

Air Transport Operations



FLIGHT OPERATIONS PLAN

- SCHEDULE PLANNING
- CREW MANAGEMENT
- SAFETY COMPLIANCE
- GROUND HANDLING
- PASSENGER SERVICES
- DISRUPTION MANAGEMENT



AIR OPERATOR CERTIFICATE



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|--|--|---|--|
|  PEOPLE |  PROCESSES |  SAFETY |  PERFORMANCE |
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Air Transport Operations

AOC and Air Operator Permit, UDAN Scheme, Code-Share Agreements, Bilateral Air Services, Route Dispersal Guidelines & Airline Insolvency

Booklet IV of VI — Indian Aviation Sector Legal Series

Advocates & Legal Consultants — Ultra-Premium Client Advisory Series

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CHAPTER ONE

Air Operator Certificates: Regulatory Framework for Commercial Airlines

Scheduled Air Transport Services, NOC and AOC Procedure, Operations Specifications, Minimum Fleet Requirements and AOC Suspension

The Air Operator Certificate is the fundamental operating licence for any commercial airline — the regulatory authorisation without which not a single revenue flight may be operated. For premium aviation counsel advising airlines, investors, and aviation sector stakeholders, the AOC framework is the regulatory foundation upon which all commercial operations are built and against which all operational conduct is assessed.

1.1 Scheduled Air Transport Service: Two-Stage Licensing

The right to operate a Scheduled Air Transport Service (SATS) in India — operating commercial passenger and/or cargo flights on published schedules with pre-sold tickets — requires two sequential regulatory approvals from DGCA: first, a No Objection Certificate (NOC), which confirms the applicant's eligibility in principle (financial capability, management competence,

and fleet adequacy) and authorises the start of the operational preparation process; and second, an Air Operator Certificate (AOC), which is the operating licence issued after DGCA has verified that the airline has established all the systems, procedures, personnel, and infrastructure required for safe and legal airline operations. The NOC applicant must demonstrate: a minimum paid-up capital of Rs. 50 crore for commencing operations (with additional minimum capital requirements as fleet size increases); a detailed Business Plan covering the proposed network, fleet, staffing, and financial projections; management personnel who collectively meet DGCA's experience requirements for the key post-holders (Accountable Manager, Post-Holder Operations, Post-Holder Maintenance, Post-Holder Flight Operations Safety); and a minimum fleet of five aircraft of the proposed operational type (with access to at least five aircraft through ownership, finance leases, or operating leases confirmed at the NOC stage). The AOC application — filed after the NOC is granted and typically after 6-12 months of intensive regulatory preparation — requires DGCA to verify through inspections, audits, and demonstrations that the airline's Operations Manual, Minimum Equipment List, Flight Operations Manual, Ground Operations Manual, and Safety Management System documentation are complete and compliant; that the airline's maintenance organisation (CAMO and AMO) is approved; that all key personnel are appropriately licensed and rated; and that the airline's operations centre (including flight planning, dispatch, and crew management systems) is operational. DGCA's AOC inspection team conducts Line Oriented Flight Training (LOFT) assessments, LOSA (Line Operations Safety Audit) demonstrations, and desktop reviews before certifying that the airline is ready to commence operations.

1.2 Operations Specifications: The Operational Authorisation

The Operations Specifications (Ops Specs) — a document attached to the AOC and issued by DGCA as part of the AOC — specify the precise scope of each airline's authorised operations: the aircraft types and series approved for operations; the international and domestic routes authorised; the category of operations permitted (ETOPS — Extended-Range Twin Operations for long-range twin-engine flights, CAT II/III approach operations for low-visibility operations, reduced vertical separation minimum — RVSM operations for high-altitude flights); and any special limitations or conditions applicable to the airline's operations. The Ops Specs are operationally binding — an airline may not conduct any operation not authorised by its Ops Specs, and DGCA may amend the Ops Specs (by adding authorisations after the airline demonstrates the required capability or by removing authorisations as an enforcement measure for specific operational deficiencies). For premium airline clients seeking to expand their operational authorisations — obtaining ETOPS approval for twin-engine long-range operations, or CATII/III approval for all-weather operations — the regulatory process of demonstrating the required capability (through training programme approval, maintenance organisation approval, dispatch system approval, and operational demonstration) before DGCA adds the authorisation to the Ops Specs is a significant commercial and regulatory project that requires dedicated legal

and regulatory counsel.

1.3 Foreign Airline Permits: The International Scheduled Service Framework

Foreign airlines seeking to operate scheduled international services to and from India must obtain a permit from DGCA under CAR Section 3 Series C Part II, in addition to the traffic rights authorisation under the applicable bilateral Air Services Agreement. The DGCA permit for a foreign scheduled airline specifies: the routes authorised (consistent with the bilateral's traffic rights grant); the frequency and capacity authorised for each route; the type of aircraft to be used; and any specific operating conditions (such as minimum advanced purchase period requirements for codeshare operations). The permit application requires the foreign airline to demonstrate: that it holds a valid AOC/equivalent from its home authority; that the applicable bilateral ASA authorises the proposed operations; that the airline's aircraft used on Indian routes hold valid Indian clearances for the technical parameters required by Indian ATC; and that the airline meets applicable Indian insurance and security requirements. For premium corporate and private aviation clients whose business requires frequent international travel on specific routes, understanding the foreign airline permit framework — including which airlines are authorised on which routes with what frequency, and how new route authorisations can be sought — enables strategic advice about the commercial feasibility and regulatory path for new direct air services that would serve the client's operational needs.

UDAN Regional Connectivity Scheme: Legal Architecture

VGF Mechanism, Route Categories, Airline Obligations, Exit Provisions, RCS Fund Governance and UDAN's Legal Disputes

2.1 UDAN VGF Structure and Fund Governance

The UDAN (Ude Desh ka Aam Naagrik) Scheme's Viability Gap Funding (VGF) mechanism — which compensates selected airlines for the below-commercial-rate fares they are required to offer on UDAN routes — is funded from the Regional Connectivity Fund (RCF), established under the UDAN Scheme notification. The RCF receives contributions from: an RCS levy on domestic passenger departures from non-UDAN airports (currently Rs. 5,000 per domestic passenger departure from major airports); Central Government budgetary support; and state government contributions (typically 20% of VGF on routes within the contributing state). The RCF's administration by AAI (which collects the levy and disburses VGF to selected airlines) and the Central Government's oversight of the RCF through the Ministry of Civil Aviation create a regulatory-financial governance structure that is distinct from general government budgeting — the RCF's ring-fenced structure ensures that UDAN funding is dedicated to regional connectivity without competing with other government expenditure priorities. Legal practitioners advising airlines on UDAN participation must understand the RCF's financial limits (which constrain the total VGF available in any given year) and the priority order for VGF disbursement (which affects the commercial risk for airlines on routes where VGF disbursement may be delayed if the RCF is temporarily underfunded). The legal framework for VGF disbursement — specified in the UDAN Scheme guidelines and the UDAN Concession Agreement signed between AAI and the selected airline — creates binding payment obligations on AAI but subject to RCF fund availability, creating a contractual framework that is not a simple unconditional payment obligation.

2.2 Selected Airline Obligations and Exit Provisions

Airlines selected under UDAN are bound by the UDAN Concession Agreement to: operate the committed routes with the committed frequency for the committed period (minimum 3 years, with exit possible after the minimum commitment period on specified notice); maintain fares on UDAN seats below the applicable cap (Rs. 2,500 for up to 1-hour flights); provide a minimum number of UDAN seats on each operated flight (50% of seats on turboprop aircraft, or 40 seats on jet aircraft, as UDAN fare-capped seats); and comply with AAI's reporting requirements for UDAN performance monitoring. The UDAN penalty regime for non-performance — specified in the Concession Agreement — includes: financial penalties for each operated flight that fails to

meet the minimum UDAN seat requirement; suspension of VGF for periods of non-compliant operations; and termination of the UDAN award for persistent non-compliance. The exit provisions allow an airline to discontinue a UDAN route before the committed period only with DGCA's approval and subject to a notice period (typically 6 months) — protecting the connectivity benefit for which the UDAN mechanism was designed against airlines that bid aggressively for routes and then exit when the commercial reality fails to meet bid projections. Legal practitioners advising airlines on UDAN participation must advise on the exit provisions' commercial risk — airlines that win UDAN awards for routes that prove commercially unviable face a choice between continued operation at a loss (while receiving VGF that may not fully cover the loss) or exit subject to financial penalties — a commercial and legal risk that must be carefully assessed before the bid commitment is made.

Code-Share, Interline and Alliance Agreements

DGCA Code-Share Approval, Competition Law Compliance, Alliance Implications, Revenue Sharing and Liability Allocation

3.1 Code-Share Agreements: Regulatory Framework

A code-share agreement — under which two airlines jointly market the same flight, with each airline selling tickets under its own flight code on a flight actually operated by one of the airlines — is the commercial workhorse of international airline network expansion, enabling airlines to extend their route networks beyond their own operational reach by "selling" seats on partner airlines' flights as if they were their own flights. Code-share arrangements require DGCA approval for Indian airlines and foreign airline parties to code-shares operating through India, with DGCA's approval conditioned on: the code-share being consistent with the applicable bilateral ASA (which must authorise codeshare as a permitted commercial arrangement on the routes concerned); the marketing (non-operating) partner ensuring that passengers are adequately informed that their flight will be operated by the operating partner; the operating airline meeting all applicable Indian safety standards (so that Indian passengers sold a code-share seat are protected by the same safety standards regardless of which airline they booked with); and the arrangement not constituting an unrestricted market access that would violate the bilateral ASA's capacity or frequency restrictions. The DGCA's code-share approval procedure requires submission of the codeshare agreement, the bilateral ASA provisions authorising codeshare, and safety and service quality evidence regarding both parties — a process that typically takes 2-4 months for new code-share relationships and can be expedited for amendments to existing approved code-shares. For the airline's commercial team, obtaining DGCA code-share approval on the shortest possible timeline is commercially critical — each month's delay represents revenue opportunity lost from the routes for which the commercial agreement is already in place but not yet operating.

3.2 Alliance Memberships: Star Alliance, Oneworld and SkyTeam

Alliance membership — which provides Indian airlines with privileged commercial arrangements (codeshare, interline, frequent flyer programme reciprocity, airport lounge sharing, and coordinated scheduling) with a global network of carriers — has significant regulatory implications in addition to its commercial benefits. Air India's Oneworld Alliance membership (announced in November 2023, the first full-service Indian airline alliance membership since Jet Airways' Oneworld membership was terminated upon its bankruptcy) requires DGCA approval for the specific code-share, interline, and block space arrangements with each Oneworld

member — a regulatory process that may take months for each new bilateral arrangement within the alliance framework. The competition law implications of alliance membership — specifically, whether the coordination of schedules, capacity, and fares between alliance members on specific routes constitutes an anti-competitive arrangement under the Competition Act 2002 — require careful legal analysis. The Competition Commission of India has examined alliance arrangements in the aviation sector and has generally followed international precedent in treating hub-spoke code-share arrangements as pro-competitive (expanding consumer choice and network access) rather than anti-competitive, provided they do not involve horizontal price coordination on specific routes where the alliance partners are actual or potential direct competitors. However, the CCI's approach to novel alliance structures — particularly where alliances enable effective market division or price coordination through complex revenue-sharing arrangements — continues to evolve, and premium aviation counsel advising on alliance agreements must conduct current competition law analysis tailored to the specific routes and arrangements involved.

International Air Services: Bilateral ASAs and Traffic Rights

India's ASA Network, Bilateral Negotiation Process, Open Skies Partners, Capacity and Frequency Disputes and Traffic Rights Enforcement

4.1 India's Bilateral ASA Architecture

India's network of bilateral Air Services Agreements — encompassing more than 100 bilateral agreements with countries across the world — creates the legal framework within which Indian and foreign carriers exercise international air traffic rights. The Ministry of Civil Aviation's Air Transport Bureau manages India's bilateral ASA negotiations, with DGCA providing technical inputs on safety requirements and operational standards that are incorporated into the bilateral's technical provisions. India's bilateral ASA policy has evolved significantly since the 1990s: the earlier conservative bilaterals (with strict capacity and frequency restrictions designed to protect Air India's dominant position) have progressively been liberalised, with Open Skies agreements offered to key partners (the US, France, Germany, Netherlands, Spain, United Kingdom, Japan, Singapore, and others) that remove restrictions on the number of airlines designated, the frequencies operated, the routes flown, and the fares charged. The commercial implications of India's bilateral ASA network for premium aviation clients — airlines, airports, and corporate aviation users — include: the determination of which foreign airlines can serve Indian cities (and on what frequencies), which directly affects competition and fares on international routes; the framework within which Indian carriers can launch international routes (requiring available bilateral capacity or an Open Skies partner's unlimited rights); and the basis for resolving disputes about specific bilateral provisions (which are typically addressed through diplomatic channels between the two governments rather than through judicial proceedings, since bilateral ASAs are international treaties without private enforcement rights for airline companies).

4.2 Capacity and Frequency Disputes: Resolution Mechanisms

Capacity disputes under bilateral ASAs — arising when one country's airlines wish to operate frequencies or capacity in excess of what the bilateral permits, or when one country disputes the other's interpretation of the bilateral's capacity provisions — are resolved through the Joint Committee mechanism (the periodic bilateral review meetings at which the two countries' representatives discuss and agree on the implementation of the ASA) and, for intractable disputes, through diplomatic channels. India has faced bilateral capacity disputes with several Gulf carriers — whose rapid expansion of services to India from their UAE and Qatar hubs has

been contested by Indian carriers who argue that Gulf airlines are using the liberal India-Gulf bilaterals to operate frequencies that dominate India's international traffic at the expense of Indian carrier market development. The Indian government's policy of managing Gulf carrier capacity through bilateral consultation — rather than through strict enforcement of capacity limits — reflects the dual pressure of protecting Indian carriers and serving Indian passengers and diaspora with the affordable fares and frequency that Gulf carriers' hub-and-spoke model provides. For legal practitioners advising Indian carriers on bilateral ASA capacity issues, the combination of bilateral legal analysis (what the applicable bilateral actually permits), policy engagement with the Ministry of Civil Aviation (advocating for India's position in bilateral review negotiations), and competitive strategy (how to grow Indian carrier international presence within the bilateral framework) requires both legal and commercial aviation expertise.

Route Dispersal Guidelines and Airline Commercial Regulation

RDG Categories, Domestic Capacity Requirements, Fare Monitoring, Consumer Protection Obligations and DGCA Commercial Oversight

5.1 Route Dispersal Guidelines: Mandatory Network Obligations

The Route Dispersal Guidelines (RDG) — issued by DGCA under the Aircraft Rules and periodically updated — impose mandatory network obligations on Indian scheduled airlines, requiring them to deploy a specified proportion of their total domestic capacity on specific route categories to prevent concentration on profitable routes and ensure service to underserved regions. The RDG categorise India's domestic routes into four categories: Category I (trunk routes between the six major metros — Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad); Category II (routes to Northeast states, J&K, and island territories); Category IIA (routes to Jammu, Srinagar, Leh, Port Blair, Agatti, and Lengpui); and Category III (all other routes). The RDG require each scheduled airline to deploy at least 10% of its Category I capacity on Category II routes (ensuring Northeast and island connectivity), and at least 50% of Category II capacity on Category IIA routes (ensuring connectivity to the most remote and strategically important destinations). The RDG compliance monitoring — with airlines required to submit quarterly reports to DGCA specifying their capacity deployment across route categories — is enforced through administrative orders and, for persistent non-compliance, potential AOC suspension. For airlines building their network strategy, the RDG create a mandatory structural constraint on capacity allocation — aircraft and crew resources must be planned to meet RDG obligations as a baseline, before the commercial optimisation of the remaining capacity across profitable routes. Legal practitioners advising airlines on network planning must verify RDG compliance at each schedule change, since non-compliance discovered post-implementation creates both regulatory exposure and the commercial disruption of schedule changes to correct the non-compliance.

Booklet IV Key Takeaways: The AOC framework is the foundational regulatory instrument for airline operations — the NOC-to-AOC pathway requires significant capital, management, and operational investment before the first commercial flight. UDAN's VGF mechanism creates both connectivity opportunity and commercial risk for participating airlines, with exit provisions and penalty frameworks that require careful legal assessment before bid commitment. Code-share and alliance agreements require DGCA approval, bilateral ASA authorisation, and CCI competition law analysis. India's bilateral ASA network — encompassing 100+ countries with varying liberalisation levels — determines the commercial landscape for international aviation.

Route Dispersal Guidelines impose mandatory network obligations that constrain commercial capacity optimisation for all domestic scheduled airlines.

Air Transport Operations: Premium Practice Issues

Non-Scheduled Operations, Corporate Aviation, Wet Lease Regulatory Issues, Air Cargo Law and Competition in Domestic Aviation

D.1 Non-Scheduled Operations: Corporate Aviation and Charter

Non-Scheduled Air Transport Services (NSOP) — operations conducted outside the framework of published schedules, including business jet charters, ad hoc charter flights, aerial work (survey, photography, agricultural operations), and helicopter services — are regulated under CAR Section 3 Series C Part II (for non-scheduled domestic operations) and require a separate NSOP permit from DGCA distinct from the Scheduled Air Transport AOC. The NSOP permit authorises the operator to conduct non-scheduled flights for hire and reward (carrying passengers or cargo for payment without published schedules), subject to specified conditions including: minimum aircraft and crew standards; operations within defined geographic limits (domestic or international, with international NSOP requiring additional bilateral clearances); compliance with DGCA's non-scheduled operations CARs; and annual renewal of the NSOP permit subject to continued compliance verification. India's business aviation market — estimated to comprise approximately 150–200 business jets and 300–400 helicopter registrations available for charter and private operations — serves premium corporate and high-net-worth individual clients who require the flexibility, privacy, and efficiency of private aviation. For premium legal counsel advising business aviation clients (both operators and users), the legal advisory needs include: NSOP permit structuring and compliance; international permit applications (diplomatic clearances for heads of state and government aircraft, bilateral clearances for business jet operations); tax optimisation for corporate aircraft (which must navigate the complex GST framework for input tax credit on aircraft used for both business and non-business purposes); and contractual framework for aircraft management agreements (under which aircraft owners engage professional management companies to manage the aircraft's operations, maintenance, and regulatory compliance on their behalf).

D.2 Air Cargo Law: Regulatory Framework and Logistics Integration

Air cargo operations — the carriage of goods by air, which accounts for approximately 35% of global trade by value despite representing less than 1% by volume — is regulated in India through both the Carriage by Air Act 1972 (for cargo carrier liability under the Montreal Convention framework) and DGCA's operational regulations for cargo aircraft (under CAR Section 6 for dedicated cargo operations). The air cargo sector in India encompasses: belly cargo on passenger flights (the dominant modality for most general cargo); dedicated freighter

operations (by operators such as Blue Dart, Air India Cargo, and international freighter operators like FedEx, UPS, and DHL); and combination aircraft (combi operations carrying both passengers and cargo on the same flight). India's air cargo infrastructure — bonded warehouses at airports, the Air Freight Stations (AFS) that provide off-airport cargo examination and clearance facilities, and the Customs Air Freight Stations (CAFS) under the Customs Act — creates a multi-agency regulatory environment where DGCA (for aircraft operations and dangerous goods), BCAS (for cargo security), Customs (for import/export clearances and duty assessment), and DGFT (for export promotion documentation) all regulate aspects of the same cargo consignment. For premium corporate clients with significant air cargo operations — pharmaceutical companies with temperature-sensitive product shipments, luxury goods exporters with high-value consignments, and e-commerce companies with international B2C deliveries — the legal advisory needs span: dangerous goods classification and carriage requirements; customs classification and valuation for high-value consignments; carrier liability management under the Montreal Convention; cargo insurance structuring; and contract review for air waybill terms and freight forwarder agreements.

D.3 Competition in Indian Domestic Aviation

The Indian domestic aviation market — characterised by rapid traffic growth, high fuel cost sensitivity, intense competition among carriers, and periodic financial distress of weaker airlines — has generated significant competition law analysis by the CCI. The CCI's most significant aviation competition investigations have addressed: IndiGo's dominant position in the Indian domestic market (with approximately 60% market share) and whether its pricing practices, slot strategy, or commercial arrangements with airports constitute abuse of dominance; the competitive implications of airline mergers (the Air India-Vistara merger, approved by the CCI in 2023 with conditions, is the most recent significant aviation merger review); and the pricing of airline ancillary services (seat selection fees, baggage fees, and meal charges that have grown significantly as airlines shift revenue from base fares to unbundled services). The CCI's approach to aviation competition reflects the general principle that market concentration is not per se anti-competitive — the efficiency benefits of scale and network density must be weighed against the competitive harm of reduced choice and higher prices. For premium aviation counsel advising on competition matters, the interaction between the competition framework and the aviation-specific regulatory framework (where DGCA's route allocation and RDG obligations affect market structure) creates a complex analytical landscape that requires both competition law expertise and deep aviation regulatory knowledge.

Booklet IV — Complete Summary: Air transport operations law spans the full range of commercial aviation regulatory and contractual instruments — from AOC certification and UDAN VGF arrangements to bilateral ASA traffic rights, code-share regulatory approvals, and competition law compliance. The non-scheduled/NSOP framework for corporate aviation creates

specific legal needs for premium business aviation users. Air cargo law combines carrier liability (Montreal Convention), security regulation (BCAS), customs compliance, and logistics contract law in a multi-agency regulatory environment. Competition law oversight by the CCI is increasingly active in Indian aviation — with market concentration, merger review, and ancillary pricing practices all within the regulatory lens. Premium aviation counsel must advise across all these dimensions to serve the complete legal needs of airline, airport, corporate aviation, and investor clients.