

UTTAR PRADESH AIRCRAFT MAINTENANCE, REPAIR, AND OVERHAUL POLICY

A. PREAMBLE

The Indian aviation industry is set for steady growth in view of the widening consumer demography and the corresponding demand for commercial aviation services. It is estimated that India will be the largest aviation market in terms of passenger concentration, by 2024¹. The Indian civil aviation industry is on a high-growth curve. According to Airbus and Boeing forecasts, India will be among the largest markets for the aviation industry. Its current fleet of 600–700 aircraft is expected to reach more than 2,000 over the next 20 years².

The pandemic has both enabled and encouraged the Indian government and state governments to assess emerging opportunities in the Indian aviation sector, along with the ancillary aviation ecosystem. One significant aspect of the ancillary aviation ecosystem is the development of MRO capabilities in India.

Typically, the MRO ecosystem operates through a vast network of OEMs, airlines service providers, MRO service providers, manufacturers and vendors of aircraft components, which carry out the below key functions:

1. Line Maintenance: This function ensures that the aircraft is fully serviced and compliant with, among others, industrial safety standards. Line maintenance also includes aircraft defect resolution.
2. Components: This function involves the maintenance, repair and refurbishment of aircraft components, such as the fuselage, wings, empennage, power plant (comprising of the engine and propeller) and landing gear.
3. Engines: Specifically, engine MRO ensures end-to-end engine support, including examination and testing for engine performance.
4. Airframe: Airframe MRO comprises intensive overhauling and repair work, including repairs to the overall aircraft structure through an integrated approach.

A strong and competitive MRO sector will result in significant benefits for India, including amongst others, savings on fuel and logistic costs, conserving foreign exchange, and supporting the country's efforts to develop aircraft financing and leasing.

The GoUP has initiated several high-end projects, in view of the emerging consumer demand for aviation services, and imminent need for developing the allied aviation service ecosystem (for commercial and military MRO self-sufficiency). In this vein, the GoUP, in collaboration with YIAPL, a 100% subsidiary of Zurich Airport International AG, is currently developing the NIA, which shall be India's largest greenfield airport. The NIA will enhance connectivity to and from Delhi NCR, Noida and Western UP, as India's leading airport in terms of customer service, outstanding efficiency, digital services, and commitment to minimal environmental impact.

¹ India Brand Equity Foundation, *Indian Aviation Industry* (May 2022), <https://www.ibcf.org/industry/indian-aviation/showcase>.

² Deloitte, *MRO in India – Poised to Take Off* (November 2021), <https://www2.deloitte.com/in/en/pages/energy-and-resources/articles/MRO-in-India-Poised-to-take-off.html>.

The development of state-of-the-art airport at Jewar, Ayodhya and various other places in UP will correspondingly necessitate the expansion of ancillary services, including adequate MRO facilities for the aircraft visiting or stationed at these airports. In this endeavour, the GoUP will facilitate and incentivize the proposals for setting up of new MRO facilities in Uttar Pradesh.

UP ranks among the front-runners of industrial development in India, possessing a strong industrial base. UP enjoys its proximity to the national capital and abounds with a number of international airports, a network of expressways and national highways passing through it. UP also has active defence industrial hubs in some key cities such as Greater Noida, Prayagraj, Chitrakoot, Jhansi, Lucknow and Kanpur. Major industrial corridors such as Delhi Mumbai Industrial Corridor and Amritsar Kolkata Industrial Corridor pass through UP. Creating UP as a MRO Hub will create economies of scale and generate large-scale employment.

Therefore, UP is well poised to take advantage of the surge in investments in the aviation sector and seeks to go the extra mile to support entrepreneurship in the state. GoUP has also been at the forefront of providing excellent infrastructure support to domestic as well as international investors.

GoUP's Policy read in conjunction with the UP Civil Aviation Policy provides investors with the vision, objectives, and incentives to create a globally competitive and thriving Indian aviation sector. This Policy provides the strategic direction for the development of MRO facilities for aircraft maintenance, repair and overhaul in UP.

B. VISION

To establish UP as India's prominent air cargo hub and preferred MRO destination in India in particular and Asia in general.

C. MISSION

1. To build India's largest MRO facility in UP;
2. To create world-class infrastructure in relation to the foregoing; and
3. To foster a culture of excellence in pioneering research, innovation, and entrepreneurship in the civil aviation sector along with allied service sectors.

D. OBJECTIVES OF THE POLICY

UP is committed to becoming India's leading air cargo and MRO hub. UP's well-recognized logistics proficiency and state-of-the-art infrastructure will help to meet India's endeavour to be self-reliant in this sector. The objectives of this Policy are:-

1. To create a conducive business environment, provide adequate incentives for the development of robust civil aviation infrastructure;
2. To attract substantial investments through MRO activity, having an estimated Indian market of

around [USD 4 billion]³;

3. To support the growth of the aviation sector by developing human resources and generating direct, indirect, and induced employment opportunities in the sector;
4. To build technical capacity for MRO activities for the entire country;
5. To develop and pro-actively support micro, small and medium enterprises thereby ensuring all round industrial growth;
6. To increase the share of industry in gross state domestic product; and
7. To boost manufacturing in UP by supporting the development of air cargo hubs and MRO facilities.

E. ENFORCEMENT

1. This Policy shall come into effect on the date of its notification in the official gazette of GoUP.
2. The MRO Units which submit their applications to the Civil Aviation Department, GoUP by December 31, 2024 will be entitled to avail the benefits set out in this Policy.

F. INCENTIVES

Fiscal Incentives

1. All MRO units, would be eligible for capital investment subsidy at the following rates:
 - a) 5% - where capital investment is not more than INR 500 crore;
 - b) 8% - where capital investment is more than INR 500 crore but less than 1,000 crore; and
 - c) 12% - where capital investment is more than INR 1,000 crore, subject to a maximum amount of INR 200 crore.

Provided that the cost of acquisition of land will not be included within the term "capital investment".

The capital investment subsidy will be: (i) disbursed in five equal instalments; and (ii) the first instalment will be disbursed in the financial year immediately following the year in which the MRO unit commences commercial operations. A MRO unit should start providing commercial service within 5 years from the date of issue of letter of comfort.

For incentive purposes, an application will be put before Civil Aviation Department, GoUP, which will be further put up before Empowered Committee (Headed by the Chief Secretary) by the Nodal Agency of Industrial Policy of GoUP.

³ *Supra* note 2.

G. DEVELOPMENT OF HUMAN RESOURCES FOR MRO SERVICES

1. For MRO services and growth in civil aviation, there will be a requirement for a trained workforce, aircraft maintenance engineers, ground handling professionals, IT and support service professionals, airport-related professionals, etc. GoUP will promote aviation-related courses in premier technical institutes and universities in U.P. to generate skilled workforce and professionals for providing MRO services.
2. All aviation-related organizations will be required to address training needs through a comprehensive training plan for employees necessary in providing MRO related services and implement it through systematically designed training programs, by induction and in-service training.
3. The private sector participant will be required to facilitate this education process by providing in-house/industrial training and internships for undergraduates following aviation degree/diploma/certificate programs conducted by the universities and other institutions.

H. IMPLEMENTATION, MONITORING, AND AMENDMENT OF THE POLICY

1. An MRO unit will only be entitled to the benefits provided under this Policy and will not be able to take the benefits under any other policy of the state government.
2. The GoUP will setup a review mechanism to monitor the implementation of this Policy .
3. The GoUP will update this Policy in a timely manner to keep pace with the emerging technological and industrial scenarios.
4. If an MRO unit undergoes a change in Control, all the benefits given by the GoUP will be available to the new MRO unit holder and no additional charges or fees will be levied due to such change in Control.
5. This Policy is available on the GoUP website (<http://cadup.gov.in/>). The GoUP will issue necessary directions/clarifications in respect of this Policy from time to time or as may be requested.

DEFINITIONS

ATF means aviation turbine fuel.

Applicable Law(s) shall mean applicable statutes, enactments, ordinances, rules, by-laws, regulations, notifications, guidelines, policies, directions, directives, orders, or other requirements of any governmental authority, as may be enacted and amended from time to time.

"Control", means: (i) the ownership of 50% or more of the equity shares or other voting securities of the entity holding the MRO unit; or (ii) possession of the power to direct the management and policies of such entity; or (iii) the power to nominate for appointment the majority of the directors, managers, partners or other individuals exercising similar authority with respect to such entity.

INR means Indian National Rupee.

GoUP means the Government of Uttar Pradesh.

ID Act means the (Indian) Industrial Disputes Act, 1947.

Industrial Policy means Industrial Investment and Employment Promotion Policy of Uttar Pradesh

LoC means Letter of Comfort as per the Industrial Policy.

NIA means the Noida International Airport to be located at Jewar, Gautam Buddha Nagar, Uttar Pradesh – 203155.

MRO means Maintenance, Repair, and Overhaul.

NCR means National Capital Region.

OEM means Original Equipment Manufacturers.

Policy means this Maintenance, Repair, and Operation Policy of Uttar Pradesh.

Public Utility Service means a 'public utility service' as defined in the ID Act.

UP means the State of Uttar Pradesh.

UP Civil Aviation Policy means The Civil Aviation Promotion Policy of Uttar Pradesh, 2017.

UP DIC means the Uttar Pradesh Defence Industrial Corridor as regulated by the GoUP.

YIAPL means Yamuna International Airport Private Limited.