Aviation sector measures on expected lines

Part of: GS-III- Economy Aviation (PT-MAINS-PERSONALITY TEST)

MRO hub plan will help save forex and enable local overhauling of planes

The three key announcements of Union Finance Minister concerning the civil aviation sector have been viewed as those on expected lines, while the announcement on MRO (maintenance, repair and operations) needed more clarity on the tax incentives, industry experts said.

- MROs,
- more airports through PPP mode,
- flexible use of airspace.

Analysis

- “There is no relief likely [for the airline industry] and medium to long term downsizing of the industry is inevitable unless promoters are able to recapitalise significantly. The industry was not promised anything by the government and they will now have to look within for outcomes.
- “The move to invite PPP in six more airports will provide AAI the resources to develop smaller airports across the country and popularise the government’s Udaan scheme.”
- “The plans to make India a global MRO hub will ensure savings of precious foreign exchange and enable Indian airlines to get their aircraft serviced locally.”
- “Rationalising the MRO tax structure has been a long-pending demand of the industry and it is good to see that happening finally, but more needs to be done to create a level-playing field, attract foreign investment and make it profitable. If only the FM can extend the benefit to cover input tax reduction and waivers at least for exported services, as with other industries, it will become a game changer.”
- “The biggest upside will be its ability to create new jobs and a strong global value chain with the civil-defence business interface, which remains constrained and under-leveraged.”
- “Airport privatisation in India has a chequered history. Recently, India privatised six airports, all of which were awarded to the Adani Group via competitive bidding. The key concern in airport privatisation here is – in which cities? For an airport to be successfully privatised, it needs to have the kind of volumes necessary to ensure that the entity that wins the bid actually makes money.”
- “The only cities that could potentially fit the bill are Chennai and Kolkata. However, these cities were on the privatisation block back in 2014, and neither of them could move forward because of local resistance,”

Way Forward

“Post COVID-19, it seems that the state governments in both of these cities are unlikely to allow private parties to take control of these assets. Therefore, if there are no viable cities for which privatisation might be viable, the Government of India’s decision may be difficult to implement,”
“We need to see more details on the tax simplification, which will help in making India an MRO hub. More relief measures for the civil aviation sector to keep it alive post-COVID-19.” “Better infrastructure should make air travel more accessible and there is a huge opportunity in this sector.”