

Airlines lobby for 5/20 rule: Dog fight over 5/20 rule intensifies

A day after India's top industrialist Ratan Tata accused FIA airlines of lobbying to retain the rule allowing overseas flights by Indian carriers, Union Minister of State for Civil Aviation Mahesh Sharma said that the government would take a call on such issues at the right time. He welcomed the suggestions made by Tata. "We salute him (Ratan Tata). As an Indian citizen, he has given a suggestion. We welcome his suggestion. We will try to take a call on his suggestion," Sharma told media.



"We as a government are here to address and take call on such issues which come from various stakeholders and well wishers. The government will take a call at the right time," the Minister said.

The government is in advanced stages of finalising the new civil aviation policy, including taking a call on the 5/20 norm. The draft civil aviation policy has so far received mixed response from the industry with most of the airlines describing it as "progressive". While a final decision is yet to be taken, one proposal in the draft aviation policy is to scrap the 5/20 rule. Abolition or amendment of the rule is among the considerations of the new civil aviation policy that the government aims to implement shortly. Non FIA- AirAsia

India and Vistara- have been pushing for the rule to be scrapped.



Rules and Regulations are made, altered and removed periodically. As a result it favors one group while it simultaneously annoys another. In case of the 5/20 rule, the world is witnessing Ratan Tata and FIA's Ajay Singh disagree. A spat has broken out in India's civil aviation sector with the Tatas-funded twin carriers and FIA arguing whether the 5/20 rule should be retained or relaxed in the new aviation policy.

Tata Group Chairman Emeritus had said that established carriers were using "monopolistic pressures" to retain "preferential treatment" under the 5/20 rule that allows an Indian carrier to fly abroad only after it operates domestically for five years and has a 20- aircraft fleet.



Ratan Tata has applauded the Civil Aviation Ministry's proposal to remove the "controversial" rule. Non FIA – AirAsia India and Vistara – the two airlines operated by the Tatas through joint ventures – are presently ineligible to operate overseas under the 5/20 norm, which requires an Indian carrier to have minimum five years operational experience and at least 20 planes to operate international flights.

“The lobbying for discriminating policies between old and new airlines is reminiscent of protectionist and monopolistic pressures by vested interests’ entities who seem to fear competition, as in a variety of other sectors over the years,” Tata had said in a message posted on his Twitter.

“One hopes when the new policy is introduced it will be free of discrimination and protectionism, so that Indian aviation can grow for the benefit of consumer and the common man – not to serve the interests of select beneficiaries of protectionism,” he had said. According to Ratan Tata, the existing airline companies who have adhered to the 5/20 rule are lobbying to keep the law enacted to prevent competition; he opines that such a rule is harmful in a ‘free economy’ as it hinders the entry of new players.



Kapil Kaul, CEO and Director of CAPA South Asia sees no logic in FIA’s arguments supporting 5/20. “The 5/20 rule has been a very negative policy measure which has impacted Indian consumer and economy strategically. Doing away with 5/20 is in national interests and such intense and aggressive pressure from FIA will not hold in the PM’s court. Don’t see this Government continuing with the negative 5/20 rule.”

An open fight has broken out between Ratan Tata, Chairman Emeritus, Tata Sons, and FIA’s SpiceJet chief Ajay Singh, on whether the Centre should remove the 5/20 rule. FIA – SpiceJet, Jet Airways, IndiGo and GoAir – are vehemently opposing any move to scrap the 5/20 norm. Reacting strongly to the charge, Ajay Singh has asked Ratan Tata to advise the two airlines associated with Tatas – Vistara and AirAsia India – to first serve India and then seek to fly international.



As per Ajay Singh, the two carriers were apparently controlled by their foreign parents. Singh has said: "All of us were asked to serve our great country before we got profitable rights to fly abroad. We served with great pride. What is wrong if these two foreign-controlled airlines are also asked to serve India before being allowed to fly international? Mr Tata, whom we respect greatly, should in fact urge these airlines in which his group is a shareholder, to serve India willingly before being allowed to fly international. While obtaining a licence, these two airlines had undertaken to follow the 5/20 rule, a rule they are now opposing so vehemently."

Former Civil Aviation Minister Praful Patel took on Ratan Tata for accusing older airlines of opposing 5/20 rule, saying he was surprised that the top industrialist was advising the government while himself being "an interested party".



"I am surprised to see Mr Tata's tweet that older airlines are lobbying against a change in the 5/20 rule. While he is offering advise to the government to change the (civil aviation) policy, he himself is directly an interested party in the two new carriers," he said. "It is further surprising to see that he has said that the new airlines were formed in compliance with the prevailing policy. Then what is the need

to change the policy mid-way?”

The NCP leader Praful Patel has come up with a number of views on the prevailing 5/20 issue :

- Aviation in India has grown in the fastest rate in the world on a year-on-year basis in the last decade largely due to the liberal policies adopted by the government and the advent of many new carriers, as well as the rapid pace of growth of aviation infrastructure over the last ten years.
- If the government proposed to change the policy, “it should give a reasonable time of a couple of years to the existing carriers, to adapt to the new regime”.
- Any rule, including 5/20, is not sacrosanct in an evolving and dynamic sector like aviation”,
- The present government has always maintained that any change of policy will ensure a level- playing field for existing carriers vis-a-vis the new ones.

He expressed surprise that Air India, which was vehemently opposing any change of the rule, “has now chosen to keep quiet on the subject.”



“While old carriers have to continue to maintain flying their fleet of 20 or more aircraft on many uneconomical routes under the Route Dispersal Guidelines (RDGs), the new carriers are seeking a waiver without having to comply with the RDGs or the minimum number of aircraft. While understanding their eagerness to fly abroad, why is their reluctance being Indian flag carriers to fly within the country and reach out to remote and far-flung areas?”

“An answer to these issues must be provided by the proponents of changing the rule and these must be suitably addressed by the government,” Patel said.