

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (hereinafter "MoU") is executed at New Delhi on this 27th day of March, 2017

AMONG

MINISTRY OF CIVIL AVIATION, GOVERNMENT OF INDIA

AND

GOVERNMENT OF NAGALAND

AND

AIRPORTS AUTHORITY OF INDIA, a PSU under the Ministry of Civil Aviation.

"Ministry of Civil Aviation, Government of India", "Government of Nagaland" and "Airports Authority of India" shall be collectively referred to as "Parties" and individually as "Party".

1. DEFINITIONS – The terms used in this MoU shall have the same meaning as defined in the Regional Connectivity Scheme - UDAN of the Ministry of Civil Aviation.

2. REGIONAL CONNECTIVITY SCHEME - UDAN

2.1 The Ministry of Civil Aviation (MoCA), Government of India released the National Civil Aviation Policy 2016 (NCAP 2016). Two of the key objectives of NCAP 2016 are to "enhance regional connectivity through fiscal support and infrastructure development" and to "establish an integrated eco-system which will lead to significant growth of civil aviation sector, which in turn would promote tourism, increase employment and lead to a balanced regional growth". In this regard, MoCA has envisaged a Regional Connectivity Scheme (RCS or the Scheme) for the country.

2.2 The primary objective of the Scheme is to facilitate / stimulate regional air connectivity by making it affordable by supporting airline operators through (1) concessions by Central Government, State Governments and airport operators to reduce the cost of airline operations on regional routes and (2)



- financial (viability Gap Funding or VGF) support to meet the gap, if any, between the cost of airline operations and expected revenues on such routes.
- 2.3 As provided in the NCAP 2016, payment of VGF will be made by the Implementing Agency to the beneficiaries i.e. Selected Airline Operators from the Regional Connectivity Fund (RCF) and the State Governments shall be asked to reimburse the applicable share.
- 2.4 The Scheme envisages a critical role to be played by the State Governments in terms of granting concessions and reimbursing its applicable share of VGF.
- 2.5 The Scheme shall be made operational only in States and at airports/heliports (irrespective of ownership by AAI / State Governments / private entities / Ministry of Defence, Government of India) which demonstrate their commitment and support to regional air transport operations by providing concessions as required under the Scheme.
- 2.6 Responsibility for collection and disbursement of funds under the Scheme, managing the process of seeking reimbursements from State Government for their share of VGF and crediting reimbursement proceeds to RCF will lie with the Implementing Agency.

NOW THEREFORE THIS MOU WITNESSETH AS UNDER:

3. OBJECTIVE OF MoU

- 3.1 All the Parties would make efforts and assist in promoting the Scheme and making it successful.
- 3.2 The Parties would ensure their commitment and support to regional air transport operations by providing concessions as required under the RCS - UDAN.
- 3.3 The State Government would ensure their timely and complete commitment to VGF as required under the RCS - UDAN.
- 3.4 All the Parties would make all possible efforts in providing easy and quicker approvals for increased participation and timely commencement of operations under the Scheme.
- 3.5 The Parties would abide by the directives issued by MoCA from time to time in respect of the Scheme.
- 3.6 The Parties shall carry out their respective obligations under the MOU in good faith.
- 3.7 This MOU lists the areas of co-operation and commitment / support of the Parties with regards to the enhancement of regional air connectivity as per the RCS - UDAN.



4. SCOPE OF MoU

4.1 As envisaged in NCAP 2016, the operation of the Scheme will be through a market mechanism where airline operators will assess demand on routes; submit proposals for operating / providing connectivity on such route(s); seek VGF, if any, while committing to certain minimum operating conditions; and the same shall be finalized in interaction with other market participants as provided for in the Scheme. The Selected Airline Operator will be extended concessions and support from Central Government as well as the State Government to operate under the Scheme.

4.2 The Parties will meet their respective obligations and will extend concessions / support under the Scheme as below:

4.2.1 Central Government shall administer the Scheme through the Implementing Agency and provide the following support / concessions:

- a) Central Government shall provide its share of VGF under the Scheme which shall be 80% of the total requirement for States other than North-Eastern States and Islands, where it shall be 90%.
- b) Central Government shall levy an excise duty at a rate of 2% on Aviation Turbine Fuel (ATF) purchased by the Selected Airline Operator from RCS Airports for an initial period of three (3) years from the date of notification of the Scheme.
- c) Central Government shall allow Selected Airline Operators to enter into code sharing arrangements as per the prevailing Air Service Agreements with domestic as well as international airlines.
- d) Central Government shall provide concessions on Service Tax on tickets, i.e., abatement of service tax on 90% of the taxable value, for an initial period of 1 year from the date of notification of the Scheme.

4.2.2 State Government / UT Administration provides the following concessions:-

- a) State Government shall reduce VAT to 1% or less on ATF at RCS Airports and for RCS flights from other airports located within the state for a period of 10 years;
- b) State Government shall provide minimum land, if required, free of cost and free from all encumbrances for development and expansion of RCS Airports after due consideration based on extant policy of State on case to case basis. The State Government shall provide multi-

