

**GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
LOK SABHA
UNSTARRED QUESTION NO. : 4640
(To be answered on the 30th March 2017)**

LOSSES INCURRED BY AVIATION INDUSTRY

4640. **SHRI RAMSINH RATHWA**
DR. K. KAMARAJ

Will the Minister of CIVIL AVIATION
नागर विमानन मंत्री

be pleased to state:-

- (a) whether there are reports that civil aviation sector is on the verge of collapse due to accumulated losses of the sector;
- (b) if so, the details thereof;
- (c) the efforts being made by the Government in this direction;
- (d) whether the aviation industry has submitted their charter of demands including high fuel costs, taxation policy in the sector etc.; and
- (e) if so, the details thereof and the reaction of the Government thereto?

ANSWER

Minister of State in the Ministry of CIVIL AVIATION
नागर विमानन मंत्रालय में राज्य मंत्री

(Shri Jayant Sinha)

(a): No Madam.

(b): Does not arise.

(c) to (e): However, The Government with a view to promote the growth of Indian Aviation sector in a significant manner has released the National Civil Aviation Policy (NCAP) 2016 on 15.06.2016. The aim of the Government is to provide an ecosystem for the harmonised growth of various aviation subsectors, i.e Airlines, Airports, Cargo, Maintenance Repairs and Overhaul services (MRO), General Aviation, Aerospace Manufacturing, Skill Development, etc. The broad key features of the NCAP are as under:

i) Viability Gap Funding (VGF) for operation under Regional Connectivity Scheme (RCS).

ii) Revival of un-served or under-served routes under RCS.

iii) Introduction of a new Category 'Schedule Commuter Operator' under Commercial Air Transport Operations.

iv) Rationalization of Category-I routes under Route Dispersal Guidelines (RDGs) on the basis of criteria given in NCAP 2016.

v) The requirement of 5 years and 20 aircrafts for international operation has been modified to 0 years and 20 aircrafts or 20% of the total capacity (in terms of average number of seats on all departure put together) whichever is higher for domestic operations.

vi) Liberalization of domestic code share points in India within the framework of Air Service Agreements (ASA).

With a view to aid in modernization of the existing airports to establish a high standard and help ease the pressure on the existing airports, 100% Foreign Direct Investment

(FDI) under automatic route has now been allowed in Brownfield Airport projects. This move would also serve in further developing the domestic aviation infrastructure. Further, FDI limit for Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline and regional Air Transport Service has been raised from 49% to 100%, with FDI up to 49% permitted under automatic route and FDI beyond 49% through Government approval. For Non-Resident Indians (NRI's), 100% FDI will continue to be allowed under automatic route. However, foreign airlines would continue to be allowed to invest in capital of Indian companies operating scheduled and non-scheduled air transport services up to the limit of 49% of their paid up capital and subject to the laid down conditions in the existing policy. Increasing the FDI limit for these aviation services shall not only encourage competition by lowering prices but shall also accord choice to consumers.

Further to increase the business potentials, employment generation and foreign exchange earning of the country, following provisions have been made in the Budget announcements for 2016-17 for the MRO Sector :

- i) The tools and tool-kits used by the MRO have been exempted from Customs duty. The exemption shall be given on the basis of list the tools and tool kits certified by the Directorate General of Civil Aviation (DGCA) approved Quality Managers of aircraft maintenance organisations.
- ii) MROs were required to provide proof of their requirements of parts, or orders from their client airlines. The process for the clearance of the parts has been brought in line with that of the tool kits for a one time certification by DGCA approved Quality Managers in MRO's.
- iii) To enable economies of scale, the restriction of one year for utilization of duty free parts has been extended to three years.
- iv) To allow import of unserviceable parts including aircraft components like engines and landing gears by MROs for providing exchange / advance exchange, the concerned notification has been revised to enable advance export of serviceable parts.
- v) Foreign aircraft brought to India for MRO work will be allowed to stay for the entire period of maintenance or up to 6 months, whichever is lesser, provided it undertakes no commercial flights during the stay period. The aircraft may, however, carry passengers in the flights at the beginning and end of the stay period in India. For stay beyond 6 months, DGCA's permission will be required. However, with regard to spending by various airlines on MRO of aircraft in the country and percentage of expenses on MRO from abroad, no such record is maintained by this Ministry, as it is a financial matter of an airline, in which this Ministry does not interfere.
