

AVIATION SECTOR



SECTOR OVERVIEW



India is one of the fastest growing Aviation Markets in the world. India is said to be having the 5th largest market in terms of both domestic as well as international aircraft passengers and is anticipated to surpass the United Kingdom (UK) to become the 3rd largest air passenger market by 2024 and cater to 520 Million passengers by 2037.

The Indian Aviation Sector contributes around USD 72 Billion to the gross domestic product (GDP) of the country. Further, it aims at enhancing affordable and reliable flight services to connect under-served and un-served remote areas of the country to other parts of the country under the Regional Connectivity Scheme (RCS), i.e. *Ude Desh Ka Aam Nagrik* (UDAN) Scheme, and also increase the number of operational airports and no-frills airports, aircrafts and aircraft movement, domestic and international passenger and freight traffic, maintenance, repair and overhaul (MRO) facilities, etc in the coming years.

INVESTMENT OPPORTUNITIES



The Government of India has invited and encouraged investments and collaborations with domestic and foreign airlines and investors for growth and advancement of the Aviation Sector in the following manner:

- 1. Open Sky Policy:** The Government has opened the sky for foreign investors and airlines to invest in the Aviation Sector and to enable smooth connectivity with other countries. India has also entered into open sky agreements with a number of countries including South Asian Association for Regional Cooperation (SAARC) countries, the United States of America (USA), UK, Japan, etc.¹

¹ <https://centreforaviation.com/analysis/reports/india-us-sign-open-skies-aviation-agreement-8> ;
<https://economictimes.indiatimes.com/industry/transportation/airlines-/-aviation/india-japan-sign-open-sky->

2. **Leasing out Airports to Private Players-** The AAI had leased out few airports to M/s Adani Enterprises Ltd under the public-private partnership (PPP) mode in 2020, including airports at Jaipur, Guwahati and Thiruvananthapuram² for operation, management and development. The Adani Group had earlier won the bid to modernize and operate six airports Ahmedabad, Lucknow, Mangaluru, Jaipur, Guwahati and Thiruvananthapuram.
3. **MRO and other facilities-** The Civil and Defence MRO facilities are converging for economies of scale. Further, The Government is encouraging private sector to set up domestic MRO facilities, so that airlines do not have to incur high cost of MRO services overseas. This would help in cost saving to the airlines and reduced cost of travel to passengers.
4. **Strategic Disinvestment of Air India-** The Government is planning for strategic disinvestment of Air India Limited by way of transfer of management control and sale of 100% equity share capital of Air India held by the Government.

GOVERNMENT INITIATIVES



The Government of India has taken the following initiatives for augmentation and expansion of the Aviation Sector:

(1) Budget Allocation:

The Government has made the following allocations in the Union Budget 2021-22:

- a) Recently, in the Union Budget 2021-22, the Government has proposed to allocate INR 20,000 Crores to set up and capitalise a Development Financial Institution which would act as a provider, enabler and catalyst for infrastructure financing.
- b) The Government has also reduced customs duty on components or parts, including engines, for manufacture of aircrafts by Public Sector Units of Ministry of Defence from 2.5% to 0%.
- c) The Government has planned tax holidays on capital gains earned by aircraft leasing companies and tax exemption for aircraft lease rentals paid to foreign lessors.

(2) Foreign Direct Investment:

The Government has reviewed and liberalized the Foreign Direct Investment (FDI) Policy, as follows-

[agreement/articleshow/60517017.cms?from=mdr](https://www.newindianexpress.com/business/2017/feb/09/india-uk-sign-open-sky-pact-scrap-flight-limits-to-chennai-kolkata-1568884.html) ; <https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1599036> ; <https://www.newindianexpress.com/business/2017/feb/09/india-uk-sign-open-sky-pact-scrap-flight-limits-to-chennai-kolkata-1568884.html>

² <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1646949>

CIVIL SECTOR	AVIATION	FDI	PERMISSION
i)	Airports	100%	Through Automatic Route in greenfield and existing projects
ii)	Scheduled and Regional Air Transport Services	100%	Through Automatic Route up to 49% (exception: 100% through Automatic Route for Non-Resident Indians) Through Government Route beyond 49%
iii)	Non-Scheduled Air Transport Services and Helicopter/Seaplane Services	100%	Through Automatic Route
iv)	Ground Handling Services	100%	Through Automatic Route, subject to sectoral regulations
v)	MRO, Flying Training Institutes; and Technical Training Institutions ³	100%	Through Automatic Route

- (3) Regional Connectivity Scheme (RCS) of UDAN-** Under the UDAN Scheme, the Government has aimed at improving tourism, passenger and freight movement, etc by connecting the under-served and un-served parts of the country with the rest of the world. The RCS airports and airline operators would get benefits of exemption from levy of airport charges, landing, parking and terminal navigation landing charges for a period of 10 years from the date of commencement of flight operations under RCS, concessions on tax, power, water and other utilities, reduced cost of airline operations, land, police and fire services at free of cost, etc.

The Government has so far commenced **307 RCS Routes** as on 14-01-2021 operated by Trujet, Alliance Air, Spice Jet, Zoom Air, Jet Airways, IndiGo, Heritage, Ghodawat/Star Air, and Pawan Hans, etc⁴.

(4) Other initiatives:

- a. The National Civil Aviation Policy 2016 provides for regional connectivity to extend the last mile connectivity to remote and under-served or un-served areas under the RCS Scheme, air transport operations, route dispersal guidelines, aviation security, etc. Currently, all airlines can commence international operations if they are capable of either deploying 20 aircrafts or 20% of total capacity (*in term of average number of seats on all departures put together*), whichever is higher for domestic operations.
- b. AAI plans to upgrade automation systems, advanced surface movement ground

³ https://dipp.gov.in/sites/default/files/FDI-PolicyCircular-2020-29October2020_1.pdf

⁴ https://www.aai.aero/sites/default/files/rcs_news_notifications/307-RCS-routes-commenced-14.01.2021.pdf

control systems, automatic dependent surveillance system at Mumbai and Delhi Airports.

- c. AAI is also planning for city-side developments at Hyderabad, Bengaluru, Visakhapatnam, Lucknow, Chandigarh, Guwahati, etc.⁵
- d. The Directorate General of Civil Aviation (**DGCA**), the Regulatory Authority of India's Aviation Sector, has signed an agreement with the United States Technical Development Agency (**USTDA**) for the purpose of providing aviation safety technical assistance.⁶
- e. The DGCA has also launched the e-Governance Project in 2019, whereby, the applicants submit online applications, and upon verification, they are issued electronic licenses including pilot license.⁷
- f. The Indian Space Research Organization (**ISRO**) and AAI have also implemented the GPS Aided Geo Augmented Navigation (**GAGAN**) Project to establish, deploy and certify satellite based augmentation system for safety-of-life in civil aviation.⁸

FOREIGN INVESTMENTS



Various companies have invested in the Indian civil Aviation Sector over the years. Few such companies are listed below:

- 1) **Boeing Company- Tata Advanced Systems Ltd (TASL)**- The Joint Venture between Boeing, an American plane maker, and Tata Advanced Systems Ltd (TASL), a fully owned subsidiary of Tata Sons, namely, Tata Boeing Aerospace (TBAL) had been established to co-produce Boeing AH-64 Apache helicopter fuselages and other aero structures. They would also pursue integrated systems in aerospace.
- 2) **Boeing-** Boeing had made plans to transform small and medium enterprises (**SMEs**) operating in various businesses into aerospace manufacturing, in order to create an aerospace ecosystem in India, thus becoming yet another global company to invest in India encouraged by the 'Make in India' and 'Atma Nirbhar Bharat' Campaign.
- 3) **Airbus Training Centre-** Airbus has invested USD 40 Million to set up a pilot and

⁵ aai.aero/en/system/files/resources/AAI-CORPORATE-PLAN-2017-26%28with-revised-vision%29.pdf

⁶ <https://pib.gov.in/newsite/PrintRelease.aspx?relid=136238>

⁷ https://www.business-standard.com/article/companies/dgca-implementing-e-governance-project-for-approvals-licenses-by-year-end-120082001186_1.html

⁸ <https://www.isro.gov.in/applications/step-towards-initial-satellite-based-navigation-services-india-gagan-irnss>

maintenance training center in Bengaluru and New Delhi, to focus on training activities for airlines flying A320 Family Aircraft in the region.⁹

4) Other foreign investors- The other foreign investors in the Aviation Sector are as follows:

- i. Airbus (France)
- ii. Boeing International Corporation (USA)
- iii. AirAsia (Malaysia)
- iv. Rolls Royce (UK)
- v. Safran (France)

5) Authorities- The concerned Agencies and Authorities in the Aviation Sector are as follows:

- a) Ministry of Civil Aviation
- b) Directorate General of Civil Aviation
- c) Bureau of Civil Aviation Security
- d) Airports Economic Regulatory Authority of India
- e) Air India Limited
- f) Pawan Hans Limited
- g) Airports Authority of India

It is believed that the aforesaid Government initiatives have paved the way for increased private and foreign investments and an increase in domestic air passenger traffic and fleet of aircrafts, enhanced indigenous manufacture of aircraft and its components, increased in number of domestic and international airports and RCS airports in the country. These Government initiatives may enable the country to become self-reliant in its endeavors.

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⁹ <https://www.airbus.com/aircraft/support-services/training/training-centers-network/airbus-training-india.html>