



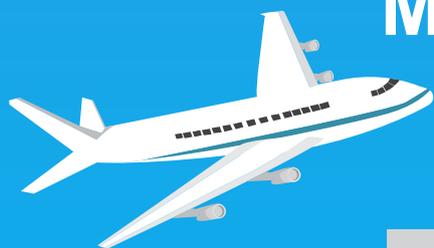
Department of Industrial Policy and Promotion Ministry of Civil Aviation

Aviation Sector

Achievements Report

February 13, 2017*

MAKE IN INDIA



AIRPORT



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Aviation – Sector

India is the ninth-largest civil aviation market in the world and presently has a market size of USD 16 billion. The industry is poised to become the third-largest aviation market by 2020 and the largest by 2030. It is among the five fastest-growing aviation markets globally, growing at over 20% year over year.

The passengers carried by scheduled domestic airlines has increased by 29% from 148 million in April 2012 - March 2014 to 190 million in April 2014 - March 2016.



The growth of the industry is being propelled by the development of airports, presence of several low-cost carriers, a liberalized FDI policy, increasing adoption of information technology, and focus on improving regional connectivity.

Policy Initiatives & Incentives

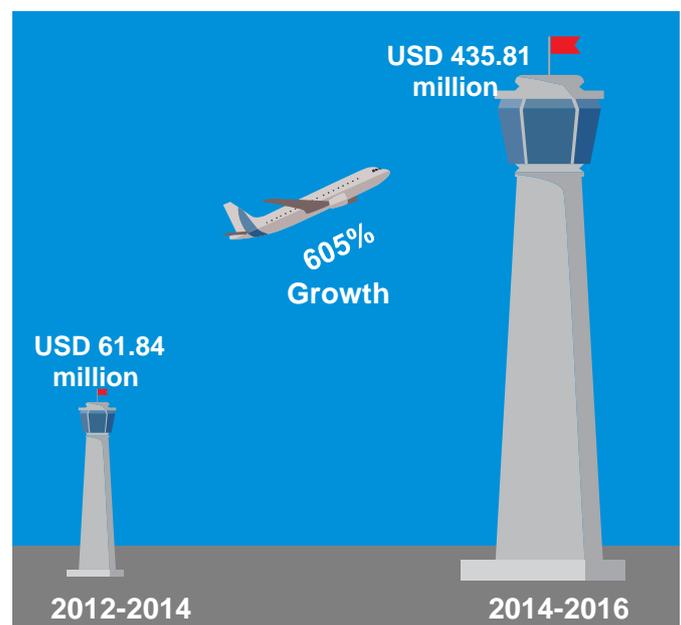
FDI Policy

- Airports - 100% FDI is allowed under automatic route for 'Greenfield Projects' and 'Existing Projects'.

- 49% FDI is permitted in scheduled airlines and regional air transport services through automatic route and beyond 49% with Government approval. For NRIs 100% FDI is permitted under automatic route.
- 100% FDI permitted via the automatic route for non-scheduled air transport services, helicopter services/sea plane services requiring DGCA approval, MRO, flying training and technical training institutions, ground handling services subject to security clearance and sectoral regulations

FDI Equity Inflow

FDI equity inflows in air transport (including air freight) from April 2014 to December 2016 was USD 516.77 million.





FDI inflows witnessed a tremendous growth of 605% (7 times), growing from USD 61.84 million during the two years from April 2012 to March 2014 to USD 435.81 million during the two years from April 2014 to March 2016.

Major FDI equity inflow in the sector are as below:

| Foreign Collaborator | Country | Indian Company | FDI Equity Inflow (in USD million) |
|--|-----------|--------------------------------------|------------------------------------|
| ETIHAD Airways | UAE | Jet Airways (I) Ltd | 305.96 |
| Dachser Beteiligungs-AG | Singapore | Dachser India Pvt Ltd | 20.10 |
| Kick2shop Logistics Services International | Singapore | Instakart Services Private Limited | 19.50 |
| UAC - Transport Aircraft | Russia | Multirole Transport Aircraft Limited | 16.88 |
| Singapore Airlines Limited | Singapore | Tata SIA Airline Limited | 11.01 |
| AEQUS Manufacturing Investments Private | Mauritius | AEQUS Private Limited | 10.14 |
| Musaliamveetil Abdul Kader Yusuffali | UAE | Cochin International Airport Limited | 10.02 |

National Civil Aviation Policy (NCAP) – 2016

The NCAP was announced by the Ministry of Civil Aviation on June 15, 2016 with an aim to boost regional air connectivity, establish an integrated eco-system to promote tourism and generate employment. Some of the salient features are:

- An **integrated Civil Aviation Policy for the first time** in India
- To boost regional connectivity & and make flying affordable, airfare for routes under Regional Connectivity Scheme (RCS) capped at INR 2500 per passenger for a one-hour flight through
 - Revival of airports/air strips as ‘No-Frills Airports’ at an indicative cost of INR 50 crore to INR 100 crore
 - Viability Gap Funding (VGF) to airline operators at 80:20 split between Centre and State, 90:10 for North East
 - 2% levy on all airline tickets to fund RCS
 - RCS for states that reduce VAT on ATF to 1% or less, provide other support services and 20% of VGF
 - Airport charges abolished and reduced service tax on tickets for a year at 10% of the taxable value and 2% excise duty on Aviation Turbine Fuel



- **0/20 replaces 5/20 rule** for starting foreign operations, which means airlines can commence international operations provided that they deploy 20 aircraft or 20% of total capacity (in term of average number of seats on all departures put together), whichever is higher for domestic operations
- **MRO sector gets a boost** as provision for adequate land for MRO service providers to be provided in all future airport/heliport projects where potential for such MRO services exist
- Development of airports in PPP mode
- Future tariffs at all airports will be calculated on a 'hybrid till' basis, where the charges are calculated by taking all the aeronautical and 30 per cent of the non-aeronautical revenue into account, unless specified otherwise in concession agreements.

UDAN Scheme / Regional Connectivity Scheme (RCS)

Launched in October 2016, the scheme is targeted at improving connectivity and developing the regional aviation market. It also aims to make air travel more affordable to the common man. The Scheme is expect to boost tourism and employment generation in the country. Airline operators, who have to offer travel at subsidized rates, would be supported through concessions by both Central & State governments.

Central Government will offer concessions such as reduced excise duty, service tax, permission to trade ASKMs for Non-RCS (UDAN) Seats and flexibility of code sharing at the RCS (UDAN) airports. State governments are being encouraged to lower the VAT on ATF to 1% or less, besides providing security and fire services free of cost and electricity, water and other utilities at substantially concessional rates.

Airline operators will also receive funding support through viability gap funding to meet the gap, if any, between the cost of airline operations and expected revenues on such routes. A Regional Connectivity Fund has been created to meet the viability gap funding requirements.

AAI has received 43 initial proposals to fly routes under the RCS. These routes would be awarded to bidders with lowest VGF requirement based on the counter-bids against these initial proposals.

Fiscal incentives

A host of incentives have been provided for the Maintenance, Repair and Overhaul (MRO) sector, which will help in developing the MRO sector in India. Currently, 90% of the INR 5000 crore MRO business of Indian carriers is spent outside of India.

Budget 2017-18 provides for the following:

- Exemption from service tax in respect of the amount of viability gap funding (VGF) payable to the airline operator for providing the services of transport of passengers by air, embarking from or



terminating in a Regional Connectivity Scheme (RCS) airport, for a period of one year from the date of commencement of operations of the Regional Connectivity Scheme (RCS) airport.

- Select airports in Tier 2 cities will be taken up for operation and maintenance in the PPP mode. Airport Authority of India Act will be amended to enable effective monetization of land assets. The resources generated from land monetization will be used for airport upgradation.

During previous budgets, the following incentives were provided:

- Customs and excise duty exemption for tools and tool-kits used in MRO works.
- Restriction of one year for utilisation of duty free parts had been removed
- Notification on Standard Exchange Scheme had been revised to allow import of unserviceable parts by MROs for providing exchange / advance exchange
- Foreign aircraft brought to India for MRO work allowed to stay up to 6 months or as extended by the DGCA. The aircraft can carry passengers in the flights at the beginning and end of the stay period in India.

- Airport royalty and additional charges not be levied on MRO service providers for a period of five years from the date of approval.
- If the cost of 'Made-in-India' aircrafts and components worked out to be higher than those supplied from their original sources, the government will consider an incentive package to nullify the cost differential.

Infrastructure Development

To meet the growing demand, the Government of India is focusing its efforts on developing world class infrastructure.

Airports

Airports are being developed in Public Private Partnership mode with Government actively involving private sector participation. 160 airports in the country are being revived and operationalized in an attempt to boost regional and remote air connectivity. New greenfield airports that have been approved are:

| | |
|---|------------------------------|
| 1 | Dholera, Gujarat |
| 2 | Bhugapuram, Vizianagaram, AP |
| 3 | Dagadarthi, Nellore, AP |
| 4 | Oravakal, Kurnool, AP |
| 5 | Bhiwadi, Rajasthan |
| 6 | Kothagudem, Telangana |



Common User Domestic Cargo Terminals

Common User Domestic Cargo Terminals (CUDCT) provides a range of domestic cargo handling services under one roof. Out of the 22 CUDCTs to be established in Tier-II/III (non-metro) cities by 2018, 13 have been operationalized since May 2014 in the following airports:

| | |
|----|-------------------------|
| 1 | Mangaluru |
| 2 | Madurai |
| 3 | Vizag |
| 4 | Raipur |
| 5 | Chennai |
| 6 | Indore |
| 7 | Ahmedabad |
| 8 | Kolkata |
| 9 | Aurangabad |
| 10 | Lucknow (outbound only) |
| 11 | Bagdogra |
| 12 | Bhubaneshwar |
| 13 | Goa |

Cargo Hubs

Cargo Hub development is aimed to put all infrastructure at an airport to facilitate inter-transshipment of cargo. **Delhi** has been identified as the **first pilot station** to be developed as a International Cargo Hub.

Innovation & Technology

The GPS-Aided Geo Augmented Navigation system (GAGAN) is the first SBAS (Satellite Based Augmentation System) in the world certified for Approach with Vertical Guidance operating in the Equatorial Ionospheric region. It is the third SBAS to have achieved this feat, after WAAS of USA and EGNOS of Europe.

Launched on 13 July 2015, GAGAN is the product of collaboration between Airports Authority of India (AAI) and Indian Space Research Organization (ISRO). GAGAN will support direct air routes, reduce fuel consumption and improve safety. In addition, GAGAN provides benefits to agriculture, all modes of transportation and public services such a defence services, security agencies and disaster recovery management by aiding in search and rescue to locate the disaster zone accurately.

The NCAP 2016 makes it mandatory for all aircrafts registered in India from January 1, 2019 to be GAGAN enabled.

Ease of Doing Business

- Foreign MRO/OEM experts are provided visas promptly.
 - In Aircraft on Ground (AOG) situation, Temporary Landing Permits issued



- Foreign pilots operating an aircraft to and from India for the purpose of servicing at an Indian MRO entity are being issued Temporary Landing Permits, subject to conditions.
- Airport Entry Passes (AEPs) for MROs will be need based and not restricted if required conditions are met.
- Areas where aero-manufacturing takes place notified as SEZ. Fast-track clearances to global OEMs and their ancillary suppliers.

Skill Development / Job Creation

A report by International Civil Aviation Organization (ICAO) states that for every 100 jobs created in the aviation sector, an additional 610 new jobs are created in the local economy. To meet the growing demand and need for capacity addition, estimated to be 3.3 lakh by 2025, MoCA has undertaken a variety of skilling initiatives.

- Basic Cargo Awareness Program (BCAP) for entry level staff of Air Cargo industry are being held all over India by Cargo Service Centre, Celebi Cargo, Delhi International Airport, Mumbai International Airport, Bangalore International Airport and Airports Authority of India (AAI). Till date, more than 1000 participants have been trained.
- Aerospace and Aviation Sector Skill Council (AASSC) has identified **70 job roles for development and formulation** of National Occupational Standards (NOS) and Qualification Packs.
- A National Aviation University is being set up in Fursatganj, UP



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