Business aviation in India

As demand grows, operators contend with infrastructure and regulatory challenges

by Anand and Madhura Katti

Business aviation is on the upswing in India, and the country is poised to experience an even bigger boom in the sector as a result of favorable demographics and rapid economic growth. International inbound traffic is also growing in parallel with increasing investment and trade activity. The nation is attracting more international leisure travelers, reinforcing demand for investments in aviation infrastructure.

Located between the Middle East and Far East, the Indian subcontinent has strategic significance for trade and business, and the aviation industry is poised to play a major role in the nation’s growing economy. According to The Economist Intelligence Unit, India might host 411,000 millionaires by 2017, making the nation one of the world’s fastest growing markets.

General aviation in the nation is growing faster than aviation as a whole, according to Capt. Karan Singh, president of the Business Aviation Association for India (BAAI). “All major business houses and high-net-worth individuals are aspiring to own aircraft,” he told AIN. He further explained that the mindset of business leaders has changed as Indian companies now have global ambitions. “Aircraft are considered a tool and not a toy,” he said, noting that aircraft ownership extends to many small and medium-sized companies.

Currently there are 258 multi-engine turbine aircraft (99 helicopters and 159 fixed wing) and 85 single-engine turbine aircraft (77 helicopters and eight fixed wing) in India. There are 88 nonscheduled operation certificate holders with 255 aircraft. Private owners operate 193 aircraft. Demand for private aircraft is increasing, according to Government of India Ministry of Civil Aviation Joint Secretary Arun Mishra, who told AIN that the ministry approved 100 applications for import of general aviation aircraft in 2006, and 200 (including helicopters) last year. Fifty-six new nonscheduled or charter operators were given permission last year.

Airport Infrastructure

As the Indian economy has grown in recent years, there has been a substantial increase in demand for aviation capacity. To compensate, India has invested in new airports, terminals, runways and surveillance infrastructures.

India Civil Aviation minister Praful Patel has said, “We will immediately upgrade 35 existing airstrips. Every person living in India should be within 50 kilometers [31 miles] of an airport,” as opposed to the current 150-km [93-mile] trip to the airport for many passengers. The country plans to have 400 operating airports by 2020. The ministry is also envisioning “merchant airports” that will be independently developed and run by private companies.

As more business aircraft are based in India, companies such as Delhi-based InterGlobe General Aviation are opening to serve the needs of bizav operators.

Mishra told AIN, “The government’s Vision 2020 envisions creating infrastructure to handle 280 million passengers by 2020. Investment opportunities of $110 billion are anticipated through 2020, consisting of $80 billion in new aircraft and $30 billion in development of airport infrastructure.” The government plans major investments in new airports and upgrades of existing airports, he added.

According to Singh, Mumbai and Delhi are the two major hubs for business aviation in India. Both airports have been privatized and are being upgraded, to the tune of $4 billion, between 2006 and 2016.

The growing number of international leisure travelers visiting India is responsible, in part, for the nation’s emphasis on improving its aviation infrastructure. For example, the Taj Mahal, one of the country’s most powerful attractions, draws between two and four million visitors annually, some 200,000 of whom are from outside India’s borders.
General aviation can use any of the existing airports or airstrips. If the operator wants to use a nonoperational airport, he must obtain advanced permission from the district magistrate's office to give the office a lead time to provide services. A number of states are realizing the value of operating as demand rises. Nagpur airport authorities about obtaining curtains, flooring and painting before taking on engine maintenance work later. Brighton and Hove Council in partnership with the Graham Construction and the Environment Agency have begun the construction of a second parallel runway and modern terminal buildings. Nagpur is fast emerging as an international aircraft maintenance hub. Boeing has already been allotted 75 acres in the Special Economic Zone next to Nagpur Airport for an MRO facility. The company plans to invest $100 million for the project, though details of the agreement have yet to be decided. Bravia has acquired 35 acres of land for building hangars. Mumbai-based Max Aerospace, building a smaller MRO in Nagpur on 15 acres, will be the third company to open an MRO facility at the site. Max Aerospace & Aviation performs an initial value of $10- to $20 million annually, increasing in size and complexity as business opportunities develop. Bengaluru is also the home for the Airbus Engineering Centre India, part of EADS Technology Centre India. This campus-style institution performs engineering and information technology services. Airbus Engineering Centre India, a subsidiary of Airbus, focuses on high-end engineering analysis and design. Indian engineers develop advanced modeling and simulation and are involved in the design and production of new aircraft such as the A380 and A350. For business aircraft, India-based Inter-Globe General Aviation and Hawker Beechcraft opened a Hawker Beechcraft authorized service center at the Indira Gandhi International Airport in Delhi in June. This is the first authorized service center for Hawker Beechcrafts in India. The facility also serves operators in Afghanistan, Bangladesh, Bhutan, the Maldives, Nepal, Pakistan and Sri Lanka. Last year India became the third largest geographic region for sales of Hawker Beechcrafts (behind the U.S. and Brazil). Nigel Harwood, CEO of InterGlobe General Aviation, told AIN that by year-end the company will have DGCA approval to maintain 12 different types of aircraft. The company’s 18,300-sq-ft facility features a VIP lounge, pilot offices, crew lounges, maintenance support offices and a hangar that can perform maintenance on up to six aircraft at a time. Inter-Globe General Aviation plans to expand into a full-fledged MRO facility for private jets in India by 2010. With that in mind, it plans to open its next authorized center in Mumbai later this year and one in either Chennai or Bengaluru by next year. In addition, next year it will add Gulfstream and Cessna to its service offerings at Delhi. According to Harwood, “Unfortunately, the expansion of MRO/FBO facilities has not kept pace with growth in general aviation and is inadequate.” The recent tender from Delhi Airport for an FBO, he believes, is the beginning of an emerging trend of FBOs across India. We are beginning to see encouraging signs that can only assist in this market.” For the first time, New Delhi Indira Gandhi International Airport operators floated an Expression of Interest for an FBO two months ago. Unfortunately, the construction of an FBO at Mumbai Airport has run into legal obstacles and is currently dormant.

Charter and Fractional Operations

As the economy grows and more people recognize the value of business aviation, Indian businesses have looked to charter and fractional aircraft as a transportation alternative. The nation’s tax rules—25 percent on the purchase of an airplane—have made charter flights and fractional ownership more attractive to Indian clients than whole ownership. As a result, a number of charter and fractional services have sprung up in the region. First, Blets, a member of the Briley group in partnership with the Tata group’s Indian Hotel Co. (which runs Taj hotels), launched what it says is Asia’s biggest fractional and block charter private jet company in the third quarter. Blets CEO Mark Bailer told AIN that the company has begun operating flights for select clientele in the region. He pointed out that representatives of multinational companies who are already using business jets elsewhere are likely to be the first customers for these services. Regional companies, as well as individuals from India’s growing corporate world and Bollywood, and sports personalities for whom time is at a premium, are logical users of these services as they seek to save time for family and other activities. The company has ordered 20 Cessna Citation CJ12+s, 20 Hawker 850/900XPs. Continues on next page
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and 10 Hawker 4000s. It will have 15 aircraft by year-end.

Bair told AIN that while the company’s operations hub is at the new privately operated Rajiv Gandhi International Airport in Hyderabad, it will have aircraft positioned at major airports and will fly customers throughout India and Southeast Asia.

GMR Hyderabad Airport CEO P.S. Nair told AIN, “Three business aircraft support operators are negotiating for all FBO services with us. We have provided exclusive parking space for business jets and plan to have an FBO by year-end.”

Another fractional company, Club One Air, will launch its low-cost arm this month, according to managing director Manav Singh. The company will begin operations with 10 VLJs; but it has not yet specified which model it will fly despite the claimed imminence of operations. He said the low-cost service would be the first of its kind and would be targeted at members of middle as well as senior management. Club One Air already operates eight aircraft offering charter service.

Singh said, “No airport in India has exclusive infrastructure for general aviation yet. The segment has potential to grow substantially if AAI and the Indian government [can fix that].”

In July this year helicopter charter company Deccan Aviation launched Deccan Skylimo, India’s first helicopter shuttle service from the new Bengaluru International Airport (BIAL) to key business locations in Bengaluru. Deccan Aviation executive chairman Capt. G.R. Gopinath told AIN, “The service will effectively cater to the growing spectrum of business and leisure travelers looking for time efficiency.”

The Skylimo service connects BIAL with the old airport and with the electronics city at prices of $112 and $135 per person, respectively. The service offers convenient schedules at regular frequencies and drastically reduces road travel time. The company intends to extend operations to more locations in the city.

Deccan Aviation also plans to launch charter operations with two helicopters each in Hyderabad and Mumbai by year-end.

Challenges for Growth of GA

One of the primary obstacles to the growth of general aviation in India is the fact that the purchase and importation of aircraft is a tedious process, requiring clearance from a number of agencies. There is an import duty applicable only to aircraft purchased for general aviation, and there are basically two categories of permit for importing aircraft for GA: one is private and the other is nonscheduled operator. All private airplanes incur a duty of approximately 25 percent, which includes 3-percent customs duty, 16-percent countervailing duty, 4-percent special additional duty and some surcharges.

Capt. Singh of India’s business aviation association said, “That is a dampener for the growth of the segment. Forty percent of prospective buyers might put off their plans. If a person is buying an aircraft for $20 million, he might sell it after two years at the same cost. In that case a 25-percent duty will be a loss for him.” BAAI is lobbying the Indian government to reduce the import duty on aircraft purchases.

He pointed out that users of business aircraft provide a revenue source for the government beyond the import duty, “The government earns incidental revenues from this sector in many other ways. Also, the buyers are high-profile individuals who add to the country’s economy through their business activities.”

Another obstacle for business aviation is the length of time required to obtain permission to operate in the country. Foreign operators must give notice of at least seven days to operate in the country. Foreign operators must give notice of at least seven days before their arrival. That can extend to as much as a month if they have to land at Pune, Agra or Vishakhapatnam, which are under India’s defense control. BAAI is also lobbying for a reduction in licensing time.