

The Aviation Policy, 2063(2006)

Background

Air transport remains to be the most reliable means for domestic and international contact because of the geographical location and topography of Nepal. The "Aviation Policy, 2063(2006)" has been enforced, in realization of the need to have a clear policy of the Government in order to contribute to the promotion of tourism and trade through safe, easily available, economical, market-oriented, reliable and effective air transport, while ensuring flight safety and aviation security in consonance with international standards, by developing airports capable of operating air services in long and short routes, with the use of such physical infrastructures as well as modern technology as required for standard air services.

The National Aviation Policy, 2050(1993) was issued with a view to getting the private sector, as well, to be involved in the air transport services. Also having regard to the changing situation of the world and the internal requirement of the country, the Government of Nepal made an amendment to the said National Aviation Policy for the first time in 2053(1996), aiming to attract as many tourists as possible through the development of civil aviation. In view of the significant advancement made by the globe in the field of civil aviation, a significant increase in air traffic globally, and particularly in the Asia and Pacific Region, increasing importance of tourism among the people of the globe,

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industrial development having taken place in the globe through privatization, involvement of the private sector in the field of civil aviation and increasing alliance between air services, among others, it has become expedient to make timely improvements in the previous Aviation Policy; and the present Aviation Policy focuses on the national/domestic flight safety, on the certainty of aviation security and operation of services in consonance with international standards.

A number of matters contained in the existing Aviation Policy have already been incorporated in laws and come into force. The existing Aviation Policy has been timely revised by removing such provisions, and incorporating matters to ensure air transport, provide facilities to, control and regulate, air services, and grounds prescribed for issuing license to flying schools and repair and maintenance bodies. This Policy will make contribution to achieve the long-term goal of attracting to Nepal as many tourists as possible, by simplifying the provisions on charter flights in order to encourage the airlines operators ensuring air services essential for remote areas and making international flights. In addition, this Policy is also expected to render contribution to the promotion of the overall social and economic activities of the country as well as that of tourism, industry, trade and commerce, through a balanced development of air transport, by maintaining a close coordination of transport sector with other means.

2. Goal

The goal of this Policy is to develop the air transport system, by enhancing the participation of the private sector, as well, based on the concept of open sky policy, while making air services safe, reliable,

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standard, easily available, accessible for the general public, sustainable and effective.

3. Objectives

There are following policy objectives in order to achieve the goal mentioned in clause 2.

- 3.1 To so develop the aviation industry in the country that it will be at par with the world aviation industry.
- 3.2 To maintain the highest standards of flight safety and aviation security.
- 3.3 To develop healthy and competitive air services by attracting and encouraging native and foreign private investors in the operation of airlines, construction, operation, and management of airports and development, expansion and operation of the services and facilities related with air transport.
- 3.4 To build and develop international airports with the state-of-art facilities as well as other appropriate airports for the fulfillment of the air service requirements of the country.
- 3.5 To do institutional development and strengthening of civil aviation related training institutes to fulfill the need of trained and professional human resources in the field of civil aviation.
- 3.6 To develop civil aviation as a reliable service industry of the country and as an appropriate means of air recreation and adventure travel.

4. Policies:

4.1 Air Services Agreement

- 4.1.1 Continuity will be given to the existing liberal sky policy, and open sky policy will be pursued gradually.

4.1.2 Initiation will be taken to make bilateral and multilateral air services agreements with those countries with ample possibilities of tourism promotion, based on equality and reciprocity, and in such a manner as to yield maximum benefits to Nepal.

4.1.3 A simple process will be developed to give approval to the Nepalese airlines to have membership alliance as well as code sharing with other international airlines groups.

4.2 Use of air space

4.2.1 Development and expansion of international direct air routes based on satellite will be carried on, while availing the modern technologies for the safe, efficient and economical flight operations.

4.2.2 There will be taken and made necessary initiation and coordination with the International Civil Aviation Organization (ICAO) and related countries for the optimum use by international flights of the air space of Nepal and for the inclusion of Nepal in the network of international transit routes.

4.3 Flight Safety

4.3.1 Top priority will be accorded to the enforcement of the standards and recommendations set and made by the International Civil Aviation Organization (ICAO) for the enhancement of flight safety.

4.3.2 Necessary standards shall be set in order to discourage imports of old aircrafts.

4.3.3 Oversight capacity will be enhanced by developing institutional and legal infrastructures to carry out study

and research works on air transport, aircraft accident inquiries and flight safety oversight, as well, in consonance with international standards.

4.3.4 Management of air flights with satellite communication, guide and oversight facilities or other appropriate systems will be carried out and pursued.

4.3.5 Air routes will be restructured and developed in order to render air traffic control service through the instrumental flight system in the air space of Nepal.

4.4 Aviation Security

4.4.1 In order to protect civil aviation against unauthorized intervention, civil aviation will be further strengthened and made further effective in consonance with international conventions, protocols related with aviation security and the standards set by the International Civil Aviation Organization (ICAO).

4.4.2 Provision will be made to bring about necessary legal and institutional improvements for the consolidation of the existing aviation security arrangements.

4.5 Domestic Air Services

4.5.1 Provisions of systematic and transparent procedures will be made on the issuance of the permission to operate domestic air services and of the air operator certificate based on the assessment of the requirements of domestic flight, equipment and other facilities installed in airports, and the reliability of the management, financial, technical aspects as well as other aspects of airlines operating organizations.

4.5.2 While issuing the permission and air operator certificate to new domestic airlines operator organizations and issuing permission to the existing airlines operator organization for fleet expansion, permission will be issued on conditions that services will also be provided in remote areas, as well, by making the operation base at the hub airports outside Kathmandu.

4.6 International Air Services

4.6.1 Transparent provisions will be developed on the issuance of the permission to operate international air services and of the air operator certificate based on the assessment and reliability of the management, financial, technical aspects of the organizations in such a manner that they can participate in a healthy and competitive manner. Such right will be distributed in a transparent manner, taking also into account the liability/responsibility to be borne by the nation in the operation of services of such organizations, provisions of route schedule, number of flights, seat capacity and traffic right as contained in air services agreements and understandings.

Provided, however, that permission and air operator certificate may be issued to any domestic airlines operator organization, which has successfully provided domestic air services for at least five years and continued such services and which appears to be competent on the assessment of the technical, financial and managerial aspects of such organization, for the operation of international air services.

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4.6.2 The provision of giving flight permission to any foreign airlines organizations in accordance with air services agreements will be kept on.

4.7 General Aviation:

4.7.1 The procedures for issuing the permission and air operator certificate for aviation sports and adventurous and research-oriented aviation activities such as micro light, hang gliding, para-jumping, gliding, heli-skiing and hot air ballooning will be simplified.

4.7.2 Native, foreign or joint investors will be encouraged to open flying schools, and simple and transparent provisions shall be made to allow such schools to use specific airports.

4.7.3 Based on the evaluation of the managerial, technical and financial capacity of the organization carrying out repair and maintenance of aircrafts, the native and foreign private sector will also be encouraged to carry on the business of aircraft repair and maintenance.

4.7.4 If any organization or person wishes to register a private aircraft, permission may be given, specifying the necessary terms and conditions, without authorizing to make commercial flights.

4.8 Nepal Airlines Corporation

4.8.1 The institutional and legal improvements of the Nepal Airlines Corporation will be made in order to convert it into an efficient, reliable, credible and business service provider organization and to enhance its capacity.

4.8.2 In order to increase the access of the Corporation, investment from the private sector will also be encouraged;

and its service will be expanded by increasing the number of aircrafts.

4.9 Regulation and Control of Air Service Operators

- 4.9.1 Permission may be given to any aircraft having one engine fixed wing for personal, charter and training purposes only after the fulfillment of, and in view of, the engine performance reliability as prescribed by the manufacturer of such aircraft, international practices, basis of the availability of alternative aircraft and the terms and conditions prescribed by the Nepal Civil Aviation Authority.
- 4.9.2 Provision will be made that the principal place of business transaction of any airlines operator organization registered in Nepal will be situated in Nepal and the operational control of aircraft will be vested in Nepal or a Nepalese person.
- 4.9.3 The provision of issuing permission and air operator certificate to the airlines operator organizations, aircrafts repair and maintenance organizations and flying schools based on certain criteria, particularly in view of flight safety and carrying out monitoring thereof will be made effective.
- 4.9.4 Provision will be made to ensure flight safety oversight, and the Nepalese airlines will be encouraged to operate non-scheduled/charter (passenger/cargo) flights in those countries which have diplomatic relations with Nepal.
- 4.9.5 Provision will be made for the protection of the rights and interests of consumers, by making transparent the

obligation of the airlines operator organization and the provision of insurance.

4.9.6 Legal reforms will be made in order to make transparent and effective the procedures of operating aircrafts on lease.

4.9.7 Provisions will be made for the issuance of necessary permission and air operator certificate by the Civil Aviation Authority of Nepal to airlines operator organizations, aircrafts repair and maintenance organizations and flying schools, by pursuing the one window system.

4.9.8 Permission may be given to Nepalese airlines operator organizations to operate aircrafts registered in foreign countries if the provision of flight safety oversight is found to be in consonance with the provisions of the Chicago Convention.

4.9.9 The permission and air operator certificate of those operator organizations who are involved in an unfair competition and who fail to meet the specified flight safety standards will be suspended or cancelled.

4.10 Technology Development and Transfer

The private sector will be encouraged to the activities such as research and technology transfer for the development of aviation.

4.11 Categorization and Operation of Airports

4.11.1 The airports will be categorized and operated as follows:

- (a) International Airport;
- (b) Regional Hub Airport;
- (c) Airport in the area with road transport access;
- (d) Airport in remote area.

4.11.2 Keeping in view the long-term development of air transport of the country, a new international airport with the state-of-art facilities will be built and developed with the participation of the Government of Nepal and the private sector with a view to developing Nepal as a transit hub in the Asia and Pacific Region.

4.11.3 Airports will be gradually upgraded keeping in view the geographical location, density of population, regional balance, tourism promotion, proximity with another airport, and potentiality of cost effectiveness.

4.11.4 Necessary infrastructures will be prepared to develop Biratnagar, Pokhara, Bhairahawa, Nepalgunj and Dhangadhi Airports as regional hub airports and expand air services with adjoining countries. Air services will be operated in remote areas, taking these airports as the operation base.

4.11.5 A slot system will be so developed as to be ancillary to make a balance between the increase in airport use time and the air traffic distribution, by making necessary arrangements for flight support equipment at airports.

4.11.6 The upgrading and modernization of airports will be gradually carried out, by making a plan of the development of airports.

4.12 Airport Service Facilities

4.12.1 Ground handling service

The ground handling service at airports will be kept on being made more qualitative and competitive.

4.12.2 Hanger and aircraft repair and maintenance service

The interested private sector investors will also be encouraged to develop appropriate hanger facilities and establish and operate aircraft repair and maintenance workshops at Tribhuvan International Airport as well as other airports.

4.12.3 Air cargo service

The private sector investors will also be encouraged to develop and operate appropriate air cargo at Tribhuvan International Airport as well as other airports.

4.12.4 Air fuel supply

There will be made a reliable provision of high quality air fuels supplies.

4.12.5 The private sector will also be encouraged to identify and expand possibilities of non-aeronautical income sources, by upgrading the passenger facilities, while developing and expanding airport hotels, duty free shops, confectionary shops, flight kitchens, golf clubs, business and entertainment centers, as well.

4.13 Human resource development

4.13.1 Institutional and legal reforms will be made in order to have the Training Institute of Civil Aviation Authority of Nepal affiliated with universities and the Train Air Program of the International Civil Aviation Organization (ICAO) and develop the Institute as a professional institution capable of carrying out quality control and oversight of training and educational activities operated by the private sector.

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4.13.2 The native and foreign investors will be encouraged to operate trainings so that the requirement of human resources in the field of air service can be fulfilled.

4.14 Participation of private sector

4.14.1 In developing air transport structures such as airports and infrastructures like roads, railways, terminal buildings, communication and guide inside the airport area, and operating other industries and organizations there, the investment of native/foreign private sector will be open on the Build-Operate-Transfer (BOT), Operate-Transfer (OT), Build-Own-Operate-Transfer (BOOT) basis or any other appropriate basis.

4.14.2 Permission may be given for foreign investment in aircraft operation, training, repair and maintenance and passenger service provider industries, as follows:

- International airlines -Up to 80 per cent
- Domestic airlines - Up to 49 per cent
- Flying school - Up to 95 per cent
- Repair and maintenance institutions -Up to 95 per cent

4.14.3 Provision will be made to issue residential visas to expatriate human personnel who are involved in any industry, business, service and project related to air transport, and their dependent family members if any foreign investor makes an investment amounting to five million US Dollars or more in the field of air transport in Nepal, and such visas will remain valid until such foreign investment exists in Nepal.

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4.15 Airfare

4.15.1 The Government will, on the recommendation of the Civil Aviation Authority of Nepal, fix the airfare for every flight sector, specifying the upper and lower ceiling thereof.

4.14.2 The Civil Aviation Authority of Nepal may intervene in those airlines which, instead of operating the service at the rate of airfare fixed by the Government, collect excess fare and are involved in unfair competition and take legal action against such airlines.

4.16 International Charter Flights

Permission procedures will be simplified in a manner to encourage international charter flights (passenger/cargo).

4.17 The Civil Aviation Authority of Nepal .

4.17.1 The Civil Aviation Authority of Nepal will be kept on being strengthened as an efficient aeronautical regulatory body and profession institution to effectively carry out the activities of regulation, control and expansion of the civil aviation sector.

4.17.2 The Authority may, with the approval of the Ministry, use the land for the business purpose and earn income for the operation of the activities mentioned in this Policy and for its economic development and diversification, on the condition that the ownership over such land remains safe.

5. Working Policies

5.1 Permission

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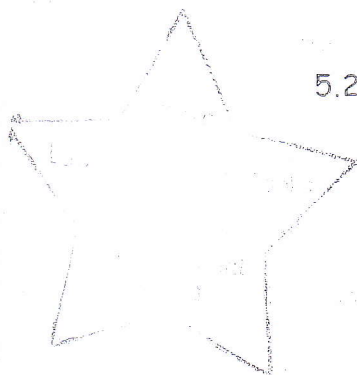
A one window system will be developed so that acts and actions pertaining to the issuance of permission to airline operator institutions, aircraft repair and maintenance institutions and flying schools which are related to air transport and other institutions generating human resource required for air transport, issuance of air operator certificate to those institutions having obtained such permission, operation base fixation, alteration of equipment, route change and upgrading will be carried out by the Civil Aviation Authority of Nepal in a transparent and integrated manner, subject to the policy approved by the Government.

5.2 Flight Safety

5.2.1 In the case of pressurized aircrafts, the import of those aircrafts which are more than fifteen (15) years old or which have completed 75 per cent of the economic design life or 45000 pressurization cycle, whichever occurs earlier, will be prohibited.

5.2.2 In the case of non-pressurized aircrafts, the import of those aircrafts will be decided on a case-to-case basis and on full examination of the records of such aircrafts. Provided that, generally, permission will not be given to import those aircrafts, which are more than 20 years old.

5.2.3 In the case of the both types of pressurized and non-pressurized aircrafts, as mentioned above, whose life has reached more than half the economic design life, a structural integrity program will be prepared, and flight operation will be allowed only on the basis of such program.



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5.3 Capacity and Capital Investment

5.3.1 Any airline operator institution operating domestic schedule flights must have at least three (3) aircrafts. Out of these, at least one aircraft must be fit for operation at airports in remote places and the ownership of one aircraft must be vested in the airline operator institution.

5.3.2 The following institution must have the minimum paid-up capital as follows:

- International airlines -500 million rupees
- Domestic airlines - 150 million rupees
- Flying schools - 100 million rupees
- Aircraft and its spare parts repair and maintenance institutions -50 million rupees
- Aviation sports -10 million rupees

5.3.3 The promoters of any airline operator institution must not be in arrears payable to the Government of Nepal, Civil Aviation Authority of Nepal and any organization owned by the Government of Nepal and must not be black listed by the Nepal Rastra Bank.

5.4 Development of Air Transport Infrastructures

5.4.1 Tribhuvan International Airport

5.4.1.1 Tribhuvan International Airport will be expanded and upgraded gradually as per the long-term plan of Tribhuvan International Airport, by mobilizing the Government of Nepal, Civil Aviation Authority of Nepal and private investment, as well.

5.4.1.2 Institutional reforms will be made in order to make the managerial capacity of Tribhuvan International Airport more effective and strengthened.

5.4.2 New International Airport

A new international airport will be built for the expansion of air transport, also keeping in view the standards prescribed by the International Civil Aviation Organization for international airports with the modern facilities.

5.4.2.1 A master plan of the new international airport will be formulated by making evaluation of the previous feasibility studies and additional necessary studies and keeping in view the long-term impacts.

5.4.2.2 The acquisition and management of land required for building the airport, tourism site, environment impact assessment and migration plan will be taken into account.

5.4.2.3 A master plan of big roads linking the major cities of the nation will be formulated and industrial development will also be evaluated, for building the airport.

5.4.2.4 In order to bring about the necessary resources for the building and development of the airport, procedures will be fixed and implemented upon studying various modalities of investment in such a manner as to attract native and foreign private investors.

5.5 Regional Hub Airport

Participation of the private sector will be brought out for the building and development of airports which have long-term importance in regional balance and air transport development; the mode of investment is 70 per cent, out of the total construction

cost, by the Government of Nepal (inclusive of foreign assistance), 15 per cent by the Authority and the remaining 15 per cent by the local bodies. In the event of alteration (increase/decrease) in the investment of private sector, the investment of the Government of Nepal will be fixed in proportion thereto. A provision will be made that if the portion of investment to be so made increases or decreases, the investment of an investor can be made in shares or as loans in proportion thereto.

5.6 Existing Pokhara Airport

The Civil Aviation Authority of Nepal will do study, set and implement an appropriate concept for the operation of various businesses at the existing Pokhara airport according to the business concept, following the building and operation of a new airport in Chhinedanda Pokhara.

5.7 Small Airports/Heliports/Helipads

The following working policies will be followed while issuing permission to build and operate airports and heliports with the people's participation or investment of the local bodies or with joint investment, by making evaluation of the need of the country, geographical location, density of population, regional balance, tourism promotion, proximity with another airport, and potentiality of cost returns:

5.7.1 The distance between the proposed airport and the nearest airport must be generally 20 nautical miles in mountainous and hilly areas and must be at least 40 nautical miles in Terai and inner Terai areas.

Provided that distance will not be calculated for the building of heliports/helipads.

5.7.2 No permission will be issued to build new small airports unless and until some portion of the financial investment required to build such airports is met by the local people's participation and contributed by the local bodies is guaranteed. Provision will be made to issue permission by fixing the priority based on the guarantee to bring about as much investment as possible through the people's participation in the building of airports.

5.7.3 Such technical standards and procedures as prescribed by the Authority for the operation of airports, heliports and helipads will be fulfilled.

5.7.4 The provision of security in consonance with the aviation security program must be guaranteed.

5.8 Air Navigation Service

The modality will be set, upon doing necessary study research, and implemented for making more effective the air navigation service of Nepal, by making timely improvements in the system.

5.9 Development and Expansion of Remote Area Air Services

Given that air transport is the only means in hilly areas, keeping the view of the following provisions will be made for the upgrading and strengthening of such airports in remote areas, where it would take a long time to have motorable roads linking with the network of national highways, as are important from tourism viewpoint and can be ancillary to make contribution to regional and economic balance.

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District Officer

5.9.1 Provisions will be made to have construction development works by bringing about the people's participation, as required, and activating consumers' committees, and through such committees, to the extent possible, for the upgrading of air services in remote areas.

5.9.2 Land, as required, must be made available through the local bodies.

5.9.3 There must be a guarantee that the local administration can provide aviation security.

5.9.4 The Remote Area Air Service Operation Fund will be made effective to make air services in remote areas easily available and regular.

5.10 Operation and Management of Airports

The Civil Aviation Authority of Nepal may contract out the operation and management of any airport to any local body or any organization fulfilling the standards fixed by the Government of Nepal.

5.11 Existing Airports

An action plan will be prepared and implemented in a phase-wise manner for the facilities and upgrading of the existing airports.

5.12 Monitoring and Evaluation

The Government will monitor the implementation and evaluate the effectiveness of this Policy.

6. The National Aviation Policy, 2050(1993) is hereby repealed.



Bhumi Kharel
Jan 18, 2007 AD.
Technical Officer