is Cabinet approved and intended to be relevant for a generation or more and not just the tenure of the current administration
- In order to meet the requirements of a large and modern aviation industry, there must be a clear separation of the regulatory and policy functions
- The FAA’s downgrade of India to Category 2 status is a clear reflection of India’s regulatory shortcomings
- A council of aviation experts, drawn from across disciplines should be appointed to support MOCA with policy formulation and execution
- The regulator DGCA must be aligned with global standards not only on paper but in execution, and must be staffed by experts and not by retired bureaucrats
- Revenue share from PPP airports will increase. These funds should not be squandered. We would cau-

tion against rushing to commit capital to the development of LCC airports. With so many existing idle airports it is not clear that constructing additional infrastructure should be the priority

- AAI should focus on enhancing airside efficiency at its operational airports
- A possible new role for the AAI could include becoming the custodian of aviation education and training in India – this is a critical segment and the current training capacity is very poor and limited in scale
- The ability of air navigation services to keep pace with the expected growth in the market will be critical for ensuring the availability of air capacity
- Air India requires a clean slate in order to prepare for privatisation. An independent committee should be set up to examine the future of Air India including a possible structure for privatisation.
- There is no logic to the discriminatory 5 year/20 aircraft rule. It should be abolished without further delay.



PAWAN HANS

**UNTAPPED POTENTIAL:** Draft Civil Aviation Policy has given due prominence to helicopter aviation as it felt it has considerable potential for growth in India

smaller airports, there is,” he emphasized, “also the need for smaller aircraft for economic viability of operations to smaller airports in the far-flung areas which are not yet connected”. In such a situation, Gohain said that there was need for development of Business Aviation in the country that today operated as NSO (non scheduled operator). “There are many handicaps in the business aviation sector both from cost and import procedures coupled with non-friendly regulatory provisos.” This aspect, said Gohain, had not been included in the policy and needed to be considered by the government.

APAO was of the opinion that the aviation policy — once it is formalised and implemented — must ensure that the regulatory framework for airports reflect best international practices and “thereby be forward looking, progressive and investor-friendly. The economic regulation must facilitate continued investments in the infrastructure at airports to support the traffic growth,” said Nayar. He went on to underline that “the aviation policy with respect to airport infrastructure should clearly spell out a Hybrid or Dual Till tariff philosophy that would not warrant 100 per cent cross subsidisation of non-aeronautical revenue. This will only ensure reasonable returns to investors and affordable tariff to users and passengers in the long run”. Besides, said APAO’s Nayar, it was also essentially required to establish a favourable climate for attracting private investments in the Brownfield/Greenfield airport projects in the country and cautioned that “a ‘Single

Till’ will not attract any investment in this sector and the desired private participation of 80 per cent of total investment in airports will not take place”.

“The only heartening aspect of the Draft Aviation Policy is that the country will eventually have a policy,” said former Air India Executive Director Jitender Bhargava. “It is my fervent hope that the policy makers will pay heed to the suggestions from knowledgeable people so that the comprehensive policy once formulated can best serve the interests of the aviation industry,” he said.

His comments about the policy, however, were forthright. “In its current draft format,” said Bhargava, “the draft CAP can only be described as a damp squib of monumental proportions...”

Considering the pedestrian nature of the draft policy note, which has rightly invited all round criticism, the policy should also emphatically aver that the civil aviation ministry will henceforth be manned by professionals, conversant with the aviation industry, and not bureaucrats, for any significant change to take place in the aviation sector after the policy has been framed, and given effect”.

He told Cruising Heights that he had often articulated “that the absence of a comprehensive national civil aviation policy has, to a large extent, been the cause of the current sordid state of Indian civil aviation. Many of the ad hoc and irrational decisions, with disastrous consequences, in the past decade would have, perhaps, not been taken if only the policy framework had been in existence.”

It is, at best, an outline of the issues that should be covered in detail in a civil aviation policy

Since the draft note was, according to Bhargava, anything but a policy, “for the benefit of the minister and ministry officials”, he pointed out “that a policy document ought to define the broad parameters based on which all decisions will be taken — with a view to make the Indian aviation sector robust and economically viable; benchmarked against the best globally; that serves the people for both domestic and international travel and, more importantly, act as a guide for current and potential new stakeholders to know about the environment in which they will operate without being subjected to midway surprises like the arbitrary introduction of the absurd 5/20 rule. This draft policy unfortunately holds no such promise,” emphasised Bhargava.

In fact, he went on to say, it was silent on key issues. One of the notable areas was the bilateral seat agreements with foreign carriers. The draft policy failed “to define the aberration in seat agreements that has given foreign carriers a stranglehold on international sectors — thus marginalising Indian carriers and how this imbalance was sought to be corrected”. It was also silent on whether as a policy, foreign carriers would continue to be given access to more and more Indian cities or that their operations would be restricted to the metro cities?

Other notable omissions, according to the former Air Indian: Policy on new carriers — whether every applicant would be given a license to start an airline or would that be dictated by a capacity-demand equation? Whether terminals would be created to exclusively cater to low cost airlines; Creation of an ombudsman to deal with passenger complaints (or exploitation of passengers by airlines/airport promoters); and, finally, the CAP had ignored the most emergent requirements of the day — the replacement of the understaffed DGCA with trained Civil Aviation Authority staff, and on a personal note, “a definitive road map for putting Air India on track”.

Another aviation watcher, Saroj Datta, former Executive Director and Board Member of Jet Airways, was equally critical. The draft CAP “can hardly be called a ‘Civil Aviation Policy’. It is, at best, an outline of the issues that should be covered in detail in a civil aviation policy — as and when it is issued,” he told CRUISING HEIGHTS. Instead, it was largely a statement of ‘objectives’ or issues that needed to be tackled without any specific course or direction being laid down or any time lines being set.

Datta was of the view that most of the items that were mentioned in the draft policy were too well known and had been listed and debated innumerable times — though no serious steps had been taken by any pre-



AIRWORKS

**FUTURE READY:** Maintenance, repair and operations (MRO) industry too was included in Draft Civil Aviation Policy. It held the view that India could become a MRO hub in the future



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Former Executive Director and Board Member of Jet Airways

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vious governments/ministries/administrations to resolve or tackle them. “At best, the new Draft CAP marks a credible beginning but will be heavily dependent on the follow-up action taken on each of the items that have been listed”.

According to Datta, the most important issue that had been recognized in the policy was that there was a requirement to enhance ‘Regional Connectivity’. “The requirement for this cannot be overemphasised for the faster growth of the different segments of the economy and the remote parts of the country. Also, the government will need to develop and put in place policies regarding deployment of appropriate aircraft i.e. small, medium-sized aircraft, etc. and if re-

quired, joint operations by airlines, etc. to strengthen operation of air services in these areas. In this context the Route Dispersal Guidelines (framed as far back as April 1994) need to be revised most urgently. The Draft Policy recognises this but indicates no time frame for the process and mode for review,” underlined Datta.

As for a review of the 5/20 guideline for international operations by Indian carriers, the draft policy does not recognise that it had become an outdated concept and needed to be done away with immediately. Again, said Datta, the policy did not deal with international operations by Indian carriers. Nor did it deal with the government’s proposed policy with regard to the entry/exit/operations — level and expansion of foreign carriers. Echoing similar sentiments as Bhargava, Datta said that nothing had been mentioned on how the government proposed to deal with the continuous demands of foreign carriers/governments for the expansion of the traffic rights in India. This was going to be crucial for the future growth and development of Indian carriers, he said.

As for Air India, the draft policy yet again made “a wishy-washy statement about setting up an ‘Air Expert Committee... to develop a future roadmap for

Air India’. In other words, Air India will be allowed to continue to ‘eat away’ the income-taxpayers’ money without generating any surpluses”.

Saroj Datta was of the view that many expert committees and boards had made recommendations without any significant impact on the results of Air India. In fact, what was surprising to note was that the recommendations regarding AI, AAI and Pawan Hans were categorised as ‘Institutional Reforms’!

Former DGCA Kanu Go-hain, however, saw the inclusion of development of MRO (Maintenance, Repair and Overhaul) in the aviation sector in India as necessary not only to facilitate the growth of aviation but also as an important infrastructure necessary to sustain that growth. Besides, it will also be a source of skill development in the field of aeronautical maintenance and repair works which can be extended to R&D organisations to support the production of indigenous aviation items starting from aeroplanes to smaller nuts and bolts. Whatever the flaws in the draft, stakeholders hope that the final product will be perfect and one that will take care of at least 20-25 years of growth and that also means that something will be done about Air India.

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