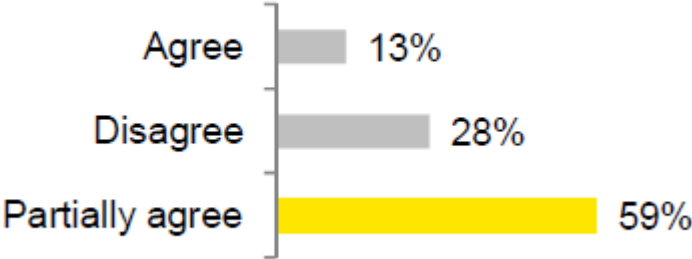


# FICCI – EY Survey on Civil Aviation Sector

## Indian Aviation: Waiting on the runway

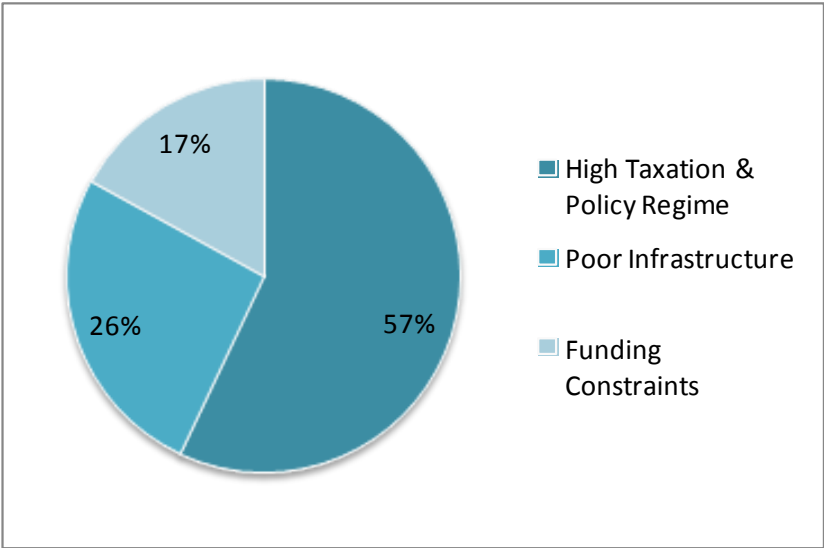
**Q1. Do you think that the Government has been successful in making the aviation climate favourable by undertaking various policy initiatives in the last one year?**



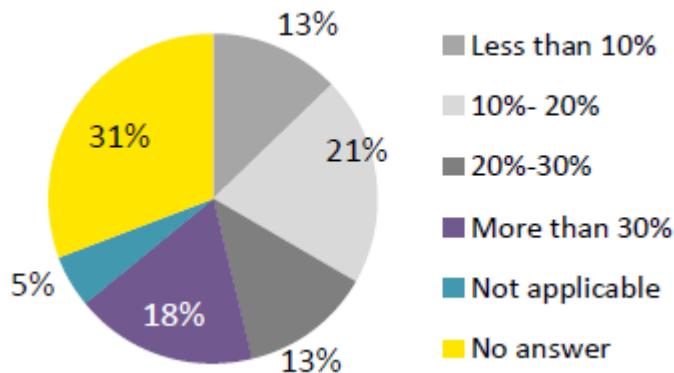
While 59% of the respondents acknowledge the Government’s efforts, they opine that seamless implementation of these policies is equally important. Furthermore, they believe that the government also needs to pay heed to pressing issues such as infrastructure, fuel taxation and high operating costs.

**Q2: What do you think is the major deterrent to growth of aviation industry?**

According to 57% respondents, “high taxation” and “policy regime” are the major deterrents to growth of aviation industry. Whereas 26% of the respondents opine that poor infrastructure constitutes one of the biggest hurdles in the seamless growth of the sector. Shortages of trained manpower, lack of access to finance, lack of incentives are other issues stalling industry growth.



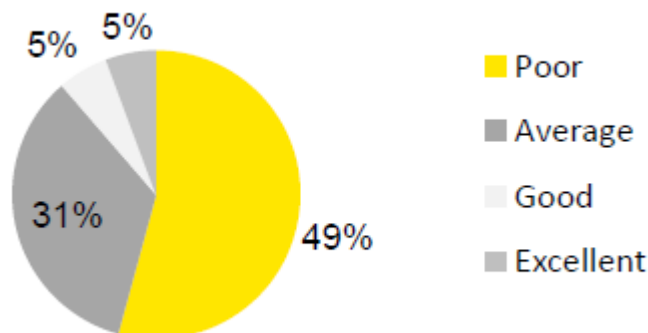
**Q3: How much is the increase in your cost of operations due to poor infrastructure / congestion at airports?**



Poor infrastructure is responsible for congestion at airports, leading to an increase in airline operating cost. Because of congestion, aircraft are required to burn more fuel, which accounts for over 45% of the operating cost of the airline. Air route congestion requires flying the aircraft at non-economic heights. Also, nearly 65% of the airspace is under military control and is unavailable for civil operations, compelling aircrafts to adopt circuitous routes further adding to the cost of operations.

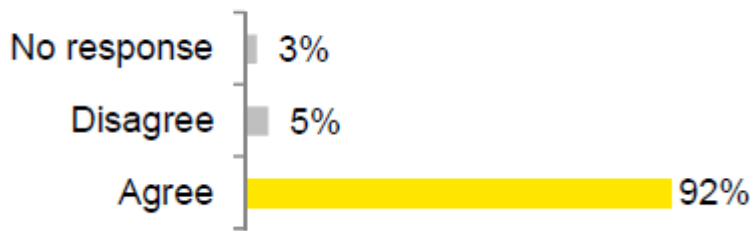
**Q4: How would you rate the progress in the development of low cost airports in Tier-2 and Tier-3 cities to boost regional connectivity?**

The development of low-cost airports in tier 2 and tier 3 is being undertaken at a slow pace, according to respondents.



**Q5. Do you think that delays in land acquisition and environmental clearances would hit the Greenfield airport development targets? If yes, what needs to be done?**

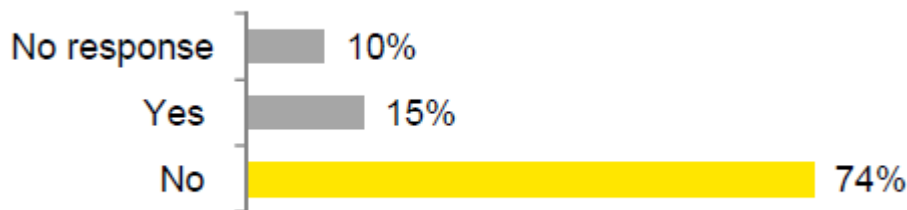
Majority of the respondents agreed that land acquisition and environmental clearances are a serious issue impeding airport development. Delays are adding to cost, thus affecting the financial viability of airports.



Experts suggested that government intervention in the form of establishing a dedicated “Greenfield authority” with representatives from all the segments of the development activity, policy changes, single window of clearance, initiation for the environmental clearance and land acquisition process before opening bid can help alleviate the issue.

**Q6: Do you think that Indian players have a level playing field against their foreign counterparts? If not, please specify the areas to be addressed?**

Indian players do not have a level playing field when compared to their foreign counterparts.

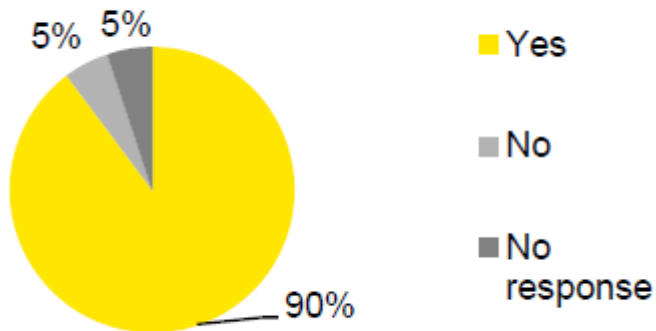


*Major issues affecting Indian carriers are:*

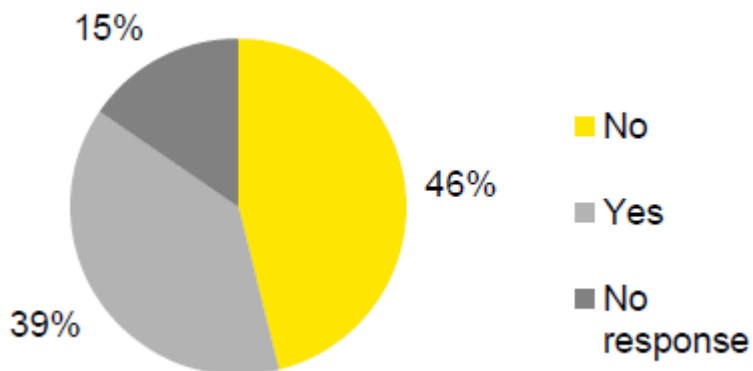
- Taxation issues in terms of tax on ATF, MRO, etc.
- Funding problems for Indian carriers
- Congestion problem at airports due to lack of proper infrastructure and air navigation systems
- Bureaucracy problems in terms of number of licences and no bilateral agreements with other countries for engineering services

**Q7: Do you think that change in FDI norms would assist in the revival of aviation sector?**

Majority 90% of the respondents are positive about FDI in the aviation sector. It would help bring in the required expertise, achieve economies of scale and drive competition. It will also provide airlines with the much-needed assistance in the form of funds to stabilize their business plans.



**Q8: Would the joint ventures between foreign and domestic airlines unsettle business plans of Indian airports to develop as hub?**

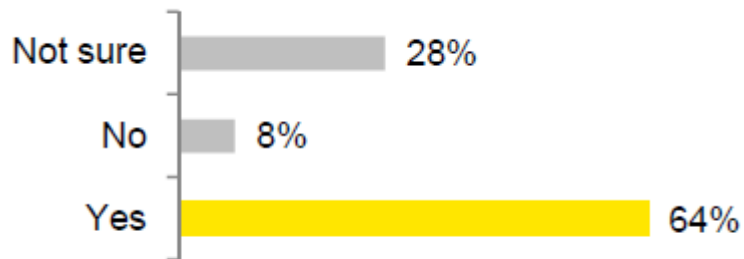


*Respondents have mixed views on this question. Major arguments are:*

- The outcome will depend on the terms of agreement of the JVs.
- The government will play a major role in terms of bilateral agreements with other countries.
- These JVs could help in the development of tier 2 and tier 3 airports through leveraging the expertise and deep pockets of foreign airlines.
- Geographic location and poor infrastructure would create problems for Indian airports.

**Q9: Is the outlook of cargo and ground handling in aviation space promising? Kindly suggest the policy measures to be taken for development of the sector?**

Over 64% are of opinion that air cargo and ground handling are growing markets in India.

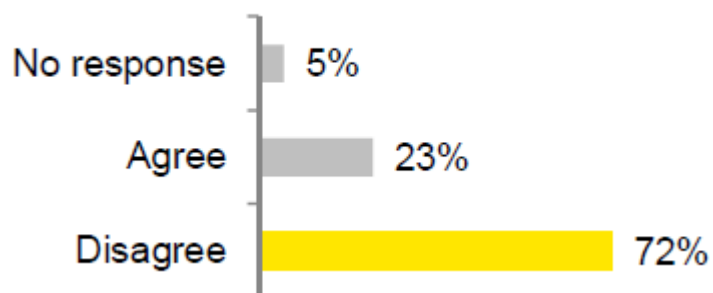


However, it requires several policy measures that can be undertaken:

- Proper infrastructure for cargo handling
- Separate airports and terminals for cargo airplanes
- No self-handling of cargo by airlines
- Timely implementation of policy measures
- Onsite custom clearances
- Clear and forward-looking ground handling policy

**Q10. Do you think Indian MRO sector is prepared to deal with the rapidly growing requisition of various types of aircrafts by the airlines? Besides from the strategic perspective, is India suitably positioned to serve the tremendously expanding MRO market? Elaborate.**

Over 72% of the respondents feel that even though India is strategically located, the domestic MRO industry is not geared up to deal with the rapidly growing diverse fleet of airlines and non-scheduled operators.



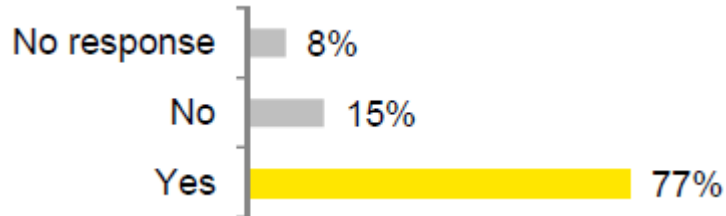
The industry is constrained by regulatory policy, tax regime, complicated import and custom procedures, high airport charges, lack of infrastructure, access to finance, unskilled manpower and dearth of training institutes, among others.

The regulatory authorities should broaden their scope and encourage Indian MROs to obtain the approval of global regulatory authorities such as European Aviation Safety Agency (EASA) and Federal Aviation Administration (FAA) to enhance their competitiveness.

Furthermore, with the increasing trend of MRO outsourcing, the industry, if adequately developed, has immense potential.

**Q11: Please specify the areas facing acute manpower shortage? Would the setting up of National Aviation University suffice the requirement? If not, what can be other alternate measures?**

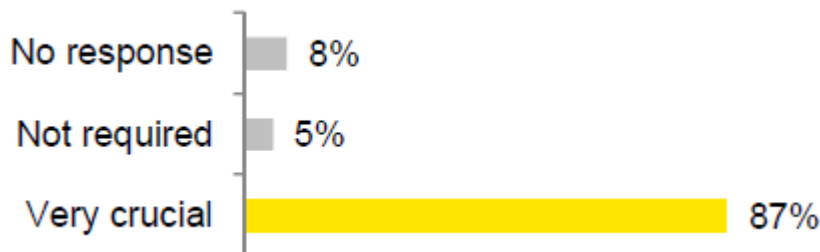
Manpower shortage was felt in areas of air traffic management, engineers and technicians, ground handling, type rated pilots, cabin crew, flight planning and airport management.



A majority 77% of the respondents agreed that establishing National Aviation University would help meet the requirements of skilled workforce. Currently, India has a number of DGCA-approved technical schools and flying training schools. However, due to the lack of adequate practical exposure, skills imparted at these schools are not sufficient for induction in the aviation industry. The existing syllabus of training, mode of training and the examination system need to be revamped. Also, to maintain the quality of training and standard of output, it is necessary that the regulator sets up an effective monitoring system.

**Q12: How crucial do you think is the formulation of Civil Aviation Authority for the civil aviation sector?**

The formulation of Civil Aviation Authority as an autonomous body is considered to be a significant step toward the development of the civil aviation sector in India.



As many as 87% respondents feel that there is an urgent need to establish a centralized/ single civil aviation authority such as FAA or EASA. Instead of discrete bodies such as DGCA, BCAS, AAI and AERA, setting up of a single body that employs experienced professionals would ensure more focused growth of the industry. This will only be the case provided that the body has adequate administrative, financial and operational autonomy.

**Q13: What is the future outlook of the aviation sector in India? What kind of policy reforms would you like to recommend for sustainable growth of the sector?**

According to experts, the Indian aviation industry is heading toward growth, with recession effects fading away. Furthermore, current policy reforms such as permitting FDI in aviation, allowing import of aviation fuel and increased emphasis on the development of airports in tier 2 and tier 3 cities would boost the sector's growth. On the other hand, the government also needs to encourage the growth of low-costs carriers, improve regional connectivity of airports, and launch a number of policy and regulatory reforms to ensure sustained growth. Focus on devising an actionable roadmap and clear vision for the development is critical.

Respondents suggest the following reforms:

### **i) Regulatory**

- Ensure efficient and transparent operations of DGCA by way of proposing the centralised Civil Aviation Authority
- Review bilateral agreements with the Middle East, Singapore and Sri Lanka to protect the viability of the large investments made in creating airport infrastructure facilities

### **ii) Taxation**

- Include ATF in the declared list for ease of taxation
- Rationalize applicable service tax on airline tickets and the MRO industry
- Remove Service Tax from DGCA-approved aviation training institutes in both flying and engineering fields

### **iii) Airport Infrastructure**

- Privatize existing airports in tier II and tier III cities for rapid modernization and upgrade
- Encourage the development of no-frill airports to ensure the growth of low cost carriers
- MOCA may reserve land at all airports for MROs

### **iv) Regional & General Aviation**

- Introduce clear policy on regional aviation to promote faster growth
- Introduce policy changes to recognize general aviation industry at par with scheduled airlines
- Encourage or have a policy supporting the establishment of Fixed Based Operators to increase non-scheduled air transport (this sector is reporting growing demand)

### **v) Others**

- Encourage setting up of open access system fuel farms with independent operations
- Set up single recognized aviation university with international facilities for training flight crew/maintenance personnel/cabin attendants