

GOVERNMENT OF ANDHRA PRADESH

Abstract

I&I Dept. - Development of Airports in the State of A.P. -A.P. Civil Aviation Policy,2015 - Orders - Issued.

INFRASTRUCTURE & INVESTMENT (AIRPORTS) DEPARTMENT

G.O.MS.No. 4

Dated. 22.06.2015

Read the following:

Lr.No.INCAP/D/Greenfield Airports/398/2012, Dt:19-05-2015 from the VC&MD, INCAP.

ORDER:

Andhra Pradesh is one of the largest economies in the country and it is connecting to various parts of the State. Aviation Sector plays a major role for better linkage and for triggering economic growth. Government of A.P. has entered MoU's with Airports Authority of India in 2007 for upgradation / modernization of non-metro Airports at Vijayawada, Rajahmundry, Kadapa.

2. After bifurcation of the erstwhile combined State of Andhra Pradesh (AP) in June 2014, the Government of the new State of Andhra Pradesh has set ambitious targets for its development. Providing reliable and seamless air connectivity across the State, especially linking places of industry, tourism and other major areas is a priority for the State Government.

3. Government of A.P. has been contemplating to bring out a comprehensive Civil Aviation Policy for development of Airports in the State.

4. The Vice Chairman & Managing Director, Infrastructure Corporation of Andhra Pradesh Limited has recently been nominated as the Nodal Agency for development of Airports in the State. In the reference 2nd read above the VC & MD, INCAP has prepared draft Civil Aviation Policy after having detailed consultations with all the concerned. Further, the VC & MD, INCAP has informed that as per the decision taken in the meeting held on 28.04.2015 it has been decided to provide the A.P. Civil Aviation Policy to the public and the opinions on the same have to be collected before finalizing of the Policy. Accordingly, the draft Civil Aviation Policy was uploaded on the website of INCAP for public viewing and for obtaining views and suggestions of the stakeholders. In response, various stakeholders involved in Aviation Industry have furnished their views and suggestions on draft Civil Aviation Policy. The VC & MD, INCAP has updated the draft Civil Aviation Policy and submitted to the Government for necessary action.

5. The Vision for Andhra Pradesh Civil Aviation Policy is "Creation of world class aviation infrastructure in the State that would help provide reliable and seamless air connectivity to regional, national and international destinations by 2022".

6. Following are the strategic objectives and targets of the A.P. Civil Aviation Policy.

Objectives:

- I. To improve air connectivity within the state of Andhra Pradesh
- II. To promote development of aviation infrastructure.
- III. To make Andhra Pradesh a preferred destination for investment in aviation and allied businesses by creating airports as hubs of economic activity.

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Targets:

- a. Currently, the share of airports in AP in the air passenger traffic in India is around 1%. It is targeted to increase this share of air passenger traffic from all airports in AP to a level of 7% by the year 2022.
 - b. Share of air cargo carried from airports in AP is 0.1% in FY 2014-15. It is targeted to increase this share of air freight traffic from all airports in AP to at least 5% by the year 2022.
 - c. At present, there is only one airport in the state catering to international travel. It is targeted that there shall be at least three modern international airports in the state by the year 2022.
7. In order to expedite project related approvals and obtain land for key airport projects, it is proposed in the policy to create project specific SPVs for speedy and smooth development of airports and other aviation infrastructure projects.
8. Further the policy envisages setting up of Andhra Pradesh Regional Airport Development Fund (APRADF) to provide financial support for regional airport development. The initial corpus of this revolving fund will be Rs.100 Crores and will be provided as budgetary support.
9. In order to encourage aviation sector and development of aviation infrastructure, the Government proposes to offer support through various state, fiscal incentives and exemptions/re-imbursement of various charges.
10. The Government hereby adopt the A.P civil Aviation Policy,2015 as indicated in the Annexure to this order, which comes into immediate effect.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

AJAY JAIN
SECRETARY TO GOVERNMENT

To
The Vice Chairman & Managing Director, INCAP, Hyderabad
The Managing Director, AP Aviation Corporation Limited
All the District Collectors
All Departments in AP Secretariat

Copy to
The Prl.Secretary to Chief Minister
The P.S to Chief Secretary to Government
The P.S to Secretary to Government, I&I Department
SF/SCs

//Forwarded::By Order//

SECTION OFFICER

**Annexure to G.O.Ms.No. 4,I&I(Airports) Department,
dated. 22.06.2015**

Andhra Pradesh Civil Aviation Policy, 2015

A. Background

1. Andhra Pradesh ('State') is the eighth largest state in terms of geographical area and tenth largest by population. The Gross State Domestic Product (GSDP) at current prices for the FY 2013-14 is around Rs.4,75,800 crores.
2. After bifurcation of the erstwhile combined State of Andhra Pradesh (AP) in June 2014, the government of the new State of Andhra Pradesh has set ambitious targets for its development. Apart from a new capital near Vijayawada-Guntur region, the government intends to develop smart cities and provide high quality infrastructure to support its economic growth and improve the investment and business climate of the State.
3. Faster connectivity to various parts of the state plays a major role in enabling access for hinterland areas and helps realize the full potential of the state's economy. By providing air connectivity throughout the state, airports could act as growth hubs and trigger economic activities in surrounding region, thereby ensuring balanced and inclusive growth.
4. The aviation sector is a key driver of economic growth and has the potential to generate jobs and incomes across the value chain. Aviation and tourism are closely inter-linked and together have the potential to transform the cultural and economic landscape of the State as witnessed in countries like Singapore, UAE, Malaysia, and China etc.
5. Providing reliable and seamless air connectivity across the State, especially linking places of industry, tourism and other major areas is a priority for the State government. This will require expansion of existing airport facilities, development of new airports, heliports and development of supporting road and rail infrastructure to facilitate tourism and hinterland logistics.
6. A related focus area is the development of Aerospace and Defence (A&D) manufacturing facilities as part of the aviation eco-system in order to leverage the opportunity created by the Government of India's 'Make in India' initiative. There are several opportunities in attracting private investments in aerospace manufacturing and logistics sector in the State, given the infrastructure facilities and competitive advantages the State has to offer. Government of Andhra Pradesh (GoAP) is keen to provide all necessary support and incentives required to develop the manufacturing eco-system for A&D units in the State.
7. The GoAP's vision is to make Andhra Pradesh a preferred destination for investors/developers in the aviation sector by 2022. This policy aims to set out the objectives of the State in developing aviation and its related supporting infrastructure and provide an enabling framework for facilitating Public Private Partnerships (PPPs) in the development and operation of such infrastructure. The objective is to foster air connectivity to select cities across the state for triggering balanced economic growth in the state.
8. The Policy will be reviewed by Government of Andhra Pradesh every five years for its efficacy and suitable modifications as necessitated by the changing environment will be made after consultation with all stake holders.

B. Current scenario of the Civil Aviation Sector in Andhra Pradesh

9. At present there are six operational airports in the State. These are at Visakhapatnam, Tirupati, Vijayawada, Rajahmundry and Kadapa, which are under the operation of Airports Authority of India (AAI), and the other at Puttaparthi, being managed by Sri Satya Sai Trust. Visakhapatnam Airport, which is a civil enclave is under the control of the Indian Navy. The airports under AAI together handled 1.66 million passengers and ~3000 tons of cargo in FY 2014-15. Tables 1 and 2 show the individual traffic handled by each of the airports.

Table 1: Passenger traffic (in millions) at airports in AP

| S.N. | Airports | FY 2013-14 | | | FY 2014-15(Provisional) | | | Y-o-Y growth rate (%) |
|------|---------------|-------------|---------------|-------------|-------------------------|---------------|-------------|-----------------------|
| | | Domestic | International | Total | Domestic | International | Total | |
| 1 | Visakhapatnam | 0.94 | 0.07 | 1.01 | 1.03 | 0.05 | 1.08 | 7% |
| 2 | Tirupati | 0.27 | - | 0.27 | 0.24 | - | 0.24 | -11% |
| 3 | Vijayawada | 0.19 | - | 0.19 | 0.21 | - | 0.21 | 10% |
| 4 | Rajahmundry | 0.11 | - | 0.11 | 0.12 | - | 0.12 | 9% |
| | TOTAL | 1.51 | 0.07 | 1.58 | 1.6 | 0.05 | 1.66 | 5% |

Source: AAI

Table 2: Domestic cargo traffic (in tons) at airports in AP

| S.N. | Airports | FY 2013-14 | FY 2014-15(Provisional) | Y-o-Y growth rate (%) |
|------|---------------|-------------|-------------------------|-----------------------|
| 1 | Visakhapatnam | 1823 | 2980 | 63% |
| 2 | Tirupati | 0.1 | 7 | 6990% |
| 3 | Vijayawada | 1 | 0 | -100% |
| 4 | Rajahmundry | 1 | 7 | 600% |
| | TOTAL | 1825 | 2995 | 64% |

Source: AAI

10. In addition to the airports as mentioned above, there are airstrips available at Donakonda (Prakasam District), Nagarjuna Sagar (Guntur District) and Tadepallegudem (West Godavari District) in the State.
11. The State envisages development of six new airports in PPP mode to be taken up in a phased manner. The list of airports planned to be developed under the Greenfield Airports Policy is given in Table 3.

Table 3: List of airports planned to be developed under Greenfield Airports Policy

| S.N. | Name of the Airport | District | Category |
|------|---------------------|---------------|-----------------------------------|
| 1 | Bhogapuram | Vizianagaram | International green field airport |
| 2 | Dagadarthi | Nellore | No-frills/low-cost airport |
| 3 | Orvakallu | Kurnool | No-frills/low-cost airport |
| 4 | Kuppam | Chittoor | No-frills/low-cost airport |
| 5 | Tadepallegudam | West Godavari | No-frills/low-cost airport |
| 6 | Ongole | Prakasam | No-frills/low-cost airport |

12. In addition to the above, the AAI has been requested to develop Donakonda and Nagarjuna Sagar airports also as part of the national level plans of developing regional no-frills/low-cost airports.

C. Vision and Objectives of the Policy

13. The Vision for Andhra Pradesh civil aviation policy is as follows –

“Creation of world class aviation infrastructure in the State that would help provide reliable and seamless air connectivity to regional, national and international destinations by 2022”

14. The key objectives of the Policy are as follows -

- a) To improve air connectivity within Andhra Pradesh by -
 - i. Facilitating up-gradation and augmentation of the infrastructure such as air navigation services, runway, apron, night landing facilities, terminal building, passenger amenities etc. at the existing airports in coordination with AAI.
 - ii. Key focus areas in this direction include expansion of Visakhapatnam, Vijayawada and Tirupati airports as international airports and expansion/modernization of Rajahmundry airport
 - iii. Developing new airports at identified important places, preferably through PPP mode
 - iv. Promoting development of no-frills airports across the state, which will act as centers of economic activity in interior regions
 - v. Promoting development of supporting infrastructure such as air cargo processing units, road connectivity, tourism infrastructure and industrial clusters that would help stimulate demand for regional air travel and investments in aviation sector.
 - vi. Developing airports/helipads /heliports in all the Districts, especially at places of tourist and business importance
 - vii. Providing air connectivity from these places to three major cities in the State- Vishakhapatnam, Vijayawada and Tirupati, through scheduled air transport services in the medium term.
 - viii. Incentivizing airlines to operate regular air services from/to all regional airports within the State on need basis.
 - ix. Promoting intra and inter-state air connectivity between places of economic, tourism and religious interest to their existing and potential markets.
- b) To promote development of aviation infrastructure through creation of -
 - i. Aircraft Maintenance, Repair and Overhaul (MRO) facilities
 - ii. Air cargo facilities such as cold storages, Air Freight Stations(AFS), warehouses and other air cargo processing facilities
 - iii. Aviation training and educational institutes
 - iv. Airport cities (aerotropolis) around major airports to leverage the economic potential around airports
 - v. Aerospace parks/ Special Economic Zone (SEZs) near major airports.
- c) To make Andhra Pradesh a preferred destination for investment in aviation and allied businesses by creating airports as hubs of economic activity by-
 - i. Facilitating multi-modal connectivity of airports with ports, expressways and railways and their integrated planning.
 - ii. Promoting seaplane services and aero-sports activities to boost tourism

- iii. Encouraging air ambulance facilities and services for medical emergencies and disaster management
- iv. Promoting aerospace manufacturing and allied industries.

15. Targets

- a) Currently, the share of airports in AP in the air passenger traffic in India is around 1%. It is targeted to increase this share of air passenger traffic from all airports in AP to a level of **7%** by the year 2022.
- b) Share of air cargo carried from airports in AP is 0.1% in FY 2014-15. It is targeted to increase this share of air freight traffic from all airports in AP to at least **5%** by the year 2022.
- c) At present, there is only one airport in the state catering to international travel. It is targeted that there shall be **at least three** modern international airports in the state by the year 2022.

16. In order to achieve the objectives and targets set out under this policy, it is envisaged to develop new airports, expand / upgrade the existing airports, create higher capacities & supporting infrastructure and make available requisite financial and human resources for the sector.

D. Policy framework for development of Civil Aviation in Andhra Pradesh

I. Role of the State Government

- 17. The State government shall pursue development of all identified projects (Greenfield /brown field) preferably through PPP mode depending on financial viability of projects.
- 18. The government will encourage private participation in airport development, regional/ national airline operations and other aviation infrastructure through the following initiatives:
 - a) Facilitate expeditious procurement and lease of land to project developers interested in developing aviation infrastructure
 - b) Provide support with regard to relocation of utility lines, removal of encroachments and provision of basic utilities
 - c) Facilitate procurement of all relevant approvals and permits for development of airport infrastructure
 - d) Promote single desk clearances, as per the provisions contained in the Industrial Policy
The state government will also act as a facilitator to promote cross- department collaboration with tourism, industry, revenue and other departments.
 - e) Facilitate security services at airports through state police department with license from Bureau of Civil Aviation Security (BCAS)
 - f) Set up a dedicated fund for financing the development and operations of airport infrastructure projects under PPP (*mode of operations of APRADF is explained in subsequent sections*)
 - g) Provide fiscal incentives to aviation industry including airlines for facilitating airport infrastructure development and regular air services between major airports within the State
 - h) Facilitate the gaps in financing, if any, through Viability Gap Funding (VGF) Scheme from central government, which provides for a capital grant of up to 20% of the project cost. The state could supplement the scheme further up to an extent of 20% of project cost, as may be necessary, on a case-to-case basis

- i) Promote development of airport cities (aerotropolis) around major airports based on viability studies
- j) Ensure integration of each airport's master plan with state's development plan, so as to facilitate the development of necessary infrastructure connectivity with the airport as well as inclusive development of the area.

Provide connectivity of site of civil aviation infrastructure with nearest state highway or national highway, logistics parks, cold storage units and other modes of transport.

The state government, in collaboration with urban local bodies, shall also provide water supply, power and other related infrastructure for the airport.

- k) Facilitate developing major airports as hubs of economic activity in order to drive and derive synergies from the growth of manufacturing, tourism, trade, and other commercial activities in its vicinity. Commercial and infrastructure facilities such as offices, hotels, convention centers, medical facilities, trade centers, logistics facilities, business parks, manufacturing facilities and skill development centers will be encouraged to develop the airport and its immediate zone as an economic hub. Towards this, areas around select airports will be delineated as exclusive zones to be developed as airport cities.
- l) Promote setting up of MRO facilities, aviation training facilities, aircraft and component manufacturing, hospitality infrastructure and tourism services at select airports, based on the market potential

19. Where deemed fit, the government shall also provide land and other concessions to AAI and private developers / operators for facilitating the development of airports. All such airports would be preferably developed in PPP mode in accordance with the provisions of Government of India (GoI) Greenfield Airports Policy.

II. Role of Department of Energy, Infrastructure and Investment

20. The Department of Energy, Infrastructure and Investment (Energy, I&I) is the apex department responsible for planning, implementation, execution and monitoring of civil aviation infrastructure projects.

21. The Energy, I&I department shall have the overall responsibility for coordinating and facilitating development of all identified civil aviation projects including providing support to developers and operators.

22. The Energy, I&I department shall undertake/enable the activities related to the development of aviation sector through its corporations – Andhra Pradesh Aviation Corporation Ltd (APACL) and Infrastructure Corporation of Andhra Pradesh Ltd (INCAP). INCAP will be the project nodal agency for the development of new airports under Greenfield airports policy in the State.

23. The Energy, I&I department will identify the potential locations for airports and other civil aviation infrastructure, based on the state's long-term economic development plans.

The other inputs to be considered for identifying the locations may be AP Industrial Investments Promotion Policy, AP Tourism Policy, Vishakhapatnam – Chennai Industrial Corridor, population in catchment area, Gross District Domestic Product(GDDP), studies done in the past, MoUs signed with global investors, existing pattern of passengers travelling by air and distance from an existing or proposed airport etc.

III. Role of Department of Industries and Commerce

24. The Department of Industry and Commerce will be responsible for promoting aerospace manufacturing and allied industries by setting up A&D manufacturing units at suitable locations, through provision of support system and fiscal incentives.
25. The Department shall facilitate requisite clearances from State government departments/agencies for setting up aviation infrastructure units/industries under single desk means as per the Industrial Policy.

IV. Role of Department of Tourism

26. The Department of Tourism will be responsible for promoting tourism infrastructure facilities around identified airports.
27. It will also facilitate connectivity from such airports to identified locations of tourism interest within the State.

V. Project specific Special Purpose Vehicles (SPVs)

28. In order to expedite project related approvals and obtain land for key airport projects, it is proposed to create project specific SPVs for speedy and smooth development of airports and other aviation infrastructure projects.
29. The government will float the SPVs for identified aviation projects as the sponsor. The SPV will act as the nodal agency for planning and implementation of specified airport infrastructure projects and provide support to project developers and operators, as per the Policy guidelines outlined herein.
30. This SPV will be focused on securing necessary clearances and approvals, including obtaining land for the aviation project purposes and handling the bid process. Once the preparatory phase is complete, SPV may be handed over to successful bidder/consortium for project implementation. Government may retain the minority stake through equity equivalent of land cost or other means etc., as deemed fit at that stage.
31. The functions to be performed by the project specific SPVs include -
 - a) Undertake preparation of Feasibility Report, Detailed Project Report, and Environment Impact Assessment Report etc., to assess the feasibility and financial viability of the Project.
 - b) Assist in acquisition of all government approvals required to start an airport, such as site clearances, environmental clearances, Ministry of Defence (MoD) approval and Ministry of Civil Aviation (MoCA) approval etc.
 - c) Assist in obtaining land required for the project, in coordination with the District administration.
 - d) Initiate discussions with and enable equity participation from potential investors in the SPVs
 - e) Facilitate competitive and transparent bidding through preparation of bid documents, bids evaluation and award of the project
 - a. Determine the bidding parameter for the project, based on market conditions, viability, response from prospective developers and specific project characteristics
 - f) SPV to transfer approvals to the developer who would only need to setup and operate the asset
32. The SPV will act as the mechanism for expeditious commissioning of the identified airport infrastructure projects and provide support to project developers and operators

VI. Role of the Private Sector

33. GoAP encourages the private sector to play a pivotal role in the growth of aviation infrastructure in the State. GoAP seeks and promotes private participation in the development of new airports, supporting facilities and allied industries.
34. Selection of private developers or operators will be done through a competitive bidding process as per extant provisions.
35. For projects undertaken on PPP basis, VGF will be provided to support project viability, after due evaluation on need basis. If the VGF is not adequate to make projects commercially viable, provision of additional financial incentives or capital support will also be considered by the government on a case-to-case basis.

VII. Andhra Pradesh Regional Airport Development Fund

36. Airport development in tier 2/3 cities require innovative funding solutions. The government will set up the Andhra Pradesh Regional Airport Development Fund (APRADF) to provide financial support for regional airport development.
37. The initial corpus of this revolving fund will be RS. 100 crores and will be provided as budgetary support.
38. The APRADF will be utilized to provide financial support for development and operation of airports and/or to underwrite seats for commercial airline operations wherever deemed necessary.

E. Incentives offered

39. The government proposes to offer support for development of aviation infrastructure by following means -
 - a) Acquisition and handing over of land to AAI / private entities for development and operation of airports as per agreed terms and conditions
 - b) Exemption of lease charges on land used for airport operations for adequate time duration, as per the project profile and viability
 - c) Reimbursement of electricity charges for a predetermined period
 - d) Reimbursement of property and other taxes as levied by the local body
 - e) Viability Gap Funding (VGF) from State and Central governments
 - f) Incentives / reimbursements (underwriting seats, exemption from aeronautical tariffs) to encourage airlines to connect the cities of Andhra Pradesh)
 - g) Access to potential locations of civil aviation infrastructure through multi-modal linkages (rail and road etc.)
40. To encourage aviation infrastructure in the State, fiscal incentives and exemptions / reimbursements of various charges will be provided up to specific traffic levels, as assessed by the government, or up to a period of five years from the date of commercial operations of newly commissioned airport facilities, whichever is earlier. These include:
 - a) 100% exemption on stamp duty for land purchased or leased for developing and upgrading airports
 - b) 100% reimbursement on electricity duty
 - c) 100% reimbursement from property tax
 - d) Provision of security and firefighting services at no cost

41. To attract airlines to create base in the state, night parking charges at no-frills / regional airports developed in the state shall be borne by the state for a predetermined period based on the traffic levels and viability of the project.
42. GoAP shall review the guidelines for continuation of 100% exemption/reimbursement every five years and may modify the requirements as appropriate to satisfy the objectives of this policy.
43. The government will provide the following incentives to airlines to enhance intra and interstate air connectivity -
- i) Underwriting specific number of airline seats or certain percentage of the capacity of the aircraft, as assessed by the government
 - ii) Providing an airline seat subsidy for airlines operating to specified airports in the State on specified routes based on traffic levels through competitive bidding
 - iii) Reduced VAT on Aviation Turbine Fuel (ATF) at airports in Andhra Pradesh (at present, VAT on ATF in the State is 1%)
44. The government will provide support to the entities setting up aviation related ancillary infrastructure within the State, on a case by case basis, through the following means:
- a) Charge a nominal rent on the land leased to private entities for setting up of Aviation Training Institutes (ATIs)
 - b) Grants up to 20% of the capital will be provided for entities setting up aerospace Research & Development (R&D) facilities and/or training centers, each with a minimum investment of Rs.50 crores
 - c) 100% exemption on stamp duty for entities procuring land for development of aviation infrastructure facilities with minimum investment requirements (excluding cost of land) as specified in Table 4.

Table 4 : Fiscal incentives / reimbursements for aviation related ancillary infrastructure

| S.N. | Type of facility | Stamp duty exemption |
|------|--|---|
| 1 | Aircraft MRO | 100% for units with a minimum investment of Rs. 50 crores |
| 2 | Air-cargo infrastructure like warehouses, air freight stations and processing | 100% for units with a minimum investment of Rs. 50 crores |
| 3 | Aviation education, training institutes (providing pilot, cabin crew, airport management, airline management and aircraft maintenance training) and flight schools with aircraft simulator | 100% |
| 4 | Aerospace & defence manufacturing, aerospace R&D and services | Incentives as per Industrial Policy |

- d) 100% reimbursement on payment of property tax for entities setting up new aviation infrastructure facilities. The reimbursement will be available for a period of five years from the date of commercial operations subject to a minimum investment size (excluding the cost of land) specified in Table 5.

Table 5: Fiscal incentives/reimbursements for aviation related ancillary infrastructure, *contd.*

| S. N. | Type of facility | Property tax reimbursement |
|-------|--|---|
| 1 | Aircraft MRO | 100% for units with a minimum investment of Rs. 50 crores |
| 2 | Air-cargo infrastructure like warehouses, air freight stations and processing | 100% for units with a minimum investment of Rs. 50 crores |
| 3 | Aviation education, training institutes (providing pilot, cabin crew, airport management, airline management and aircraft maintenance training) and flight schools with aircraft simulator | 100% |
| 4 | Aerospace & defence manufacturing, aerospace R&D and services | Incentives as per Industrial Policy |

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SECRETARY TO GOVERNMENT