

CAN BIZ AVIATION BE FUELLED IN INDIA?



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BUSINESS AVIATION IS THE ENABLER FOR ECONOMIC GROWTH, ONLY IF GIVEN A CONDUCTIVE CLIMATE



WITH INDIA PROJECTED to grow at a substantial rate in the near future, business aviation has a large part to play in its projected growth. The irony is that a sector which exhibits huge growth potential has virtually no dedicated policy, regulatory framework or infrastructure support. The business aviation fleet has increased dramatically in the past few years but now faces challenges. The major stumbling blocks include lack of infrastructure, harsh and confusing regulatory environment, high taxes and paucity of investment in the business aviation sector.

The entire aviation industry in India suffers a lack of infrastructure; business aviation jets and helicopters get the worst deal. Simply put, there are very few airports and no heliports in the country, resulting in a grave shortage of slots/parking spaces. Even at existing operational airports, there is a lack of adequate infrastructure, leaving operators with no choice but to use the existing inadequate facilities. Operating from and to such airports leads to compromises that could, and do impact adversely on flight safety.

New airports under the PPP scheme are being developed, but at a very slow pace. The clearances required before construction commences are mired in red tape and bureaucracy, and take years to obtain. A case in point is the proposed airport at Navi Mumbai. There is an urgent need to fast-track the entire process of clearances so

that new airports are developed close to existing and proposed business hubs. Due to the growth of commercial passenger traffic, some of the busiest airports are subject to slot constraints, which are imposed on the business jet operators. Sometimes, up to a 48-hour notice is required to obtain a slot! This defeats the very purpose of business aviation – being able to fly whenever and wherever required.

The regulatory framework is characterised by the lack of a coordinated action plan and common vision across all levels of regulatory bodies including the DGCA, concerned ministries, and operators/stakeholders. A common vision and goals are essential to make commercial and business aviation viable and safe. Also, certain regulations can even be termed as harsh, difficult to comply with and which defy logic and understanding.

A multiplicity of intra-ministry approvals are required, right from permission to import a new aircraft/helicopter to gaining entry into an airport for genuine reasons. Buying a new aircraft/helicopter requires clearance from 7-8 different agencies and can take over 6 months, thereby delaying acquisition.

Helicopter operations are worse affected since no dedicated and separate operating procedures for helicopters exist; the current rules and regulations enforced for fixed wing operations are conveniently carried forward, thereby severely restricting the proper utilisation of the commercial helicopter fleet. Even though there is an

urgent need for construction of roof-top helipads in large metros, the cumbersome process of obtaining clearances has ensured that very few such helipads actually exist.

Indian business aviation is overtaxed. In addition to infrastructure and regulatory woes, business aviation and helicopter operators are faced with high cost of aviation fuel, arbitrary customs duties, high duties on spares, sales tax on aircraft transactions and high ground handling charges. Domestic fuel is subject to excise duty and state taxes that are as high as 30%. Globally, fuel accounts for about 34% of an airline's cost structure. In India, it accounts for nearly 45%.

There is a wide disparity in customs duties for import of business aircraft and spares for non-scheduled and private operators. There is also a 12.5% VAT, which is applicable for intra-country sale of aircraft because the government views business jets as a luxury. This customs duty implication affects maintenance service providers also, due to which they refrain from stockpiling and wait for parts to be couriered – either from Dubai or Singapore.

Alongside taxes, the rising costs at India's main airports – Mumbai and Delhi – are also hampering business aviation's ability to deliver broader economic benefits. DIAL and MIAL have invented new levies and imposed prohibitive costs on business operators. A comprehensive policy on airport charges needs to be formulated and enforced that should be applicable for all concerned.

India's business aviation needs capital to grow. Currently, 74% foreign investment is permitted for non-scheduled operations. Given that 100% FDI is permitted in helicopter services, the government could consider increasing this too. Such an increase would boost the business aviation sector tremendously.

Business aviation is the enabler for economic growth in future, if given a conducive climate to develop in. Guidelines for the regulation and support of business aviation need to be formulated expeditiously. A separate set of operating procedures for helicopters is required to be promulgated. Infrastructure needs to be developed in a phased manner to facilitate business aviation. In case progress is not forthcoming in addressing these issues, Indian business people are more likely to be flying and investing overseas.

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