

AVIATION BULLETIN



REGULATING MRO ACTIVITIES- AN ATTRACTIVE WING OF INDIAN AVIATION!

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INTRODUCTION

Sky is the limit for the aviation sector in India! With the explosion of several new, low-cost airlines, air travel has become a norm rather than an exception. The dramatic change in the sector has created a gamut of options - both for the public and the players. While for the former, it is in the form of variety of airlines to choose from, for the latter it is in terms of business viz. airline operations, ancillary activities like aircraft design, engine manufacturing, Maintenance, Repair, and Overhaul (“MRO”) of aircraft components.

This bulletin begins by giving a bird’s eye view of the overall developments and current trend in the Indian aviation industry and proceeds to highlight the regulatory regime with respect to MRO activities in India, which is increasingly becoming a popular business activity in the country.

1.0 Trend in the industry

The dynamic growth and potential in the Indian aviation sector can be gauged from the statement of the civil aviation minister of India, Mr. Praful Patel - *“India’s civil aviation industry will attract investments worth more than US\$150 billion in the next 10 years.”* It is evident that the government is keen to place India right at the top in the aviation sector. There are plans to modernize the airport infrastructure, upgrade manpower and establish communication systems, navigation facilities and focus on the overall development of the industry.

The government is also contemplating an increase in the Foreign Direct Investment limit in the sector from the existing 49% to 75% in air transport services. Also, a new civil aviation policy is underway, which is considering issues like infrastructure development and aircraft fleet requirement in the next five years.

The increased activity in the industry has created interest amongst a variety of companies to engage in different facets of the industry. Lately the MRO sector has attracted many foreign companies. According to the media reports, Lufthansa has entered into a joint venture with GMR Hyderabad International Airport Limited to open a MRO facility for which it intends to invest US\$ 23 million. Similarly, Boeing intends to invest US\$ 100 million in a facility in Nagpur in collaboration with Air India. And several others are in the offing.

These initiatives will further provide impetus to the already buoyant sector and send out positive signals to the potential foreign investors, domestic and international airline operators and the entities involved in related activities of the aviation industry.

2.0 Regulatory regime for MRO activity

The Directorate General of Civil Aviation (“DGCA”) is the regulatory body in the field of civil aviation and is primarily responsible for regulation of air transport services to/from/within India and for enforcement of civil air regulations, air safety, and airworthiness standards.

The Civil Aviation Requirements (“CAR”)¹ stipulates the general requirements, procedures, and practices to be adhered to by organizations² seeking DGCA approval for maintenance, repair, inspection, storage, and distribution of civil aircraft, aircraft components, and training schools. The organization has to obtain a ‘Certificate of Approval’³ from the DGCA before commencing the contemplated activities.

2.1 Categories for seeking approval

As stated above, approval from DGCA and compliance with CAR is mandatory in order to engage in the manufacture, maintenance, processing, storage, and distribution of aircraft, aircraft components, and training schools. CAR stipulates certain categories under which the approval can be obtained. For MRO activities proposed to be undertaken by an entity in India, the following categories are relevant:

2.1.1 Category C (Aircraft Maintenance Organization (“AMO”))

This includes maintenance of airframe, engines, electrical systems and associated parts and any of the components installed on the screen. According to CAR notification,⁴ dealing with approval of organizations falling under category C, all owners/operators, and organizations engaged in maintenance of aircraft, aircraft component, or item of equipment have to seek approval under this category before undertaking any maintenance activity. An organization that is approved by DGCA under this category is referred to as AMO. Other organizations, which seek to operate under the approved maintenance system or when so directed by the DGCA, are granted approval subject to conditions like suitable workshop buildings, machines, equipments, skilled staff, stores system etc.

Any work performed on an aircraft, aircraft components etc. have to be certified in the relevant log book by the issue of *Certificate of Maintenance*. After the component is serviced, repaired, or overhauled by the organization, it has to be released to other operators/persons with a release note⁵ duly certified by the authorized person/release note signatory (i.e. licensed Aircraft Maintenance Engineer or person mentioned in the Quality Control Manual).

2.1.2 Category F (Stores and Distribution)

Its scope covers storage and distribution of aircraft goods/parts, items of equipment, spares and materials or goods used in aircraft industry. One of the stipulations in this category is that the applicant must confirm to the requirements of space, accommodation, storage of goods, approval of quality control, release

¹ Series E, Part I Issue III dated April 24, 1992.

² As per rule 133 B of the Aircraft Rules, 1937, ‘organization’ refers to an organization or a person engaged in one or more of the activities mentioned therein. It includes maintenance, overhaul, modification, repair, inspection, treatment, processing of aircraft components and items of equipment, storage, distribution of aircraft, aircraft components, items of equipment, materials, and standard parts.

³ Section 3, CAR. It is a document issued to an organization approved by the DGCA which defines the scope of the approval that has been granted.

⁴ CAR Section 2, Series E, Part IV.

⁵ It is a document that accompanies the sale of aircraft components, spares, materials, and goods. It certifies that the goods have been obtained from an approved source after manufacture/repair/overhaul and that all the relevant airworthiness requirements of the DGCA have been satisfied.

note signatory, production of Quality Control Manual etc. A separate approval under Category F is not required if an organization is approved in any of the categories A, B, C and E.⁶

2.1.3 Category G (Training Schools)

Approval under this category is required if an organization seeks to impart instruction for ab-initio training in the field of aircraft maintenance engineering and/or conducting courses for licensing/approving/authorizing individuals for certifying airworthiness.

3.0 MRO undertaken by entities located abroad

An organization that is located outside India can also undertake MRO activities in India. However, the foreign entities require DGCA approval provided the Indian operators make a request to the DGCA to this effect (however, the aircraft should be registered in India with maximum takeoff weight of 5,700 kg and above). But if such firms are approved by Federal Aviation Administration (“FAA”)⁷ or Joint Aviation Authorities (“JAA”)⁸ then DGCA approval is not required. Entities engaged in repair and overhaul of aircraft components, rotables or items of equipment are not required to seek DGCA’s approval if such agencies are approved by FAA or JAA and the country’s local airworthiness authorities and components serviced by such agencies are acceptable for installation on Indian registered aircraft. Further, manufacturers or their subsidiaries engaged in manufacture of aircraft, engines etc. do not require DGCA approval if they have been approved by FAA or JAA.

The DGCA approval is valid up to December 31 of each calendar year. The approval has to be renewed sixty (60) days prior to the expiry date. The foreign firm/agency can position its engines or other spares in India only after obtaining approval under category F, CAR.

4.0 Procedure for seeking approval⁹

Granting of approval by the DGCA is dependent upon the applicant’s request and their capability/capacity to perform. For seeking approval, the organization/company has to comply with the following general requirements as laid down in the CAR, namely:

4.1.1 Application and issue of approval¹⁰

(a) Application for approval

- For an organization located in India, the application has to be made to the DGCA in form CA-182 A along with the necessary fees and a statement signed by the accountable manager¹¹ confirming that

⁶ Category A- For manufacturers of aircraft/aircraft goods including aircraft components, Category B- For workshop process and inspection (viz. processing of aircraft components and inspection of materials and components.), Category D- Test laboratories, Category E- Fuel lubricants and special products.

⁷ FAA is the body responsible for the safety of civil aviation in the United States.

⁸ JAA is an associated body of the European Civil Aviation Conference (ECAC) representing the civil aviation regulatory authorities of a number of European States who have agreed to co-operate in developing and implementing common safety regulatory standards and procedures.

⁹ Section 4, CAR.

¹⁰ Section 4.1, CAR.

the 'Engineering Organization Manual' and other associated manuals are in compliance with DGCA regulations and requirements and will be complied with at all times.

- An organization located outside India has to submit a duly completed application to DGCA in Form CA-182 C along with the manuals and fees. A duly completed internal audit report is also required to be submitted along with the application.

(b) **Inspection by DGCA**

Once the application is submitted, the representative of DGCA conducts an inspection of the organization. Subject to the satisfactory outcome of inspection, the organization will be authorized to undertake the MRO activities.

(c) **DGCA Approval**

The DGCA then issues a Certificate of Approval to the organization specifying the scope of its approval. The approval is normally valid up to December 31 of the year in which it is issued.

4.1.2 **Facility requirements¹²**

CAR stipulates that adequate storage facilities¹³ must be provided for storing aircraft components, equipments, tools, and materials. Separate bonded stores for storing serviceable aircraft components and for unserviceable aircraft components should be provided. It has to employ sufficient number of personnel for carrying out shop activities in accordance with the scope of approval granted by DGCA.¹⁴ Further, it has to establish procedures acceptable to the DGCA to ensure good maintenance practices and compliances with all relevant requirements specified in CAR.

4.1.3 **Manuals¹⁵**

The applicant has to submit the following manuals to DGCA in triplicate:

- (a) **Engineering Organization Manual-** This must contain a description of the organization, the facilities to be provided, a list of contract organizations including a description of the work, scope of work authorized by DGCA. This manual is not required to be approved by DGCA but its content influences DGCA's decision relating to grant of approval.
- (b) **Quality Control cum Assurance Manual (Operators Maintenance Control Manual)-** This manual has to contain detailed policies, procedures, practices, and quality control methods to be followed by the

¹¹ Section 3 defines this as the manager who has corporate authority for ensuring that all tasks as per the scope of approval of the approved organization can be financed and carried out to the standard required by the DGCA.

¹² Section 4.2, CAR.

¹³This includes environmental conditions like temperature maintenance, humidity control etc, adequate literature on aircraft, repair manuals etc.

¹⁴ Section 4.3.3, CAR.

¹⁵ Section 4.4.1, CAR.

organization. This document has to be kept continuously updated and maintained in accordance with the aircraft rules.

(c) Maintenance System Manual (Maintenance Organization's Procedures Manual)- The purpose of this manual is to consolidate the information for the guidance of the engineering staff to ensure aircraft's continued airworthiness and safety as well as safety of the personnel engaged in such operation. The manual must contain procedures that will be followed while performing maintenance of the aircraft, including airframes, engines and other components.

The manuals have to be revised and amended if there is any change in policy, procedures, equipments, or operations and should be sent to the regional airworthiness office, DGCA.

CONCLUSION

Aviation, as a sector in general, is touching new heights in India. Owing to the overall re-vamping of the industry, it is an attractive investment target. As maintenance of aircraft and aircraft components is vital for the proper and smooth functioning of the big birds, MRO activity is certainly going to be a wing of the aviation sector that is, and will continue to draw a lot of attention and investment opportunities in India.

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