

Infrastructure key to attract FDI in general aviation

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The Government's decision to allow 100 per cent Foreign Direct Investment (FDI) in general aviation and ground handling services is likely to benefit these segments as foreign air charter operators and ground handlers with deep pockets and expertise will open up base here or buy out existing players but the policy decision must be backed by infrastructure on the ground feel experts and general aviation players.

"It is a welcome move. But this will not have any immediate impact. Policy decision must be backed by infrastructure development and a focused approach for general aviation to attract FDI. Without adequate parking and landing slots for charter planes at key airports in Mumbai and Delhi, general aviation cannot benefit," said Rajeev Wadhwa, Chairman & CEO, Baron Luxury and Lifestyle which provides air charter services to HNIs and others under its brand Baron Eagle.

"Investors need favourable policies but investment always chases viability and strong balance sheets. So without improving airport infrastructure and developing a separate policy for general aviation, and providing seamless connectivity nothing much can be achieved. We lack in air strips and heli ports. All the investments that are expected to come in will need infrastructure that would ensure a return of 20 to 24 per cent on EBITDA level," he said.

The general aviation sector, comprising 120 non-scheduled operators with a fleet of close to 200 jet and turbo prop aircraft in India, is suffering from heavy losses amidst high operating cost, underutilized capacity and tough regulatory environment that is considered stringent for movement of aircraft carrying HNIs, corporate honchos and foreigners.

"In India 35 per cent of general aviation aircraft capacity is underutilized. Here the maximum utilization per aircraft is 400 hours per year as compared to 800 to 900 hours internationally. Unless we improve the flying hours here, viability will remain a distant dream and no one will be keen to invest," Mr Wadhwa said.

The Hindu tried to contact multiple air charter operators but many preferred to stay away from commenting as clarity is awaited.

They said, most of them have sold of their aircraft due to losses and helicopter charter service has also not taken off as India does not have a heli-tourism policy. Most of the helicopters are engaged in off-shore operations.

“Bringing 100 per cent FDI in non-scheduled air transport services, especially in the Helicopter sector is a welcome move. With the draft civil aviation policy providing a structural lift to the Helicopter operations in India, 100 per cent FDI will bring in capital and expertise and shift dynamics completely,” said Kapil Kaul, CEO, South Asia, Centre for Asia Pacific Aviation (CAPA).

“Both the recent changes- completely aligning policy to the needs of the sector and 100 per cent FDI- will be game changing for non- scheduled operations especially Helicopter operations in India. It is a very positive move,” he said.

Mr Kaul said that the opening up of 100 per cent FDI in ground handling services is another welcome move as it would allow existing and new ground handling firms to plan for more aggressive expansion and investment in India.

“The existing 26 per cent requirement for Indian investment in ground handling couldn’t attract serious Indian players and constrained the operational and strategic development of the sector. I can see consolidation in ground handling industry as existing International players will buy out the Indian share holders,” Mr Kaul said.

According to CAPA the provision of 49 per cent FDI under automatic route will help in easing of entry but will not have any significant impact.

“Overall, the announcements will have positive impact. It should send a positive signal about Government’s intent especially as the draft civil aviation policy has already incorporated some significant measures. Revival of investment interest in aviation is subject to implementation and execution of the measures announced,” Mr Kaul added.

Keywords: [FDI](#), [FDI in aviation](#)