

**GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
LOK SABHA
UNSTARRED QUESTION NO. : 1936
(To be answered on the 28th July 2016)**

**FINANCIAL AND ADMINISTRATIVE PROBLEMS IN AVIATION
SECTOR**

1936. **SHRI C.S. PUTTA RAJU**

Will the Minister of CIVIL AVIATION
नागर विमानन मंत्री

be pleased to state:-

- (a) whether any study has been conducted regarding various financial and administrative problems faced by the civil aviation sector in the country in general and Air India in particular during the last three years;
(b) if so, the details thereof; and
(c) the measures taken/proposed to be taken by the Government to address the problems in civil aviation sector especially of Air India?

ANSWER

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

(Shri Jayant Sinha)

(a) & (b): Directorate General of Civil Aviation has not undertaken such study during the last three years. However, for the development of the Aviation Sector as a whole, the Government of India has recently approved the National Civil Aviation Policy (NCAP), 2016. Salient features of the NCAP are attached as Annexure.

(c): The Government has taken several measures like persuading State Governments to reduce Value Added Tax (VAT) on Aviation Turbine Fuel (ATF), allowing direct import of ATF by Indian Carriers as actual users, permitting foreign airlines to participate upto 49 percent in the equity of scheduled air transport undertaking, allowing External Commercial Borrowings (ECB) for working capital requirement of airline industry for a period of one year subject to a total ceiling of US \$ 1 billion and tax concession for parts of aircraft and testing equipment for third party maintenance, repair and overhaul (MRO) of civil aircraft.

The Cabinet Committee of Economic Affairs (CCEA) in its meeting held on 12.04.2012, approved a Turnaround Plan (TAP)/ Financial Restructuring Plan (FRP) for operational and financial turnaround of Air India (AI) subject

to achievement of certain laid down milestones by AI. As part of the TAP/FRP, AI has initiated, inter-alia, the following steps in order to cut costs:-

- (i) Rationalization of certain loss making routes.
- (ii) Induction of brand new aircraft on several domestic and international routes to increase passenger appeal.
- (iii) Phasing out and grounding of old fleet.
- (iv) Establishment of Integrated Operations Control Center (IOCC) and Hub Control Center (HCC) in Delhi.
- (v) Freezing of employment in non-operational areas.
- (vi) Operationalization of Subsidiary Companies such as Air India Air Transport Services Limited (AIATSL) and Air India Engineering Services Limited (AIESL) and transfer of manpower and equipment and treating them as Independent Profit Centers and,
- (vii) induction of the B787 aircraft on the Medium Capacity Long Haul Routes.

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Aims and Objectives

- i. Establish an integrated eco-system which will lead to significant growth of civil aviation sector, which in turn would promote tourism, increase employment and lead to a balanced regional growth.
- ii. Ensure safety, security and sustainability of aviation sector through the use of technology and effective monitoring.
- iii. Enhance regional connectivity through fiscal support and infrastructure development.
- iv. Enhance ease of doing business through deregulation, simplified procedures and e-governance.
- v. Promote the entire aviation sector chain in a harmonized manner covering cargo, MRO, general aviation, aerospace manufacturing and skill development.

Policy Areas

NCAP-2016 covers the following policy areas:

- i. Regional connectivity
- ii. Safety
- iii. Air Transport Operations
- iv. Route Dispersal Guidelines
- v. 5/20 Requirement for International Operations
- vi. Bilateral traffic rights
- vii. Code-share agreements
- viii. Fiscal Support
- ix. Airports developed by State Govt, Private sector or in PPP mode
- x. Airports Authority of India
- xi. Air Navigation Services
- xii. Aviation security, Immigration and Customs
- xiii. Helicopters
- xiv. Charters
- xv. Maintenance, Repair and Overhaul
- xvi. Ground handling
- xvii. Air-cargo
- xviii. Aeronautical 'Make in India'
- xix. Aviation education and skill development
- xx. Sustainable aviation
- xxi. Miscellaneous
- xxii. Essential Services Maintenance Act, 1968

Salient Features:

Systems and processes which affect this sector will need to be simplified and made more transparent with greater use of technology without compromising on safety and security. The growth in aviation will create a large multiplier effect in terms of investments, tourism and employment generation, especially for unskilled and semi-skilled worker. The National Civil Aviation Policy is a step in that direction.

Introduction of Regional connectivity in the policy will give impetus to the growth of Civil Aviation. Change in 5/20 rule for international operations is another important feature.